

KEMPOWER Corporation

Business Review

1 January–30 September 2022



 **KEMPOWER**

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Strong quarter driven by high demand in all customer groups

July–September 2022 highlights, IFRS (comparison figures in parenthesis July–September 2021)

- Order intake increased to EUR 65.4 million (EUR 5.8 million)
- Revenue increased by 227% to EUR 32.7 million (EUR 10.0 million)
- Gross margin was 46% (49%)
- Operative EBIT increased to EUR 2.4 million (EUR 2.1 million), 7% of revenue (21%)
- Profit for the period was EUR 1.6 million (EUR 1.2 million)
- Cash flow from operating activities was EUR 6.7 million (EUR -0.6 million)
- Amount of personnel at the end of the period grew to 307 (103)

January–September 2022 highlights, IFRS (comparison figures in parenthesis January–September 2021)

- Order backlog* increased to EUR 95.1 million (EUR 10.6 million) end of the Q3
- Order intake increased to EUR 147.2 million (EUR 25.9 million)
- Revenue increased by 247% to EUR 65.8 million (EUR 19.0 million)
- Gross margin was 46% (47%)
- Operative EBIT increased to EUR 3.2 million (EUR 2.3 million), 5% of revenue (12%)
- Profit for the period was EUR 1.0 million (EUR 0.9 million)
- Cash flow from operating activities was EUR 3.0 million (EUR -4.6 million)

* Majority of EUR 95.1 million order backlog is planned to be delivered to customers during first half year of 2023.

IFRS KEY FIGURES

MEUR	Q3/2022	Q3/2021	1-9/2022	1-9/2021	2021
Order backlog	95.1	10.6	95.1	10.6	13.7
Order intake	65.4	5.8	147.2	25.9	37.4
Revenue	32.7	10.0	65.8	19.0	27.4
Revenue growth, %	227%	1,726%	247%	1,369%	741%
Gross margin	15.1	4.9	30.4	8.9	12.9
Gross margin, %	46%	49%	46%	47%	47%
EBITDA	3.2	2.4	5.6	2.9	0.5
EBITDA margin, %	10%	24%	9%	15%	2%
Operating profit/loss (EBIT)	2.4	2.1	3.2	2.1	-0.7
EBIT margin, %	7%	21%	5%	11%	-3%
Operative EBIT	2.4	2.1	3.2	2.3	1.0
Operative EBIT margin, %	7%	21%	5%	12%	4%
Profit/loss for the period	1.6	1.2	1.0	0.9	0.3
Equity ratio, %	70%	13%	70%	13%	91%
Cash flow from operating activities	6.7	-0.6	3.0	-4.6	-2.6
Investments	1.6	0.2	4.0	0.8	1.6
Net debt	-69.8	7.2	-69.8	7.2	-89.3
Items affecting comparability		0.0		0.2	1.7
Earnings per share, basic, EUR	0.03	0.03	0.02	0.02	0.01
Earnings per share, diluted, EUR	0.03	0.03	0.02	0.02	0.01
Headcount end of period	307	103	307	103	136

Short-term outlook unchanged

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 to see 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.

CEO TOMI RISTIMÄKI COMMENTS ON THE Q3 RESULTS:

Strong quarter driven by high demand in all customer groups

Our business developed positively during the third quarter of 2022. I am especially pleased on our continued sales expansion outside Nordics. In general, customer demand has been strong in all key markets and customer groups. In Q3 of 2022 our order intake grew once again to a record high EUR 65.4 million compared to EUR 5.8 million in Q3 of 2021. In Q3 of 2022, our revenue increased to EUR 32.7 million, which almost equals to Q1 and Q2 of 2022 combined, proving our ability to scale up the operations.

Our production capacity has increased after we opened our new production site in Lahti with additional 10 300 square meters of space. We have also rented more factory space from our second site next to the new factory. All together we have currently close to 14 000 square meters space available in Lahti factories. Our biggest challenge to respond to the growing demand is neither recruitments nor the production lines but the ability to scale up our supply chain where the availability of electronic components continues to be an issue. This limits our short- term deliveries especially in Q4 2022. We are currently ramping up new sub-assembly line to strengthen existing subcontracting model which will further increase our production capacity during 2023.

We have continued developing our operations and hired a significant amount of new personnel even though we are slightly behind our recruitment plans. Our rapidly growing organization creates additional requirements on the recruitment and orientation processes. Finding the new people will require even more work in the last quarter of the

year 2022 in order to successfully develop the business with increased volumes.

During the quarter we continued to expand our customer base, especially outside Nordics. For example in the charge point operators (CPO) and retail chains customer group we announced orders for more than EUR 4 million from FOR:EV, a charge point operator based in Scotland. Since December 2021 in the same customer group we have communicated more than EUR 14 million orders from Power Dot EV to France, Spain, Portugal and Poland. During the quarter we announced the opening of the first public EV charging station in Sweden for the charge point operator Recharge, equipped with Kempower's DC fast chargers. In the bus and truck operators customer group we announced delivery of fast chargers for Sweden's biggest and most powerful electric trucks charging station. In the distributors and installer network customer group we will deliver fast chargers to JET Charge for the new EV highway in Australia, one of the world's longest single EV infrastructure projects.

As we communicated this summer, we target to establish operations in the United States already by the end of 2023. At the moment the US is behind Europe in electrification of traffic, but we expect the \$ 5 billion National Electric Vehicle Infrastructure (NEVI) Formula Program and Inflation Reduction Act to speed up electrification in the US already in 2023. Speed is a key factor in the US market entry, and we are currently looking at a range of entry options including also possible mergers and acquisitions, or partnerships.

During the year 2023 our target is to become fully compliant with German Eichrecht regulation which relates to kWh metering and billing. Eichrecht compliance will give us access to charge point operators (CPO) and retail chain customers in Germany and Austria.

In Q3 of 2022, we received the Green Equity Designation from Nasdaq, an important milestone in executing our ESG strategy. According to an assessment carried out by an external reviewer, Kempower's charging products contribute towards climate change mitigation. The assessment also states Kempower is likely to be 100% aligned with the EU taxonomy.

Kempower ChargEye's Depot Master, our charging management and optimization system, is now compatible for 3rd party chargers. This feature broadens ChargEye's customer base, enabling customers also connect chargers from other DC manufacturers to the ChargEye system. After the review period we launched the Kempower AC Satellite which is stand-alone EV charger, hosting the unique cable management system similar to Kempower DC Satellites. DC charging will remain Kempower's main business focus and AC charging will continue as a complementary part of the product portfolio.

This was once again an excellent quarter performed by our great Kempower team. In the coming quarters we will put even more focus on developing this skilled, young, dynamic and energetic organization, consisting of people from close to 30 different nationalities.

Financial reporting and geographical regions

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

Kempower reports revenue according to the following geographical regions:

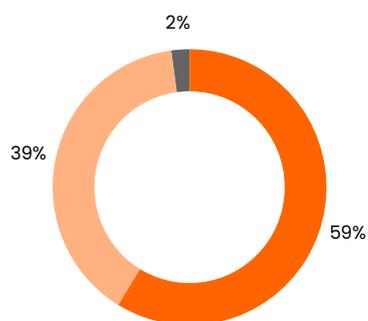
- Nordics
- Rest of Europe
- Rest of the World

Revenue

REVENUE BY GEOGRAPHICAL REGIONS

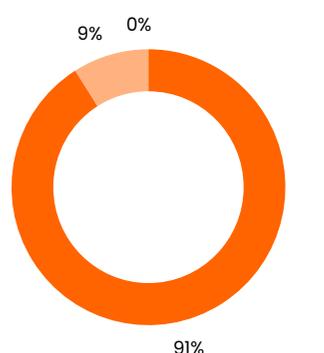
MEUR	Q3/2022	Q3/2021	Change %	1-9/2022	1-9/2021	Change %	2021
Nordics	19.2	9.1	111%	39.8	17.0	134%	23.1
Rest of Europe	12.8	0.8	1,407%	24.4	1.8	1,247%	4.1
Rest of the World	0.7	0.0	1,931%	1.6	0.1	1,139%	0.2
Total	32.7	10.0	227%	65.8	19.0	247%	27.4

REVENUE Q3/2022



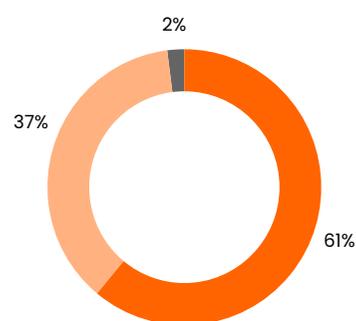
■ Nordics 19.2 MEUR
■ Rest of Europe 12.8 MEUR
■ Rest of the World 0.7 MEUR

REVENUE Q3/2021



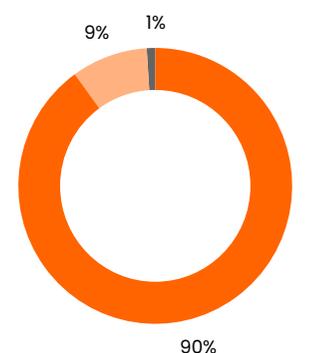
■ Nordics 9.1 MEUR
■ Rest of Europe 0.8 MEUR
■ Rest of the World 0.0 MEUR

REVENUE 1-9/2022



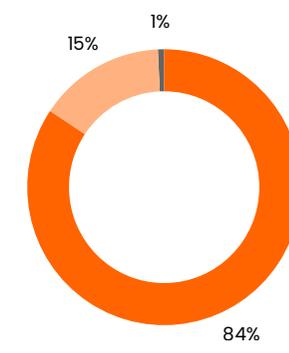
■ Nordics 39.8 MEUR
■ Rest of Europe 24.4 MEUR
■ Rest of the World 1.6 MEUR

REVENUE 1-9/2021



■ Nordics 17.0 MEUR
■ Rest of Europe 1.8 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

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

Kempower's revenue for the third quarter amounted to EUR 32.7 million (EUR 10.0 million), an increase of 227 percent compared to Q3 2021. Kempower's revenue for January–September 2022 amounted to EUR 65.8 million (EUR 19.0 million), an increase of 247 percent compared to previous year.

Kempower's main geographical markets include the Nordics, which accounted for 59 (91) percent of Kempower's revenue for the third quarter of 2022, and the Rest of Europe, which accounted for 39 (9) percent of Kempower's revenue for the third quarter of 2022. For January–September 2022 the revenue generated from the Nordics accounted for 61 percent of Kempower's revenue compared to 90 percent for the comparative period 2021. The revenue from the Rest of Europe accounted for 37 percent of Kempower's revenue in January–September 2022 compared to 9 percent in the previous year.

Kempower's charging solutions have been delivered to almost 40 countries globally, and the revenue outside Europe accounted for 2 (0) percent of Kempower's revenue for the third quarter of 2022 and 2 (1) percent of revenue for January–September 2022. Kempower's growth during the Q3 2022 and January–September 2022 has been most significant, in absolute terms, in the Nordics and in the Rest of Europe, and in relative terms in Rest of Europe and Rest of the World.

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 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.

At the moment Kempower is reviewing the existing mid- and long-term financial targets and will publish new financial targets during Q1 of 2023.

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 financial items, 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



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