KEMPOWER Corporation

Financial Statements Release

1 January–31 December 2022

KEMPOWER

Kempower Corporation Financial Statements Release, 1 January–31 December 2022 (unaudited)

October-December 2022 highlights, IFRS

(comparison figures in parenthesis October-December 2021)

- Order backlog increased to EUR 118.9 million (EUR 13.7 million) at the end of Q4
- Order intake increased to EUR 61.7 million (EUR 11.5 million)
- Revenue increased by 352% to EUR 37.8 million (EUR 8.4 million)
- Revenue outside Nordics increased to 52% (28%) of revenue
- Gross margin was 47% (47%)
- Operative EBIT increased to EUR 3.5 million (EUR -1.3 million), 9% of revenue (-16%)
- Profit for the period was EUR 2.5 million (EUR 0.7 million loss)
- Cash flow from operating activities was EUR -8.4 million (EUR 2.0 million)
- Amount of personnel at the end of the period grew to 375 (136)

January-December 2022 highlights, IFRS

(comparison figures in parenthesis January-December 2021)

- Order intake increased to EUR 208.9 million (EUR 37.4 million)
- Revenue increased by 279% to EUR 103.6 million (EUR 27.4 million)
- Gross margin was 46% (47%)
- Operative EBIT increased to EUR 6.7 million (EUR 1.0 million), 6% of revenue (4%)
- Profit for the period increased to EUR 3.6 million (EUR 0.3 million)
- Cash flow from operating activities was EUR -5.4 million (EUR -2.6 million)

IFRS KEY FIGURES

MEUR	Q4/2022	Q4/2021	H2/2022	H2/2021	2022	2021
Order backlog	118.9	13.7	118.9	13.7	118.9	13.7
Order intake	61.7	11.5	127.0	17.3	208.9	37.4
Revenue	37.8	8.4	70.5	18.4	103.6	27.4
Revenue growth, %	352%	328%	284%	633%	279%	741%
Gross margin	17.7	3.9	32.8	8.8	48.2	12.9
Gross margin, %	47%	47%	47%	48%	46%	47%
EBITDA	3.9	-2.4	7.1	-0.1	9.5	0.5
EBITDA margin, %	10%	-29%	10%	-0%	9%	2%
Operating profit/loss (EBIT)	2.9	-2.7	5.3	-0.7	6.1	-0.7
EBIT margin, %	8%	-33%	7%	-4%	6%	-3%
Operative EBIT	3.5	-1.3	5.8	0.8	6.7	1.0
Operative EBIT margin, %	9%	-16%	8%	4%	6%	4%
Profit/loss for the period	2.5	-0.7	4.1	0.5	3.6	0.3
Equity ratio, %	68%	91%	68%	91%	68%	91%
Cash flow from operating activities	-8.4	2.0	-1.8	1.4	-5.4	-2.6
Investments	2.2	0.8	3.8	1.0	6.2	1.6
Net debt	-58.4	-89.3	-58.4	-89.3	-58.4	-89.3
Items affecting comparability	0.6	1.4	0.6	1.5	0.6	1.7
Earnings per share, basic, EUR	0.05	-0.02	0.07	0.01	0.06	0.01
Earnings per share, diluted, EUR	0.05	-0.02	0.07	0.01	0.06	0.01
Headcount end of period	375	136	375	136	375	136

Outlook for 2023

Kempower continues to seek strong growth in a profitable manner. The advanced entry to North American markets in 2023 impacts Kempower's operative EBIT due to additional costs relating to recruitments and the new factory ramp up. The new manufacturing capacity in the USA is targeted to be available by the end of the 2023.

Kempower expects:

- 2023 revenue; EUR 180–210 million (2022: EUR 104 million), assuming no major impact of foreign currency exchange rates
- 2023 operative EBIT; a positive single digit operative EBIT margin, %

The company's mid- and long- term financial targets are no longer current, and they will be updated in conjunction with the Capital Markets Day in April 2023.

CEO TOMI RISTIMÄKI COMMENTS ON THE Q4 RESULTS:

Our growth strategy execution and business proceeded as planned

Our fourth quarter of 2022 was a reflection of our success throughout the year, we continued the execution of our growth strategy and reported strong financial results. In 2022, we reached EUR 209 million of order intake and EUR 104 million of revenue representing 279% year-on-year growth. As a result of our quicker growth than DC charging market overall, we are already the top player in the Nordic markets and gaining quickly market share in the rest of Europe driven by the 898 % year-on-year revenue growth in the region. In addition, revenue growth in other parts of the world started to accelerate by the end of the year.

The popularity of Kempower charging solutions among the European EV drivers has increased: the energy charged through Kempower chargers grew from 2,500 MWh in January 2022 to 12,000 MWh in December 2022. According to a recent brand survey, Kempower brand has strengthened among the European customers and EV drivers. The EV drivers across Europe appreciate Kempower charging solutions' reliability, quality, user friendliness and safety, proving the strength of our charging technology in the industry.

Kempower's RDI team is dedicated to combining customer understanding, our technology, and our competence to provide the next generation EV charging solutions to our customers. In Q4 2022 we started the deliveries of the adaptive voltage charging solution, and as a result Kempower provides optimal charging for electric vehicles in all battery voltages. During the fourth quarter we also launched the bus pantograph solution strengthening our offering in fleet operators customer group.

According to our estimate, the number of Direct Current (DC) fast charging points increased in Europe by more than 50 percent in 2022 compared to 2021. A recent study by the European Automobile Manufacturers Association showed that up to 6.8 million public charging points would be required in Europe by 2030 to reach the proposed 55% CO_2 reduction in road traffic. This is a significant increase on the existing 0.5 million public charging points in Europe. Given this long-term trend, we see those short-term changes, such as a slight slowdown in the growth rate of battery electric vehicle (BEV) registrations or an increase in electricity prices, not having a significant impact on the fast-charging market.

During 2022, our position strengthened in all four customer groups – charge point operators (CPO) and retail chains, fleet operators, original equipment manufacturers (OEMs) and distributor and installer networks. The electrification of trucks is expected to develop rapidly in the coming years as the major truck manufacturers are quickly electrifying their supply. Kempower is heavily involved in this development, and we signed in Q4 a new international agreement with a Scandinavian heavy truck manufacturer. We also started collaboration with Einride to develop charging for digital, electric and autonomous freight mobility.

"In 2022, we reached EUR 209 million of order intake and EUR 104 million of revenue representing 279% year-on-year growth."

The availability of electronic components has been challenging during the year but thanks to the excellent work by our procurement and RDI teams, we have been able to source required components and ensured the deliveries to our customers. During the year 2022, we have strengthened our position among global suppliers which is ensuring better availability of components. In addition, we have been able to reduce the risk of component shortage with our dual sourcing strategy, by adding resources to our sourcing team, and by signing longer commitments with our suppliers. In 2023, we do not expect material or component prices to have a significant adverse impact in our profitability.

Our ability to scale up quickly the production capacity was the big success for year 2022. During the year we started production in new facilities and expanded the production in the factory established in 2021. We have at the moment 14,000 square meters of space available in two factories in Lahti, Finland. During the second half of 2022, we started to work in two shifts in some of our production lines to increase our production capacity even further. In addition, we are at the moment reviewing different alternatives to increase our production capacity in Europe. If the demand of Kempower charging solutions continues to grow, the new capacity is expected to be in use by the end of 2025.

In 2022, we decided to enter to the North American market already by the end of 2023. Our plan is progressing well, and we have now established a subsidiary and decided the location for production facility which will be in North Carolina like we communicated after the review period. Our target is to start up the production in the US during the second half of 2023.

The year 2022 was our first full year as a stock exchange listed company and our fifth full operational year as Kempower. I am extremely impressed with my Kempower colleagues' outstanding performance and contributions. Their efforts were instrumental in taking care of our customers, driving our growth, expanding our capacity, and successfully expanding our operations in Europe.

"We continued to expand our capacity in Q4 to respond to the increased customer demand."

Earning the 'Finnish Growth Company of the Year' award and receiving the 'Internationalization Award' from the President of Finland were also the result of a fantastic teamwork.

Our vision is to develop the world's most desired EV chargers to everyone, everywhere. In 2023, we will continue to expand our business in both Europe and North America as well as to supporting our sales partners in other regions. We are well-prepared to take on new challenges and opportunities as we progress on our journey. I want to thank our customers, suppliers, EV drivers and shareholders of the successful year 2022.

Sustainability

Sustainability is at the core of Kempower's strategy. Kempower's charging solutions are built to enable mobility without CO_2 emissions. The company is committed to the global goal of Paris Agreement about reduction of green-house gas emissions. Kempower works to minimize any harmful environmental and social impacts and enforces responsible business conduct throughout the value chain. Kempower's own vehicle fleet is fully electric, and the choice has been made to use 100% fossil free electricity in all operations by 2025. As Kempower grows, the enabling impact that Kempower charging solutions have in reduction of green-house gas emissions grows as well. The global impact in charging can be measured continuously, which makes Kempower's contribution easily quantifiable and continuously increasing.

Kempower sustainability agenda consists of the three main themes which are all backed up with actions and progress measurement.

- 100% carbon neutrality by 2035. The goal supports the UN's sustainable development goals (SDGs) 13. Climate Action; and 7. Affordable and Clean Energy
- Sustainable products that enable a society functioning with 100% electric transportation. The goal supports the SDGs 11. Sustainable Cities and Communities; and 12. Responsible Consumption and Production
- Number one workplace for future professionals. The goal supports the SDGs 3. Good Health and Well-being; and 4. Quality Education

Kempower has prepared a sustainability report to be disclosed as part of 2022's annual report which summarizes performance against the sustainability commitments and long-term targets. Kempower's certified management systems ISO 14001 (Environmental), ISO 45001 (Occupational Health & Safety) and ISO 9001 (Quality), provide a rigorous framework for continuous improvement towards the long-term targets.

Highlights in environmental performance in 2022 include a 68% reduction in own energy consumption relative to revenue from H1 2022 to H2 2022 and 58% reduction in carbon (scope 1+2) emissions per revenue from H1 2022 to H2 2022. Kempower's target is to be the best workplace for current and future professionals, and as a result in 2022 eNPS was 80, which is an excellent result. In addition, 115 new employees were hired in H2 2022.

Kempower wants to be a forerunner in sustainability, and in line with that, Kempower assessed its compliance to EU taxonomy a year ahead of when it would have been mandatory. Kempower revenue, investments and operational expenditures were found to be 100% aligned with EU Taxonomy Regulation, which means that full scope of the offering is classified environmentally sustainable. In addition, Nasdaq granted Green Equity Designation to Kempower in September 2022.

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

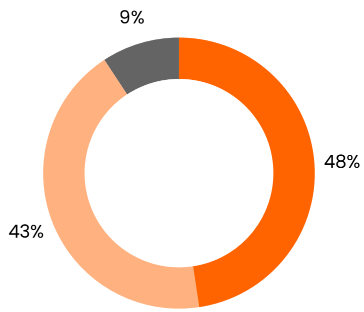
Kempower's product portfolio covers DC charging solutions and services. The entire product and service portfolio is reported under a single segment.

Kempower reports revenue according to geographical regions below:

- Nordics
- Rest of Europe
- Rest of the World

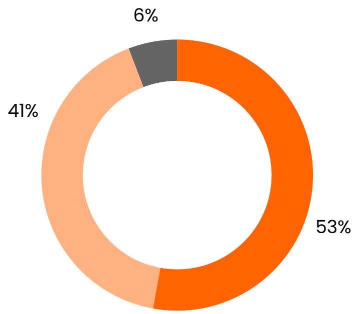
Revenue

REVENUE Q4/2022



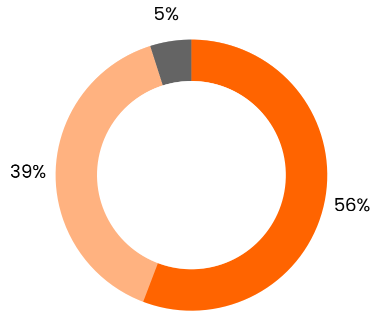
- Nordics 18.0 MEUR
- Rest of Europe 16.3 MEUR
- Rest of the World 3.5 MEUR

REVENUE H2/2022



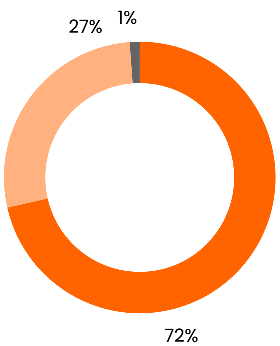
- Nordics 37.2 MEUR
- Other Europe 29.1 MEUR
- Rest of the World 4.1 MEUR

REVENUE 2022



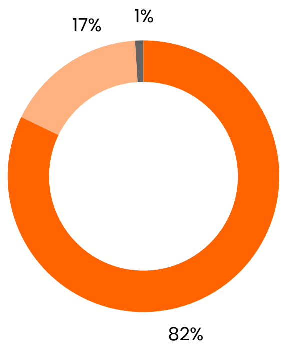
- Nordics 57.8 MEUR
- Rest of Europe 40.7 MEUR
- Rest of the World 5.1 MEUR

REVENUE Q4/2021



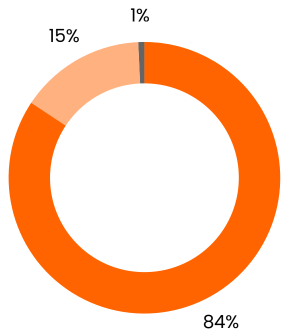
- Nordics 6.0 MEUR
- Rest of Europe 2.3 MEUR
- Rest of the World 0.1 MEUR

REVENUE H2/2021



- Nordics 15.1 MEUR
- Rest of Europe 3.1 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

REVENUE BY GEOGRAPHICAL REGIONS

MEUR	Q4/2022	Q4/2021	Change %	H2/2022	H2/2021	Change %	2022	2021	Change %
Nordics	18.0	6.0	198%	37.2	15.1	146%	57.8	23.1	150%
Rest of Europe	16.3	2.3	620%	29.1	3.1	834%	40.7	4.1	898%
Rest of the World	3.5	0.1	5,499%	4.1	0.1	4,274%	5.1	0.2	2,562%
Total	**37.8**	**8.4**	**352%**	**70.5**	**18.4**	**284%**	**103.6**	**27.4**	**279%**

Kempower's revenue mainly consists of deliveries of electric vehicle chargers and charging stations 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 ChargEye SaaS service, a cloud-based charging equipment management system. Kempower's customers are mainly charge point operators (CPO) and retail chains, fleet operators, original equipment manufacturers (OEMs) and distributor and installer partner networks.

Kempower's revenue for the fourth quarter amounted to EUR 37.8 (8.4) million. Revenue increased by 352 percent compared to Q4 2021. Kempower's revenue for 2022 amounted to EUR 103.6 (27.4) million. Revenue increased by 279 percent compared to the previous year.

Kempower's main geographical markets include the Nordics, which accounted for 48 (72) percent of Kempower's revenue for the fourth quarter of 2022, and the Rest of Europe, which accounted for 43 (27) percent of Kempower's revenue for the fourth quarter of 2022. In 2022 the revenue generated from the Nordics accounted for 56 (84) percent of Kempower's revenue. The revenue from the Rest of Europe accounted for 39 (15) percent of Kempower's revenue in 2022.

Kempower's charging solutions have been delivered to almost 50 countries globally, and revenue outside Europe accounted for 9 (1) percent of Kempower's revenue for the fourth quarter of 2022 and 5 (1) percent of revenue for 2022. Kempower's growth during the Q4 2022 and the full year 2022 has been most significant, in absolute terms, in the Nordics and in the Rest of Europe, but in relative terms, most rapid outside of Europe.

Profitability

Kempower's operative EBIT for the fourth quarter amounted to EUR 3.5 (-1.3) million. Operative EBIT increased by EUR 4.8 million compared to the fourth quarter of 2021. The increase in profit was mainly driven by strong demand in all customer groups. Kempower's operating profit (EBIT) for the fourth quarter amounted to EUR 2.9 (-2.7) million. Operating profit (EBIT) increased by EUR 5.6 million, as compared to the fourth quarter of 2021. Items affecting comparability in Q4 2022 amounted to EUR 0.6 million and related to expenses of establishing operations in the USA. Items affecting comparability in Q4 2021 amounted to EUR 1.4 million and related to First North listing expenses.

In 2022 our profitability improved even with the efforts on growth strategy execution including recruitment of 139 new colleagues, major production capacity scale up and global inflation which impacted negatively on our unit costs. Kempower's operative EBIT for 2022 amounted to EUR 6.7 (1.0) million. Operative EBIT increased by EUR 5.7 million, as compared to 2021. The increase was mainly due to scale benefits from increased revenue and not fully reaching the recruitment targets for the year.

Kempower's operating profit (EBIT) in 2022 amounted to EUR 6.1 (-0.7) million. Operating profit (EBIT) increased by EUR 6.8 million, as compared to 2021. Items affecting comparability in 2022 amounted to EUR 0.6 million and related to expenses of establishing operations in the USA. Items affecting comparability in 2021 amounted to EUR 1.7 million and related to First North listing expenses.

ITEMS AFFECTING COMPARABILITY

MEUR	Q4/2022	Q4/2021	H2/2022	H2/2021	2022	2021
Expenses related to establishing operations in the United States presented in other operating expenses	0.6		0.6		0.6	
Capital reorganisation expenses related to First North Listing presented in other operating expenses		1.4		1.5		1.7
Total	**0.6**	**1.4**	**0.6**	**1.5**	**0.6**	**1.7**

Kempower's other operating income in 2022 amounted to EUR 0.3 (0.3) and comprised mainly governmental grants received from Business Finland.

Kempower's total operating expenses in 2022 amounted to EUR 97.9 (28.4) million. The total operating expenses in 2022 increased by EUR 69.5 million compared to 2021. The increases in Kempower's total expenses were mainly caused by the increases in material expenses of EUR 38.8 million, personnel expenses of EUR 14.4 million, and other operating expenses of EUR 14.1 million. Material expenses increased to large extent due to the increased manufacturing volume. Personnel expenses increased due to 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, warranties, marketing and communications and administration. Depreciation and amortization also contributed to the increase in Kempower's total expenses by EUR 2.3 million. Depreciations and amortizations increased mainly due to new lease contracts including the new production facilities and due to investments in property, plant, and equipment.

Kempower's net financial expenses in 2022 amounted to EUR 1.3 (0.2) million. The net financial expenses increased by EUR 1.1 million, as compared to 2021. The increase was mainly due to EUR 0.7 million fair value change of money market investments and increase in interest expenses of lease contracts.

Research and development

Total research and development expenses including also employee benefits amounted to EUR 7.3 million in 2022, the equivalent of 7% of revenue. The carrying amount of capitalized development costs amounted to EUR 0.5 (0.7) million at the end of 2022.

Cash flow, financing and balance sheet

Kempower's cash flow from operating activities amounted to EUR -5.4 (-2.6) million in 2022. Increase in working capital driven by increased inventory and account receivables due to the growing business volumes impacted cash flow from operating activities by EUR -17.6 (-3.2) million. Cash flow from operating activities amounted to EUR -8.4 (2.0) million in Q4 2022 driven by increased account receivables and increased inventory in order to secure part of the 2023 customer deliveries.

Kempower's cash flow from investing activities amounted to EUR -71.2 (-1.6) million in 2022. Cash flows from investing activities include increase of money market investments EUR -65.0 million and investments in intangible assets and property, plant and equipment EUR -6.2 million.

Kempower's net cash flows from financing activities were EUR -3.8 (94.1) million in 2022. The net cash flow from financing activities in 2022 consisted of acquisition of treasury shares of EUR -1.4 million and payments of lease liabilities of EUR -2.4 million. During the comparative period in 2021, net cash flow from financing activities 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, 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 2022 were EUR 154.2 (108.5) million.

Kempower's cash and cash equivalents at the end of 2022 amounted to EUR 9.8 (90.4) million. Cash and cash equivalents at the end of 2022 excluded the money market investments of EUR 64.2 million. When investing liquid assets, the objective was 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.

Kempower's equity ratio at the end of 2022 was 68% (91%). Net debt at the end of 2022 amounted to EUR -58.4 (-89.3) million. The increase in net debt was due to the growth of IFRS 16 lease liabilities amounting to EUR 15.7 (1.1) million at the end of 2022 relating to new factory opened in Finland during 2022.

Investments

Kempower's gross investments in 2022 totaled EUR 6.2 (1.6) million. Investments in 2022 were related mainly to the production expansions in the new factory and ICT development projects.

Personnel

Kempower's headcount at the end of 2022 was 375 (136), of whom 326 (129) were employed by the parent company and 49 (7) by the subsidiaries. In 2022 Kempower's average number of personnel converted into full-time employees amounted to 252 (83).

Kempower's headcount growth in 2022 was in line with the strategy of the company.

Headcount end of period	31 Dec 2022	31 Dec 2021
Blue collars	97	28
Administration	36	14
Operations	56	19
Research, development and innovations	68	38
Sales and marketing	118	37
Total	**375**	**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. The average number of shares outstanding was 55,542,920 in 2022 and 55,542,920 in H2 2022.

The company held 124,634 (0) pcs of the company's own shares at the end of 2022. Kempower acquired 110,000 own shares during 2022 relating to its new long term incentive program. According to the terms of the personnel share issue in 2021, Kempower redeemed a total of 14,634 shares from employees whose employment with Kempower had ended.

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	2022	2021
Highest price (EUR)	25.48	12.25
Lowest price (EUR)	8.52	7.95
Volume weighted average price (EUR)	14.86	9.08
Closing (EUR)	21.22	11.55
Turnover (EUR)	275,551,178	50,742,283
Turnover volume	18,540,336	5,590,893
Market capitalization at end of period MEUR	1,179	642
Amount of shares at end of the period	55,542,920	55,542,920

Major shareholders

At the end of 2022 the company had 31,235 shareholders. 15 largest shareholders on 31 December 2022 (source: Q4 Inc)

Shareholder	Number of shares	% of shares
1. Kemppi Group Oy	37,800,000	68.06%
2. Varma Mutual Pension Insurance Company	2,270,186	4.09%
3. WIP Asset Management Oy	1,046,216	1.88%
4. Keskinäinen Eläkevakuutusyhtiö Ilmarinen	839,100	1.51%
5. Evli-Rahastoyhtiö Oy	836,849	1.51%
6. Fondbolaget Fondita AB	625,000	1.13%
7. Nordea Henkivakuutus Suomi Oy	534,395	0.96%
8. Julius Tallberg Oy Ab	452,600	0.81%
9. Kempinvest Oy	348,432	0.63%
10. Sp-Rahastoyhtiö Oy	288,040	0.52%
11. BlackRock Fund Advisors	276,129	0.50%
12. Alfred Berg Asset Management Finland Ltd	228,000	0.41%
13. Skandinaviska Enskilda Banken AB (Broker)	198,222	0.36%
14. Aktia Varainhoito Oy	185,000	0.33%
15. Keskinäinen Työeläkevakuutusyhtiö Elo	180,000	0.32%

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
- Vice President, Communications Paula Savonen -member of the extended management team
- Chief Engineer Petri Korhonen -member of the extended management team
- General Counsel Sanna Lehti -member of the 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 framework. 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 for the year 2022, Kempower's main risks have been identified. Mitigation plans and activities have been defined, implemented and are monitored throughout the year. According to the annual cycle, the Group management risk workshop concluded the main risks for Kempower during the fourth quarter, and those risks have been 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 and increase of net working capital which are among the highest risks at the moment.

Kempower has a growth strategy which implementation involves risks, especially with regard to the scaling of operations. Failure of Kempower to effectively increase its production capacity, supply chain and service capabilities 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. In addition company has invested in scaling up the service network.

The market entry to North American market is a key initiative for Kempower and the entrance to the market includes multiple risks. Kempower has a detailed business plan for the market penetration activities and failure, or slowdown of the activities could also have a material impact on the company's ability to meet its growth targets.

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. To manage the risk company has invested in competitive incentive models, career planning and reinforcing the Kempower corporate culture.

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.

Kempower is constantly increasing the company's ability to identify and adapt the global and market specific regulatory requirements.

Kempower's future growth is dependent on company's ability to keep up the pace with the rapidly changing technologies in the Electric Vehicle market. To manage the risk Kempower is investing in R&D activities to gain and maintain the competitive advantages and to respond to customer demand and competition. As Kempower is constantly developing its product portfolio and remarkable quality issues due to design errors could have negative impact to Kempower's business operations. To mitigate the risk Kempower is investing to the quality procedures such as quality testing in R&D and production phases.

Kempower's ability to protect its intellectual property rights and operate without infringement of competitors intellectual properties is a significant factor in securing company's ability to achieve its business objectives. To ensure these abilities Kempower is investing to its intellectual property rights related capabilities.

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 and cyber-crimes could disrupt Kempower's business and have a material adverse effect on its revenue and results of operations.

The board's proposal for the distribution of profit

The parent company's distributable funds (unrestricted equity) on 31 December 2022 are EUR 96,923,853.07 of which the period net profit is EUR 3,488,605.09. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the fiscal year.

Significant events during the year

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 Power Unit and Kempower Satellite 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 Power Unit and Satellite product range to the North American market, an important 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 Satellite 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 order is approximately EUR 5 million.
- Swerock showcased electric Volvo FE concrete trucks, in Stockholm, Sweden, charged with Kempower Satellite and Kempower Power Unit 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 Satellite 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.

July 2022

- Elmacken charging hub was opened in Sweden with Kempower technology.
- Kempower chargers were included in the ADVENIR reference product list.
- Kempower Corporation acquired 121,664 own shares relating mainly to the new long term incentive program.

August 2022

- Juha-Pekka Suomela was appointed as Kempower's Chief Service Business Officer and member of management team.
- Kempower became new EV sponsor for Olsbergs MSE and the FC1-X, in the Group E category of Nitro Rallycross.
- Kempower powered the Arctic Race of Norway 2022, providing EV fast-charging infrastructure.
- Kempower started cooperation with VINCI Autoroutes to fast-charge EVs during the peak holiday season in France.
- Kempower started supporting Finland's largest home electronics retail chain Gigantti in establishing a public charging network.
- Kempower received a new order from Power Dot for Portugal, Spain, France and Poland.
- Kempower confirmed a new order for FOR:EV in Scotland, UK.

September 2022

- Kempower received Green Equity Designation from Nasdaq.
- Kempower announced that it will supply EV fast chargers to Australia's longest EV highway.
- Kempower disclosed that it will deliver fast charging solutions for Sweden's biggest and most powerful charging station for electric trucks.
- Kempower communicated that it will boost Romania's EV charging infrastructure by supplying chargers for 14 new service stations.
- Kempower partnered with ZEF Energy to provide state-of-the-art, scalable, DC fast charger options in the United States.
- RMC, Viking Line, Åbo Akademi and Kempower started collaboration to develop a carbon-neutral sea route between Stockholm and Turku.

October 2022

- Kempower launched the most user-friendly AC charger on the market.
- Kempower announced that it has started delivering adaptive voltage charging solution.
- Kempower started collaboration with CATEC Mobility to offer charging solutions in MENA region.
- Kempower became an official partner of the Finnish national ski jumping teams.
- Kempower partnered with EV-olution Charging Systems Inc. to deliver fast-charging solutions to the Canadian province of Ontario.

November 2022

- Sanna Lehti was appointed as General Counsel and member of the extended management team.
- Kempower and eTerminal joined forces to provide rapid charging at Estonian service stations.
- Kempower partnered with Smart EV Solutions to deliver first-of-its-kind chargers to RAA in South Australia.
- Kempower started cooperation with Neste to build a high-power EV charging network along the main roads in Finland.
- Kempower signed an agreement with a Scandinavian heavy truck manufacturer to deliver movable DC chargers.
- Kempower received the Internationalization Award of the President of the Republic of Finland.

December 2022

- Second Greenstation charging station featuring Kempower's user-friendly rapid EV charging technology opened in Norway.
- Kempower partnered with Sweden's largest HVAC installation network.
- Kempower announced that it is planning a new employee share savings plan for all employees.
- Neste opened its first high-power charging station with Kempower technology.
- Kempower and JET Charge said they will provide charging infrastructure for Australia's largest electric vehicle logistics fleet.
- Kempower communicated that it will deliver fast charging technology for a new electric truck charging network in Sweden.
- Kempower started collaboration with Einride to develop charging for digital, electric and autonomous freight mobility.

Events after the balance sheet date

January 2023

- Kempower announced that it will provide charging technology to the world's first fast-charging plaza for trucks and heavy construction equipment in the Netherlands.
- Kempower communicated that it's exploring options to expand EV charger production capacity in Europe and that it targets to establish operations in the US by the end of 2023.
- Kempower partnered with TSG to deliver EV fast charging solutions to Europe and Africa.

February 2023

- One of Sweden's largest private charging stations for electric trucks became fully operational – equipped with Kempower technology.
- Kempower and Bornes Québec joined forces to revolutionize Quebec's electric charging network.
- Kempower announced that its rapid charging technology is powering the Nordics' largest electric bus depot.
- Kempower announced that it establishes an EV charging station production facility in North Carolina, USA.

2023 financial calendar

- Week 10 of 2023: Annual Report 2022
- April 20, 2023: Business Review for January 1–March 31, 2023 (Q1)
- July 25, 2023: Half-Year Financial Report, January 1–June 30, 2023 (H1)
- October 19, 2023: Business Review for January 1–September 30, 2023 (Q3)

Kempower's Annual Report for 2022 and other financial reports will be published as a company release and on the company website at investors.kempower.com.

Kempower's Annual General Meeting is planned to be held on Thursday, March 30, 2023. Kempower's Board of Directors will summon the meeting at a later date.

Corporate Governance Statement, Remuneration Report and Sustainability Report

Kempower publishes a separate corporate governance statement, remuneration report and sustainability report on its website at the following address: **https://investors.kempower.com/**.

Lahti 14th of February, 2023

Kempower Oyj
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 a substitute for 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	Q4/2022	Q4/2021	H2/2022	H2/2021	2022	2021
Revenue growth, %						
Revenue	37.8	8.4	70.5	18.4	103.6	27.4
Revenue of the comparative period	8.4	2.0	18.4	2.5	27.4	3.3
Change of revenue	29.5	6.4	52.1	15.9	76.3	24.1
Revenue growth, %	**352%**	**328%**	**284%**	**633%**	**279%**	**741%**
Gross margin						
Revenue	37.8	8.4	70.5	18.4	103.6	27.4
Materials and services	-18.9	-4.1	-35.6	-9.0	-52.4	-13.6
Variable employee benefits	-1.2	-0.3	-2.0	-0.6	-3.1	-0.9
Gross margin	**17.7**	**3.9**	**32.8**	**8.8**	**48.2**	**12.9**
Items affecting comparability						
Expenses related to establishing operations in the United States presented in other operating expenses	0.6		0.6		0.6	
Capital reorganisation expenses related to First North Listing presented in other operating expenses		1.4		1.5		1.7
Items affecting comparability	**0.6**	**1.4**	**0.6**	**1.5**	**0.6**	**1.7**
Operative EBIT						
Operating profit/loss (EBIT)	2.9	-2.7	5.3	-0.7	6.1	-0.7
Items affecting comparability	0.6	1.4	0.6	1.5	0.6	1.7
Operative EBIT	**3.5**	**-1.3**	**5.8**	**0.8**	**6.7**	**1.0**
Investments						
Investments in intangible assets	1.7	0.2	1.7	0.2	1.9	0.2
Investments in tangible assets excluding Right-of-use assets	0.5	0.6	2.0	0.8	4.3	1.4
Investments	**2.2**	**0.8**	**3.8**	**1.0**	**6.2**	**1.6**
Earnings per share, basic, EUR						
Profit/loss for the period attributable to the equity holders of the company	2.5	-0.7	4.1	0.5	3.6	0.3
Average number of shares, 1,000 pcs	55,421	41,311	55,425	39,644	55,484	38,835
Earnings per share, basic, EUR	**0.05**	**-0.02**	**0.07**	**0.01**	**0.06**	**0.01**
Earnings per share, diluted, EUR						
Profit/loss for the period attributable to the equity holders of the company	2.5	-0.7	4.1	0.5	3.6	0.3
Average number of shares adjusted for the dilutive effect, 1,000 pcs	55,519	41,311	55,525	39,667	55,585	38,847
Earnings per share, diluted, EUR	**0.05**	**-0.02**	**0.07**	**0.01**	**0.06**	**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 2022–31 December 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MEUR	H2/2022	H2/2021	Change	2022	2021	Change
Revenue	**70.5**	**18.4**	**52.1**	**103.6**	**27.4**	**76.3**
Other operating income	0.2	0.3	-0.1	0.3	0.3	0.0
Materials and services	-35.6	-9.0	-26.7	-52.4	-13.6	-38.8
Employee benefits	-13.7	-5.0	-8.7	-21.9	-7.5	-14.4
Depreciation, amortization and impairment losses	-1.8	-0.6	-1.2	-3.4	-1.1	-2.3
Other operating expenses	-14.3	-4.7	-9.5	-20.2	-6.2	-14.1
Total operating expenses	**-65.5**	**-19.4**	**-46.1**	**-97.9**	**-28.4**	**-69.5**
Operating result	**5.3**	**-0.7**	**5.9**	**6.1**	**-0.7**	**6.8**
Finance income	0.0	0.0	0.0	0.0	0.0	0.0
Finance expenses	0.1	0.1	0.0	-1.3	-0.2	-1.1
Total finance income and expenses	**0.1**	**0.1**	**0.1**	**-1.3**	**-0.2**	**-1.1**
Profit/loss before taxes	**5.4**	**-0.6**	**6.0**	**4.8**	**-0.9**	**5.7**
Income tax	-1.3	1.1	-2.5	-1.2	1.1	-2.4
PROFIT/LOSS FOR THE PERIOD	**4.1**	**0.5**	**3.5**	**3.6**	**0.3**	**3.3**
Profit/loss for the period attributable to the equity holders of the company	**4.1**	**0.5**	**3.5**	**3.6**	**0.3**	**3.3**
Other comprehensive income for the period						
Items that may be subsequently reclassified to profit or loss						
Translation difference	-0.0	0.0	0.0	-0.1	0.0	-0.1
Other comprehensive income, that will not be reclassified to profit or loss						
Remeasurement of defined benefit plan	-0.0	0.0		-0.0	0.0	
Taxes	0.0	-0,0		0.0	-0,0	
Total other comprehensive profit/loss for the period	**-0.1**	**0,0**	**-0.1**	**-0.1**	**0.0**	**-0.1**
Comprehensive profit/loss for the period	**4.0**	**0.5**	**3.5**	**3.5**	**0.3**	**3.2**
Comprehensive profit/loss for the period attributable to the equity holders of the company	**4.0**	**0.5**	**3.5**	**3.5**	**0.3**	**3.2**
Earnings per share for profit/loss attributable to the equity holders of the company						
Basic and diluted earnings per share, EUR	0.07	0.01	0.06	0.06	0.01	0.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MEUR	31 Dec 2022	31 Dec 2021
ASSETS		
Non-current assets		
Intangible assets	2.6	1.1
Property, plant and equipment	21.1	2.9
Non-current receivables	0.0	0.0
Deferred tax assets	0.6	1.3
Total non-current assets	**24.3**	**5.2**
Current assets		
Inventories	27.1	6.4
Trade receivables	23.1	4.7
Other receivables	3.9	1.2
Prepaid expenses and accrued income	1.7	0.7
Other financial assets	64.2	
Cash and cash equivalents	9.8	90.4
Total current assets	**129.9**	**103.3**
TOTAL ASSETS	**154.2**	**108.5**

MEUR	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES		
Equity		
Share capital	0.1	0.1
Reserve for invested unrestricted equity	95.7	95.7
Treasury shares	-1.4	
Translation differences	-0.1	0.0
Retained earnings	2.8	1.5
Profit/loss for the period	3.6	0.3
Total equity	**100.6**	**97.5**
Non-current liabilities		
Lease liabilities	13.3	0.5
Provisions	0.8	0.1
Other liabilities	0.0	0.0
Deferred tax liabilities	0.4	0.3
Total non-current liabilities	**14.5**	**0.9**
Current liabilities		
Lease liabilities	2.4	0.6
Provisions	1.6	0.1
Advance payments	5.3	0.8
Trade payables	16.8	5.5
Other liabilities	2.3	0.7
Accruals and deferred income	10.7	2.4
Total current liabilities	**39.1**	**10.1**
Total liabilities	**53.6**	**11.0**
TOTAL EQUITY AND LIABILITIES	**154.2**	**108.5**

CONSOLIDATED STATEMENT OF CASH FLOW

MEUR	H2/2022	H2/2021	Change	2022	2021	Change
Cash flow from operating activities						
Profit/loss for the period	4.1	0.5	3.5	3.6	0.3	3.3
Adjustments:						
Depreciation, amortisation and impairment	1.8	0.6	1.2	3.4	1.1	2.3
Financial income and expenses	-0.1	-0.1	0.0	1.2	0.2	1.0
Unrealised foreign exchange gains and losses	0.0	0.0	0.0	0.1	0.0	0.1
Income taxes	1.3	-1.1	2.5	1.2	-1.1	2.4
Share-based payments	0.5	0.1	0.4	1.0	0.1	0.9
Change in provisions	1.8	0.1	1.7	2.2	0.2	2.1
Cash flow before changes in working capital	**9.5**	**0.2**	**9.3**	**12.7**	**0.7**	**12.0**
Changes in working capital						
Change in trade and other receivables	-11.2	-0.8	-10.4	-22.6	-5.2	-17.4
Change in inventories	-15.3	-2.4	-12.9	-20.8	-5.0	-15.7
Change in trade payables and short-term liabilities	15.6	4.2	11.4	25.7	7.1	18.7
Cash flow from operating activities before financial items and taxes	**-1.5**	**1.1**	**-2.6**	**-5.0**	**-2.5**	**-2.5**
Interest paid	-0.2	0.2	-0.4	-0.4	0.0	-0.4
Interest received	0.0		0.0	0.0		0.0
Taxes	-0.1	0.0	-0.1	-0.1	-0.1	0.0
Cash flow from operating activities	**-1.8**	**1.4**	**-3.1**	**-5.4**	**-2.6**	**-2.8**

MEUR	H2/2022	H2/2021	Change	2022	2021	Change
Cash flow from investing activities						
Increase (-)/ decrease (+) of other financial assets	5.0		5.0	-65.0		-65.0
Investments in intangible assets and property, plant and equipment	-3.8	-1.0	-2.7	-6.2	-1.6	-4.6
Cash flow from investing activities	**1.2**	**-1.0**	**2.3**	**-71.2**	**-1.6**	**-69.6**
Cash flow from financing activities						
Purchase of treasury shares	-1.4		-1.4	-1.4		-1.4
Repayment of non-current borrowings		-6.0	6.0		-3.4	3.4
Payment of lease liabilities	-1.2	-0.4	-0.8	-2.4	-0.7	-1.6
Proceeds from share offerings		95.7	-95.7		95.7	-95.7
Group contribution received					2.5	-2.5
Cash flow from financing activities	**-2.6**	**89.3**	**-91.9**	**-3.8**	**94.1**	**-97.9**
Net change in cash and cash equivalents	**-3.2**	**89.7**	**-92.8**	**-80.4**	**89.9**	**-170.3**
Cash and cash equivalents beginning of the period	13.1	0.7	12.3	90.4	0.5	89.9
Effects of exchange rate fluctuations on cash held	-0.1	0.0	-0.1	-0.1	0.0	-0.1
Cash and cash equivalents end of the period	9.8	90.4	-80.6	9.8	90.4	-80.6

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

MEUR	Share capital	Invested unrestricted equity fund	Translation differences	Treasury shares	Retained earnings	Total
Shareholder's equity 1 Jan 2022	**0.1**	**95.7**	**0.0**		**1.8**	**97.5**
Profit/loss for the period					3.6	3.6
Remeasurement of defined benefit plans					-0.0	-0.0
Currency translation differences			-0.1			-0.1
Total comprehensive income for the period, net of tax			**-0.1**		**3.5**	**3.5**
Transactions with owners						
Acquisition of treasury shares				-1.4		-1.4
Share-based payments					1.0	1.0
Transactions with owners, total				**-1.4**	**1.0**	**-0.4**
Shareholder's equity 31 Dec 2022	**0.1**	**95.7**	**-0.1**	**-1.4**	**6.3**	**100.6**
Shareholder's equity 1 Jan 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						
Personnel offering		0.6				0.6
Initial Public Offering for First North Growth market		95.2				95.2
Share capital increase	0.1	-0.1				0.0
Share-based payments					0.1	0.1
Transactions with owners, total	**0.1**	**95.7**			**0.1**	**95.8**
Shareholder's equity 31 Dec 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	Treasury shares	Retained earnings	Total
Shareholder's equity 1Jan 2021 FAS	**0.0**				**0.6**	**0.6**
Effect of IFRS transition					0.8	0.8
Shareholder's equity 1Jan 2021 IFRS	**0.0**				**1.4**	**1.4**

MEUR	H2/2021	2021
Comprehensive profit/loss for the period FAS	**-4.2**	**-4.5**
Effect of IFRS transition	4.8	4.8
Comprehensive profit/loss for the period IFRS	**0.6**	**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 Ala-Okeroistentie 29, 15700 Lahti. Kempower Corporation is part of Kemppi Group, whose parent company is Kemppi Group Oy. Kemppi Group Oy's registered address is Kempinkatu 1, 15800 Lahti.

1.2 Basis of preparation

This financial statement release 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 financial statement release 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 approved this financial statement release on 14 February 2023. The financial statement release is unaudited.

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

The figures shown in the financial statement release 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 financial statement release 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

The exchange differences arising from translating the eliminations related to and the equity accumulated after acquisition of the Group's foreign subsidiaries are recognized in other comprehensive income.

Consolidation principles

The Group's financial statements comprise the parent company Kempower Corporation and its subsidiaries Kempower AB, Kempower AS, Kempower B.V., Kempower Charging Ltd, Kempower Charging Spain S.L.U., Kempower GmbH, Kempower Inc., Kempower Italy S.R.L. and Kempower SAS.

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. The subsidiaries' reporting principles have been amended to correspond to the Group's reporting principles. Kempower has no goodwill in the balance sheet on 31 December 2022.

1.3 Revenue

Kempower's revenue mainly consists of sales of electric vehicle chargers and charging stations it manufactures, 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 in exchange for 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. The timing of transfer of control depends on the delivery term used in the customer agreement (Incoterms). 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. The revenue from extended warranty sales is recognized for the reporting periods for which the warranty applies. The revenue from the charging equipment is recognized at point in time and the revenue from services over time. 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.

Contract assets and liabilities in contracts with customers

When the invoiced amount of a project sales agreement is smaller than the revenue recognized based on the fulfillment rate at the time of review, the difference is recognized as a contract asset in the balance sheet line item "Prepaid expenses and accrued income." When the invoiced amount of a project sales agreement is greater than the revenue recognized based on the fulfillment rate at the time of review, the difference is recognized as a contract liability in short term liabilities in the balance sheet line item "Advance payments".

1.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Kempower's Board of Directors has been designated as the chief operational decision maker in the Group as defined in IFRS 8 Segment reporting standard. The Board of Directors leads the Kempower Group as a single integrated business entity, and thereby Kempower has one operating segment and reporting segment.

1.5 Other operating income

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 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 the Group's Norwegian 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 an asset or liability. Net interest expense or income is the increase in the fair value of the defined benefit obligation or plan assets 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.

1.7 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.

Deferred taxes are 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, provisions, 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.

1.8 Intangible assets

The Kempower Group's intangible assets comprise capitalized product development costs , intangible rights consisting of patents and brands and other intangible assets such as software costs. 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:

- Patents and trademarks 10 years
- Product development costs 5 years
- Other intangible assets 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. The 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, the product is usable or 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:

- 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.

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. The 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 Leases

Kempower's right-of-use assets include premises and vehicles leased by the Group. The lease agreements are mainly fixed term agreements for 1-10 years.

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.

1.11 Inventories

Inventories consist of finished charging devices, charging components needed in the manufacture of products, charger spare parts as well as unfinished products.

Inventories are measured at weighted average 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.

1.12 Share-based payments

The Kempower Group's share based arrangements include a stock option plan, a share purchase arrangement for the personnel and a share incentive plan. 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.

1.13 Financial instruments

Financial assets

The Group's financial assets are classified either as measured at amortized cost, measured at fair value through profit or loss or measured at fair value through other comprehensive income. The financial assets are classified in the context of their initial acquisition. At initial recognition, the Group measures a financial asset at its fair value. Financial assets are subsequently measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss. 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. The Group did not have any open forward exchange contracts at year end 2022 or 2021.

Financial assets measured at amortized cost comprise ordinary trade receivables, other receivables and cash and cash equivalents. 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. At initial recognition, the Group measures a financial liability at fair value less transaction costs. Financial liabilities are subsequently classified as measured at amortized cost using the effective interest method or measured at fair value through profit or loss. 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.

1.14 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.

1.15 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 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.

Deferred tax assets

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.

Research and development expenses

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.

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.

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.

1.16 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 2022.*

2. Revenue

REVENUE BY GEOGRAPHICAL REGIONS

MEUR	Q4/2022	Q4/2021	Change	Change %	H2/2022	H2/2021	Change	Change %
Nordics	18.0	6.0	12.0	198%	37.2	15.1	22.1	146%
Rest of Europe	16.3	2.3	14.1	620%	29.1	3.1	26.0	834%
Rest of the World	3.5	0.1	3.4	5,499%	4.1	0.1	4.1	4,274%
Total	**37.8**	**8.4**	**29.5**	**352%**	**70.5**	**18.4**	**52.1**	**284%**

MEUR	2022	2021	Change	Change %
Nordics	57.8	23.1	34.7	150%
Rest of Europe	40.7	4.1	36.7	898%
Rest of the World	5.1	0.2	4.9	2,562%
Total	**103.6**	**27.4**	**76.3**	**279%**

REVENUE BY RECOGNITION TYPES

MEUR		Q4/2022	Q4/2021	H2/2022	H2/2021	2022	2021
Products	Point in time	36.7	8.2	69.3	17.9	102.0	25.8
Services	Over time	1.1	0.1	1.2	0.5	1.7	1.6
Total		**37.8**	**8.4**	**70.5**	**18.4**	**103.6**	**27.4**

3. Fixed assets

INTANGIBLE ASSETS

MEUR	Intangible rights	Other intangible assets	Total
31 Dec 2022			
Carrying amount at 1 Jan 2022	0.9	0.2	1.1
Additions	0.2	1.6	1.9
Amortizations and impairment	-0.3	-0.1	-0.4
Carrying amount at 31 Dec 2022	**0.9**	**1.7**	**2.6**
31 Dec 2022			
Cost	1.6	1.8	3.4
Accumulated amortizations and impairment	-0.7	-0.1	-0.8
Carrying amount at 31 Dec 2022	**0.9**	**1.7**	**2.6**
31 Dec 2021			
Carrying amount at 1 Jan 2021	1.1		1.2
Additions	0.0	0.2	0.2
Amortizations and impairment	-0.2	-0.0	-0.3
Carrying amount at 31 Dec 2021	**0.9**	**0.2**	**1.1**
31 Dec 2021			
Cost	1.4	0.2	1.6
Accumulated amortizations and impairment	-0.4	-0.0	-0.5
Carrying amount at 31 Dec 2021	**0.9**	**0.2**	**1.1**

PROPERTY, PLANT AND EQUIPMENT

MEUR	Machinery and equipment	Prepayments and work in progress	Right-of use assets	Total
31 Dec 2022				
Carrying amount at 1 Jan 2022	1.1	0.7	1.1	2.9
Additions	3.7	0.6	17.0	21.4
Disposals			-0.1	-0.1
Depreciations and impairment	-0.5		-2.5	-3.0
Translation differences	-0.0		-0.0	-0.0
Carrying amount at 31 Dec 2022	**4.4**	**1.3**	**15.5**	**21.1**
31 Dec 2022				
Cost	5.1	1.3	19.0	25.3
Accumulated depreciations and impairment	-0.7		-3.5	-4.2
Translation differences	-0.0		-0.0	-0.0
Carrying amount at 31 Dec 2022	**4.4**	**1.3**	**15.5**	**21.1**
31 Dec 2021				
Carrying amount at 1 Jan 2021	0.4	0.1	0.6	1.2
Additions	0.8	0.6	1.2	2.6
Depreciations and impairment	-0.1		-0.8	-0.9
Translation differences	0.0		0.0	0.0
Carrying amount at 31 Dec 2021	**1.1**	**0.7**	**1.1**	**2.9**
31 Dec 2021				
Cost	1.3	0.7	2.1	4.0
Accumulated depreciations and impairment	-0.2		-1.0	-1.1
Translation differences	0.0		0.0	0.0
Carrying amount at 31 Dec 2021	**1.1**	**0.7**	**1.1**	**2.9**

RIGHT-OF-USE ASSETS

Amounts recognized in the statement of financial position

MEUR	Buildings	Machinery and equipment	Total
Carrying amount at 1 Jan 2022	0.7	0.4	1.1
Additions	15.6	1.5	17.0
Disposals	-0.1	0.0	-0.1
Depreciations and impairment	-2.1	-0.5	-2.5
Translation differences	-0.0	-0.0	-0.0
Carrying amount at 31 Dec 2022	**14.1**	**1.4**	**15.5**

MEUR	Buildings	Machinery and equipment	Total
Carrying amount at 1 Jan 2021	0.5	0.1	0.6
Additions	0.8	0.5	1.2
Depreciations and impairment	-0.5	-0.2	-0.8
Translation differences	0.0	0.0	0.0
Carrying amount at 31 Dec 2021	**0.7**	**0.4**	**1.1**

4. Financial assets and liabilities by category

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

31 Dec 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		23.1	23.1	23.1			
Other receivables		3.9	3.9	3.9			
Other financial assets	64.2		64.2	64.2	64.2		
Cash and cash equivalents		9.8	9.8	9.8			
Total financial assets	**64.2**	**36.9**	**101.1**	**101.1**	**64.2**		
Non-current financial liabilities							
Non-current lease liabilities		13.3	13.3	13.3			
Current financial liabilities							
Current lease liabilities		2.4	2.4	2.4			
Trade payables		16.8	16.8	16.8			
Other non-interest-bearing liabilities		2.3	2.3	2.3			
Total financial liabilities		**34.8**	**34.8**	**34.8**			

31 Dec 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		4.7	4.7	4.7			
Other receivables		1.2	1.2	1.2			
Cash and cash equivalents		90.4	90.4	90.4			
Total financial assets		**96.2**	**96.2**	**96.2**			
Non-current financial liabilities							
Non-current lease liabilities		0.5	0.5	0.5			
Current financial liabilities							
Current lease liabilities		0.6	0.6	0.6			
Trade payables		5.5	5.5	5.5			
Other non-interest-bearing liabilities		0.7	0.7	0.7			
Total financial liabilities		**7.3**	**7.3**	**7.3**			

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.

The instruments at level 1 of the hierarchy are traded in active markets and their fair values are directly based on quoted market prices. The Group has mainly used valuations provided by its asset management partners as a source of price data. The fair values of level 2 instruments, in significant part, are based on other input data than the quoted prices included in level 1, although the data can be obtained either directly (as a price) or indirectly (as a derivative of the price). The fair value of instruments at level 3 is not based on observable market data (inputs not observable).

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 parent company 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 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. Also commitments related to future purchases from Kemppi Oy have been included in related party transactions.

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 previous headquarters were 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 following table.

MEUR	H2/2022	H2/2021	2022	2021
Sales and purchases of goods and services to and from Kemppi Group companies				
Products sold	0.3	0.0	0.3	0.0
Purchased materials	-17.1	-4.2	-26.5	-6.7
Purchased administration and support services	-0.7	-0.3	-1.2	-0.6
Office and facility lease	-1.2	-0.3	-2.3	-0.5
Financial expenses				
Interest expenses to Kemppi Group companies		-0.1		-0.1
Sales and purchases of goods and services to and from other related parties				
Purchased services	-0.0	-0.0	-0.0	-0.0
Products sold	0.0		0.0	0.0

MEUR	31 Dec 2022	31 Dec 2021
Outstanding balances with Kemppi Group companies		
Trade and other receivables	0.2	0.1
Total current receivables	**0.2**	**0.1**
Lease liabilities*	11.6	0.0
Total non-current liabilities	**11.6**	**0.0**
Lease liabilities*	1.1	0.3
Trade and other payables	6.8	2.4
Other current liabilitites	2.1	0.1
Total current liabilities	**10.0**	**2.8**
Commitments to Kemppi Group companies		
Purchase commitments	6.6	
Total commitments	**6.6**	

** 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.

Performance Share Plan 2022-2024

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. The Board of Directors can decide on new performance periods on a yearly basis.

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, which is used to cover income taxes and social charges. 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.

Employee share savings plan

In December 2022 Kempower announced it is planning an Employee Share Savings Plan. The intention is to offer the plan to all employees of Kempower Group in all countries where there are no legal, administrative or tax-related obstacles to running the program.

The objective of the Employee Share Savings Plan is to offer the employees of Kempower Group an opportunity to invest a part of their regular salary in Kempower shares. By encouraging the employees to purchase and own the company's shares the company is pursuing to strengthen the connection of interests between the employees and the shareholders, and to increase the employees' motivation and commitment to the company. The Board's intention is that the Employee Share Savings Plan will be launched in 2023.

7. Commitments

Kempower has entered into certain binding purchase agreements in 2022 to ensure the availability of components.

MEUR	31 Dec 2022	31 Dec 2021
Purchase commitments to Kemppi Group companies	6.6	
Guarantees given on own behalf	0.0	
Commitments total	**6.7**	

8. Events after reporting date

The Group has made a purchase commitment covering the financial years 2023-2026 in February 2023. The amount of the commitment is USD 14.6 million.

KEMPOWER

Additional information:

CFO Jukka Kainulainen
tel. +358 29 0021900
investor.relations@kempower.com
https://kempower.com

Certified adviser: Aktia Alexander Corporate Finance Oy, tel. +358 50 520 4098

Kempower Oyj

Ala-Okeroistentie 29, 15700 Lahti, Finland
+358 29 0021900
info@kempower.com