KEMPOWER

Annual Report 2022

Contents

Powering planet cool

Our vision is to create the world's most desired EV charging solutions for everyone, everywhere.

Kempower brand strengthening in Europe

In its recent brand survey covering its European customers and EV drivers, Kempower's charging solutions' reliability, quality, user friendliness and safety were highlighted as key brand characteristics.

Electric vehicle ownership continues to grow. In 2022, 14% of all new cars sold in Europe were electric. To support the accelerating e-mobility transition, charging infrastructure must keep pace with the expanding EV market. The European Union has set a 55 percent CO_2 reduction target for passenger cars by 2030. By 2035, no new cars will be sold in Europe that run on fossil fuels, driving demand for charging posts and power. This surging demand for new charging units also poses a high quality requirement for the reliability of the chargers and the producers.

At Kempower, reliability is at the core of everything we do. We are EV drivers who design and manufacture chargers for EV drivers around the world. Our team drives and charges their EVs in harsh Northern conditions every day, 365 days a year. This commitment to creating user-friendly and reliable charging technology is reflected in the chargers Kempower produces.

As Kempower's reach expands and we move into new areas like North America, our commitment to reliability demands even greater responsibility. In the United States for example, driving long distances is more common than in Europe, making the reliability of chargers an even more pressing issue. By having a tried and tested system in place to ensure the reliability of our chargers, we can enter the North American market with the confidence that our chargers are fit to serve the continent's EV drivers.

Our vision is to create the world's most desired EV charging solutions for everyone, everywhere.

CEO's review:

Strong growth & geographical expansion

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

In 2022, we successfully continued the execution of our growth strategy and reported strong financial results. As a result of our growth exceeding the DC charging market growth overall, we are already the top player in the Nordic market, and gaining quickly market share in the rest of Europe, driven by revenue growth of 898 % year-on-year in the region. In addition, revenue growth in other parts of the world began to accelerate towards the end of the year.

The fast-charging market is growing fast. 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 and component shortages, or an increase in electricity prices, as not having a significant impact on the market as a whole.

“The European Union has set a 55 percent CO_2 reduction target for passenger cars by 2030. By 2035, no new cars will be sold in Europe that run on fossil fuels.”

The popularity of Kempower’s charging solutions among 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. Kempower’s RDI team is dedicated to combining customer understanding, our technology, and our competence to provide next generation EV charging solutions to our customers.

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 major truck manufacturers are quickly electrifying their supply. Kempower is heavily involved in this development, and we signed important agreements with heavy truck manufacturers, as well as launching collaborations to develop charging for digital, electric and autonomous freight mobility.

“Our modular and scalable charging system and world-class software enable the best user experience for all EV drivers.”

The availability of electronic components has been challenging throughout the year, but thanks to the excellent work by our procurement and RDI teams, we have been able to source the required components and ensured deliveries to our customers. During 2022, we have strengthened our position among global suppliers, 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.

Our ability to quickly scale up production capacity was the big success for 2022. During the year, we began production in a new facility and expanded production at the factory established in 2021. We now have 14,000 square meters of space available at two factories in Lahti, Finland. We are also currently reviewing different alternatives, to increase our production capacity in Europe. If the demand of Kempower charging solutions continues to grow, new capacity is expected to be in-use by the end of 2025.

“We will establish our own operations in the US By the end of 2023 and are also exploring options to expand production in Europe.”

In 2022, we decided to enter to the North American market by the end of 2023. Our plan is progressing well. We have established a subsidiary and decided on the location for a production facility, which will be in North Carolina. Our target is to begin production in the US during the second half of 2023.

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 Kempowerians’ 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.

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, and continue 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 for a successful 2022.

Kempower in brief

Kempower is a market-leading electric vehicle (EV) fast-charging technology provider striving for rapid growth. We design and manufacture direct current (DC) fast-charging solutions for electric vehicles.

Over the past few years, Kempower has experienced rapid growth. Our market position in the Nordics is already strong, and we are expanding quickly in Europe. Kempower's headcount has grown from less than 100 employees to over 400 employees in less than two years. We have also scaled up our production capacity rapidly and successfully: production has increased by at least 500% per year for the past three consecutive years.

We make chargers for everyone. The user experience is key to our design. Kempower's DC fast-charging solutions are built and ready to be scaled up with an increasing number of electric vehicles. Our modular and scalable approach enables EV charging providers to create various types of chargers and charging systems, fit for the future. Kempower chargers are always cloud connected and can be updated remotely and in real-time, minimising the need for maintenance travel and extending the lifecycle of our products.

Kempower's charging solutions have been delivered to all continents and over 40 countries. Our products and software are designed and manufactured in Finland, where our headquarters, laboratories and production facilities are located. We are also reviewing different alternatives to increase our production capacity in Europe and our target is to begin operations at our North Carolina site in 2023.

We commit to 100% carbon neutrality by 2035 and 100% recyclability in our own production by 2025. We currently achieve a 99% lifetime recyclability rate for EV chargers.

Our goal is to charge our planet for the better by powering the electric movement, together with our customers.

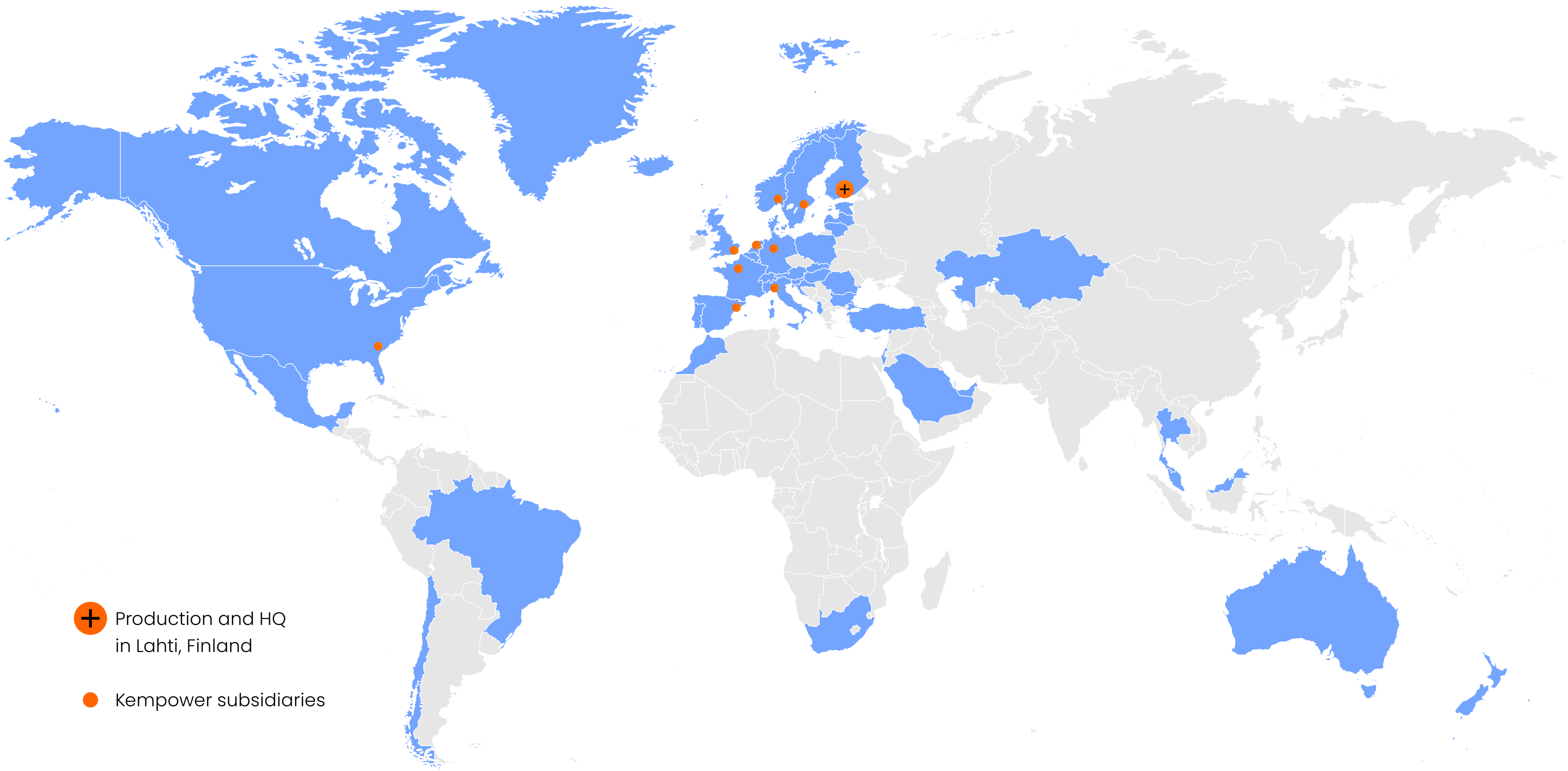
Remote monitoring of chargers and charging

Kempower ChargEye - our cloud-based charging management system - allows us to collect and analyze the data of every vehicle that connects to our chargers. As it works remotely, our team can diagnose an emerging issue almost immediately and quickly offer a remote solution.

Charging solutions delivered to more than 40 countries worldwide

Our channels

- Regional sales organizations
- Global key accounts
- Sales partner network



Business overview

Our goal is to charge our planet for the better by powering the electric movement, together with our customers.

Our most important customers consist of charge point operators, who mainly operate "on the go" charging hubs at, for example, petrol stations, fast-food restaurants or retail stores, and commercial fleet operators, who mainly operate buses and trucks. Other customers consist of original equipment manufacturers (OEM) and other customer groups that are served through our distributor or partner network.

Kempower customer groups

Charge point operators (CPOs)	Retail chains	Fleet operators	Original equipment manufacturers (OEMs)	Distributor and installer networks
				
		Charger location		
Publicly available charging network	Parking spaces by, e.g. department & grocery stores, hotels, restaurants etc.	En-route & overnight charging	Various locations	Business site parking lots, e.g. car dealers, car repairs and small stores

The physical footprint of the Kempower Satellite charger is 74% smaller than the industry average, further improving accessibility, and allowing space for more chargers.

Solutions

Kempower provides easily scalable, modular, dynamic, user-friendly, standardized, and reliable chargers for electric vehicles. Kempower chargers are modular and, therefore, customers' charging hubs can be scaled up any time and additional charging power can be easily added.

Kempower Satellite

Kempower's advanced satellite charging system is the optimal solution for public charging and other charging sites where there is a need for multiple charging outputs.

The satellites are connected to a Kempower Power Unit. One Power Unit can be connected to up to 8 charging outputs using any combination of single or double output satellites. The available maximum charging power of all outputs in the satellite charging system is up to 600 kW, depending on the Power Unit version in use.

Kempower Power unit

The Kempower Power Unit distributes the charging power to up to 8 Kempower Satellites or Pantographs simultaneously. The unique dynamic power management and load-sharing feature allows for the utilization of the full potential of on-demand power routing, leading to energy and cost savings.

Kempower Movable charger

The Kempower Movable Charger is a standalone, mobile solution for fast charging of all types of electric vehicles. The Movable Charger can be used anywhere, for example at events, bus & truck depots, logistics centers, car service shops, and other locations where fast DC charging is needed.

Kempower Pantograph Up

Kempower Pantograph Up provides both an automated charging sequence and the fast charging of electric buses.

The advanced pantograph charging system consists of a Kempower Pantograph Up and a Power Unit. The Pantograph Up has a contact dome at the end of a robust steel frame, and integrated charging control electronics. Multiple Kempower Satellites, Pantograph units or other power delivery units can also be integrated to the same Power Unit at the charging site.

Kempower Station Charger

The Kempower Station Charger is optimal for drive-through charging stations where a small footprint and minimal cabling are a necessity. Charging power management can be selected as either static or dynamic to meet application needs.

Kempower ChargEye™

All Kempower chargers are connected to the Kempower ChargEye™ cloud service, utilizing artificial intelligence. Kempower ChargEye™ is a comprehensive, easy-to-use cloud-based charging management system for CPOs, retailers and fleet operators. The Kempower ChargEye™ helps a charging network operator to monitor, manage and diagnose the day-to-day operations of the chargers and vehicles. The ChargEye™ cloud service ensures that the fleet is ready for duty on time and when needed, while optimizing energy costs and managing the vehicles' battery health.

Highlights 2022

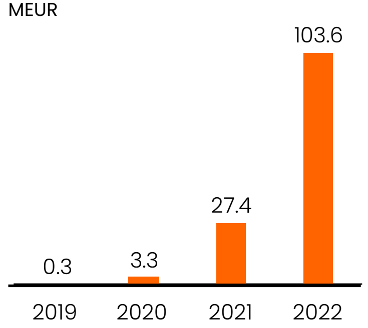
Revenue growth
279%

Gross margin
46%

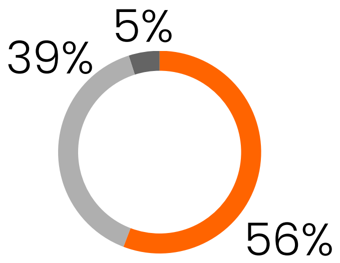
Employees
375

recyclability rate
>99%
for Kempower Movable Charger

Revenue

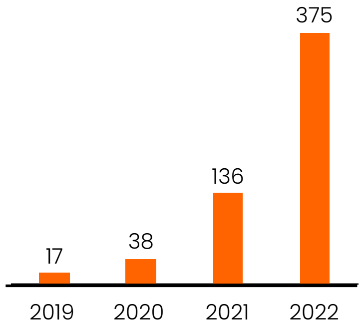


Revenue by geographic region 2022

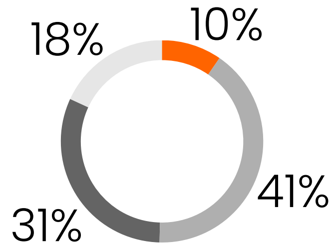


- Nordics 57.8 MEUR
- Rest of Europe 40.7 MEUR
- Rest of the World 5.1 MEUR

Number of employees



Employees by function 2022



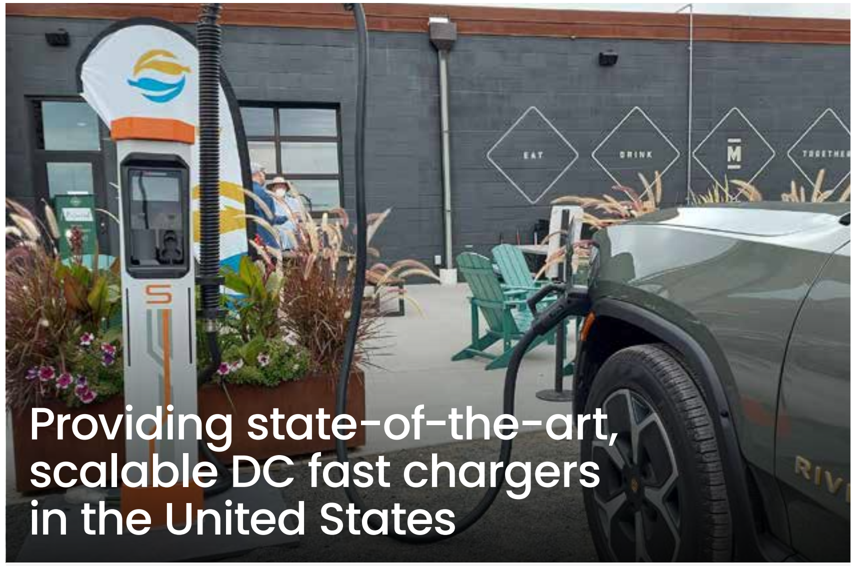
- Admin 36 people
- Operations 153 people
- Sales and marketing 118 people
- R&D 68 people

Accelerating the Australian EV transition

Kempower and JET Charge, Australia's largest EV charging infrastructure specialist, have been working together to support and quicken the take-up of electric vehicles in Australia. By supplying Kempower's fast-charging solutions, the companies will accelerate the country's transportation sector to a low cost, zero-emission future.

In 2022, we teamed up to deliver the charging infrastructure for Australia's largest electric truck trial. Kempower chargers will provide power to 60 new battery-electric delivery vehicles owned by the Australian freight giant Team Global Express. 63 chargers will be installed at the depot of Team Global Express, 16 of which will be Kempower's 120kW fast chargers.

JET Charge also supplied 42 Kempower Station Chargers along the new EV highway in Western Australia. Stretching for more than 5,300 kilometers, the project is one of the world's longest single EV infrastructure projects. Once the EV highway is completed, drivers will be able to access 98 EV chargers spread across 49 locations, at no more than 200km apart.



Providing state-of-the-art, scalable DC fast chargers in the United States

Kempower and ZEF Energy, an industry-leading EV charging software and hardware provider, announced their partnership in September 2022. The partnership will support the rapidly evolving EV fast charging needs across the United States. The companies will provide state-of-the-art, scalable, and user-friendly DC fast chargers for EV drivers in America.

In addition to integrating Kempower's suite of DC fast charging equipment and Kempower ChargEye software into ZEF's backend system (ZEFNET), Kempower is partnering with ZEF Energy to develop and deploy service options that work for their product. ZEF Energy will be expanding its service network program to further deliver on Kempower's mission of driver-first service for Kempower's DCFC and Level 2 chargers. The service model will give drivers more reliable charging options and the ability to travel without range anxiety.

ZEF Energy is prepared to deliver on the requirements of the National Electric Vehicle Infrastructure (NEVI) Formula Program. In 2023, Kempower plans to launch U.S.-based manufacturing operations to comply with the Buy America requirements. Additionally, ZEF Energy and Kempower are working to keep lead times down as DC fast charging demands continue to rapidly increase.

Charging at events in the UK

Kempower's UK distributor, Vital EV, specializes in the sales, service, and rental of EV fast chargers. The company organized temporary EV fast charging station with Kempower technology at various events around the UK in 2022.

In April-May 2022, Vital EV was the official infrastructure partner of Fully Charged LIVE, the Clean Energy and Electric Vehicles Exhibition. Kempower Movable Chargers were used to charge EVs in the event's EV Ride & Drive sessions.

Kempower previously joined forces with Vital EV to charge EVs at COP26, the world's largest climate change event. Kempower Movable DC chargers were used to charge the vehicles used to transport world leaders and dignitaries to and from COP26. Vital EV supplied Sunbelt Rentals with the chargers.

The companies have also delivered charging facilities for Extreme E, the electric off-road championship. Extreme E used the Kempower Movable Charger to deliver power to the electric racecars. The series will see electric SUVs competing in extreme environments around the world which have already been damaged or affected by climate change and environmental issues, in a bid to shine a spotlight on the climate crisis and inspire change.

Case: Electric buses

Powering the Nordics' largest electric bus depot

The biggest electric bus depot in the Nordics is now fully operational in the Danish city of Aalborg. The city is making significant efforts to reduce its CO_2 emissions: part of this drive involves converting its bus operations to electric, making it the first major Danish city to do so.

Danish GodEnergi A/S has installed 124 Kempower Satellite chargers at the depot, which are connected to 18 Kempower Power Units. Additionally, six transformers have been fitted in the local area, and over 20km of cabling has been laid at the facility, capable of delivering the equivalent power to simultaneously turn on over 40,000 flat-screen TVs.

The facility also features Kempower ChargEye, which enables the easy monitoring and management of the daily operation of both charging equipment and electric buses. It also continuously optimizes charging power and ensures that the buses have enough charge to run according to schedule.

Jan Darville, CEO of GodEnergi A/S, said:

"We've been part of the e-mobility market for many years, though opening the Aalborg bus depot is one of our biggest achievements so far. It's been a pleasure to introduce Kempower's technology to the project and to collaborate with its employees, who are genuine EV enthusiasts. We look forward to working on more green and important projects with Kempower in the future."

Revolutionizing the UK's EV Fast Charging Infrastructure

In 2021, Osprey Charging, one of the UK's largest public charge point operators, announced its ambition to make EV charging anxiety a thing of the past. It plans to install over 150 high-powered charging hubs across the UK by 2025, some of which will feature Kempower technology.

For the hubs, Osprey Charging selected the Kempower Satellite charger and Kempower Power Unit charging system, as well as Kempower ChargEye software to optimize the user experience for drivers. Kempower's fast charging technology allows EV drivers to get the most out of their charging sessions while reducing queuing times.

One of the first hubs is located at the Paisley Pear Pub & Restaurant in Brackley, UK. It is the country's first accessibly designed fast charging hub, consisting of eight 150kW Kempower Satellite charging systems. The location received an accessibility score of 4.6/5 from the independent, public EV charging endorsement body ChargeSafe.

So far, the Osprey Charging hubs have received overwhelmingly positive feedback from EV drivers. The main question that Kempower and Osprey Charging are asked is why more hubs are not open yet, which is a sentiment shared by both parties.

Case: Public charging

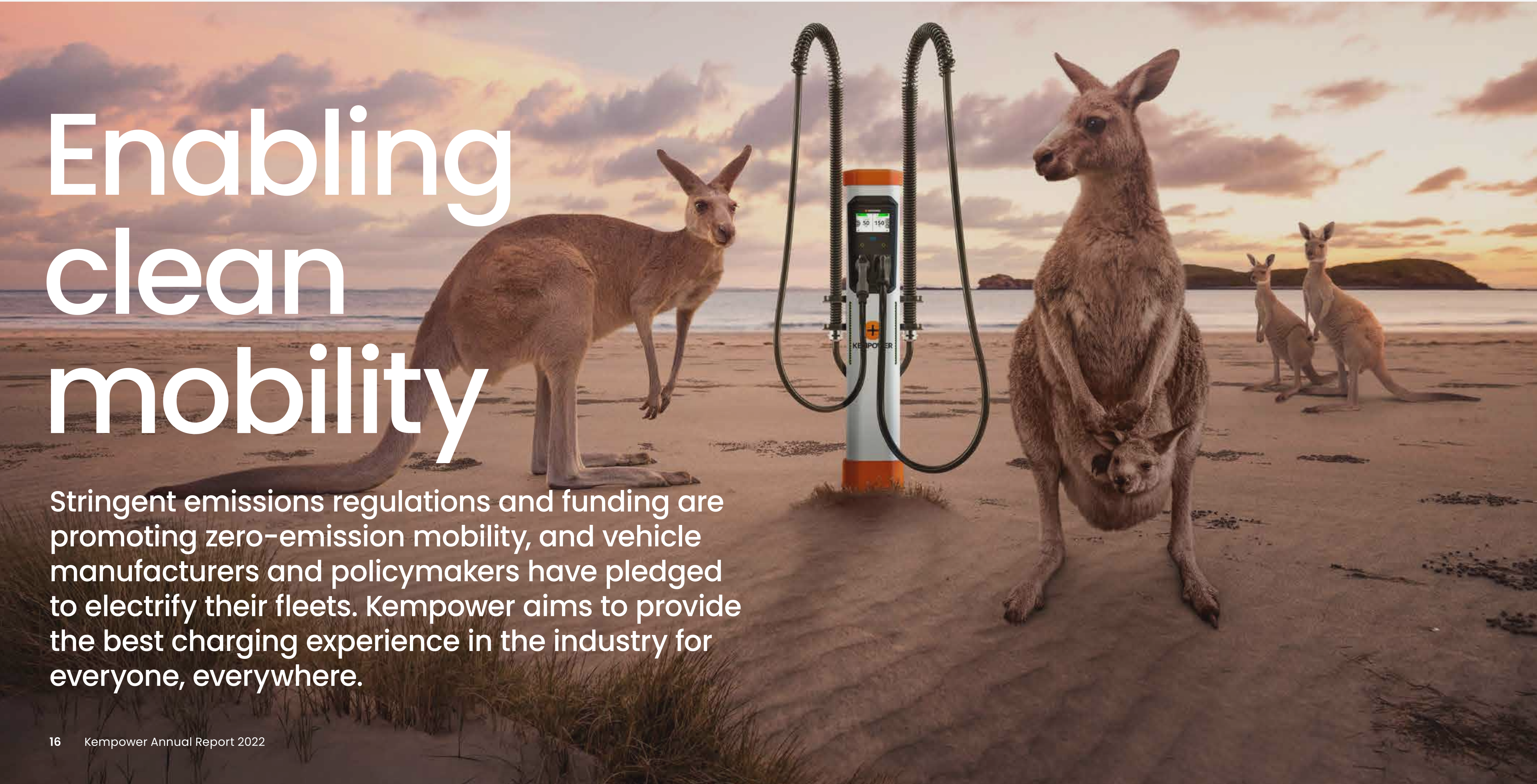
Case: Electric trucks

Electrifying Sweden's largest electric truck charging hub

Kempower delivered fast charging technology to Scania for Swedish Falkenklev Logistik's new electric truck charging hub in Malmö, Sweden. The delivery included a Kempower Power Unit and Kempower Satellite fast charging solutions, as well as the Kempower ChargEye software. The ChargEye technology can supply energy based on the number of vehicles charging simultaneously, with an initial maximum output per vehicle of 250 kW and the potential to upgrade to 320 kW per vehicle in the future.

Scania delivered an e-mobility solution including their five battery electric 4×2 trucks and 1.6MW Kempower fast charging equipment to the new hub. Falkenklev also commissioned Soltech Energy Solutions to build a 1.5-hectare solar park along with 2 MW of battery energy storage to create a state-of-the-art energy hub.

The new hub is Sweden's largest truck charging station and charges the company's 22 electric vehicles. In the future, the site could potentially be expanded to charge up to 40 vehicles simultaneously.



Enabling clean mobility

Stringent emissions regulations and funding are promoting zero-emission mobility, and vehicle manufacturers and policymakers have pledged to electrify their fleets. Kempower aims to provide the best charging experience in the industry for everyone, everywhere.

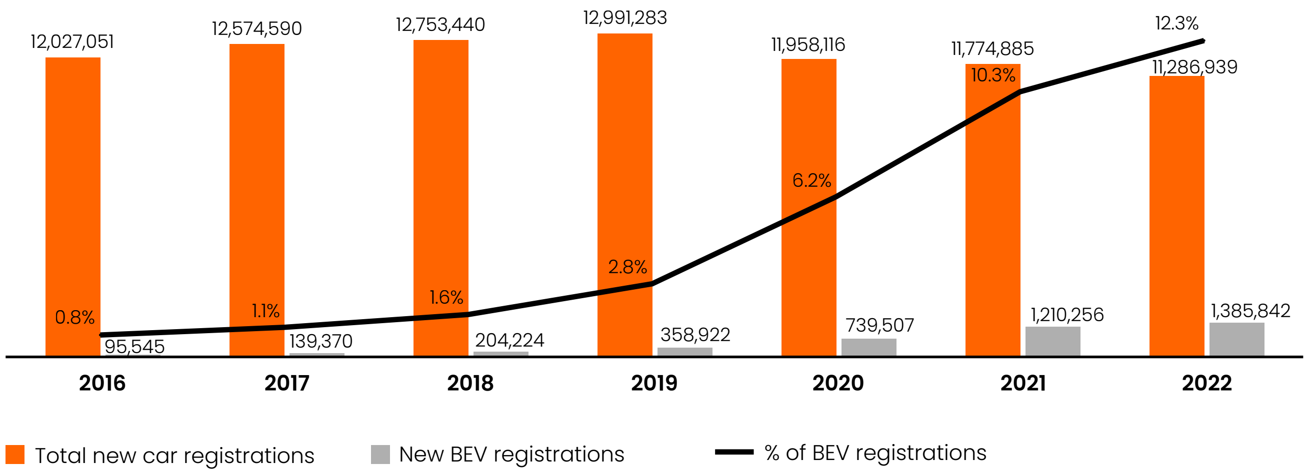
Megatrends impacting market growth

Charging infrastructure is one of the key issues when considering purchasing an electric vehicle. Numerous countries and cities have already committed to take action towards low-emission transportation.

1. Tightening emissions regulations

Vehicle emissions regulations are becoming stricter globally, forcing personal vehicle (PV) manufacturers to manufacture vehicles with fewer emissions than traditional internal combustion engine (ICE) vehicles. In practice, this is leading PV manufacturers to manufacture more EVs to avoid potentially substantial fines or other negative consequences. There are several regulations that are expected to continue driving increased EV demand, which can be divided into three categories: emissions standards, credit programs, and limits on the use of ICE vehicles. In February 2023, the European union approved a law to ban ICE cars by 2035, aiming to cut fossil fuels by 100% from new cars sold in the EU.

Total new car registrations in Europe vs. % of BEVs (2016–2022)

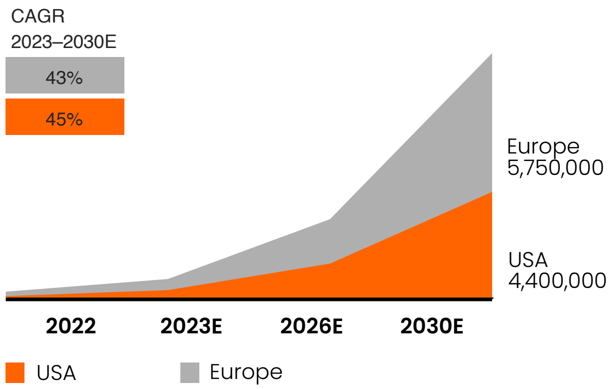


Source: acea

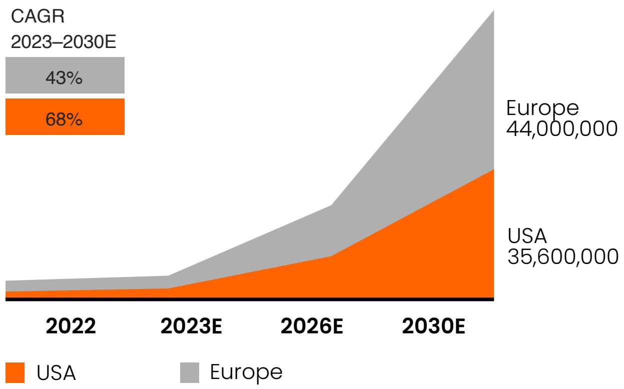
2. Need of supply chain´s CO_2 footprint reduction leads to increased electrification of fleets

A major growth element in the coming years will be the private sector's supply chain transformation, which necessitates a greater shift to electric vehicles in order to reduce the CO_2 footprint of their supply chains. The growth is attributable to private sector fleets being electrified across different industries. In the first wave, this will lead to the electrification of last-mile vehicle fleets, followed by middle mile fleets, and finally long-haul fleet electrification. Long-haul fleet electrification will speed up the development of megawatt charging systems, where power and energy needs will triple by the year 2030.

Commercial EV stock in Europe and USA



Private EV stock in Europe and USA



The number of personal and commercial electric vehicles is expected to grow

The megatrends mentioned above are expected to drive the increase of personal and commercial EV stocks in both Europe and North America. Total EV stock in Europe and North America, including both personal and commercial EVs, is expected to amount to 90 million (50 million in Europe and 40 million in North America) by the year 2030. 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.

Kempower target market

We currently target the DC fast-charging and high-power charging (HPC) markets for EVs in Europe and in North America.

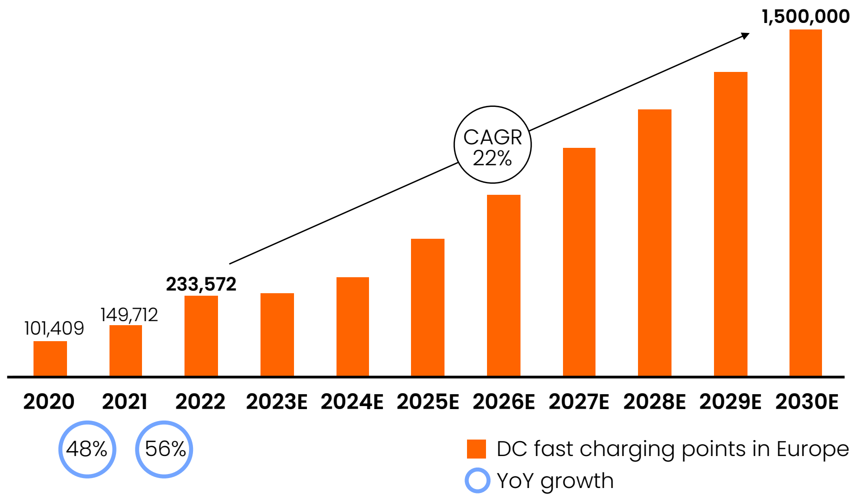
Competitive landscape

The competitive landscape in the EV charging market can roughly be divided into two segments: hardware providers and software providers. There are many different companies active in these two segments, including electronic conglomerates - which includes companies with a predominantly hardware focus – end-to-end CPOs, and charge point software operators. Kempower considers itself to be mostly a hardware manufacturing focused company with a growing emphasis on software with Kempower ChargEye™ cloud service. The Kempower ChargEye, combined with the artificial intelligence (AI) and new features developed for different EV management systems, will play a key role in Kempower's value proposition. With the ever-growing charger base installed in different markets, Kempower's service business will grow in importance.

In our view, the DC fast charging market remains fragmented and immature, with more than 20 identified companies. The differentiating elements include, for example:

- The maximum number of vehicles per charging system
- The availability of satellite charging posts
- The mobility of chargers
- kilowatt power provided by a charging system.

DC fast charging points in Europe, 2020-2030



Kempower's growth strategy

Kempower has a growth strategy built on two distinct pillars. First, a go-to-market strategy outlining the markets and customer segments Kempower focuses on throughout its five-year strategy period until the end of 2025. Second, an innovation strategy comprising Kempower's plan to continue developing its products and solutions portfolio.

Go-to-market strategy

Kempower's target is to continue expanding in the European market in the short- to medium-term. Kempower already has an established presence in its main geographical market, the Nordics, and it has started expanding into the rest of Europe. Kempower also sees significant potential to expand into the United States. Kempower is currently establishing operations in North Carolina, USA, with a target to start the production during the second half of 2023.

Kempower's go-to-market strategy is focus on each of its customer segments in selected geographical markets. OEM customers are assessed based on their financial standing, competitiveness in EV sales, and brand. Fleet operators are assessed based on, for example, customer value potential, level of competition and local regulations regarding electric traffic. Furthermore, depending on the customer type, sales are conducted through direct sales, local sales companies, a key account management model or business partners.

Innovation strategy

Kempower's innovation strategy can be divided into three strategic focus areas:

1

Current product offering as a basis for targeted future growth. Kempower aims to continue developing its current product offering by maintaining scrutinised product design and management in order to allow mass customization, which Kempower believes will form the basis of its targeted future growth.

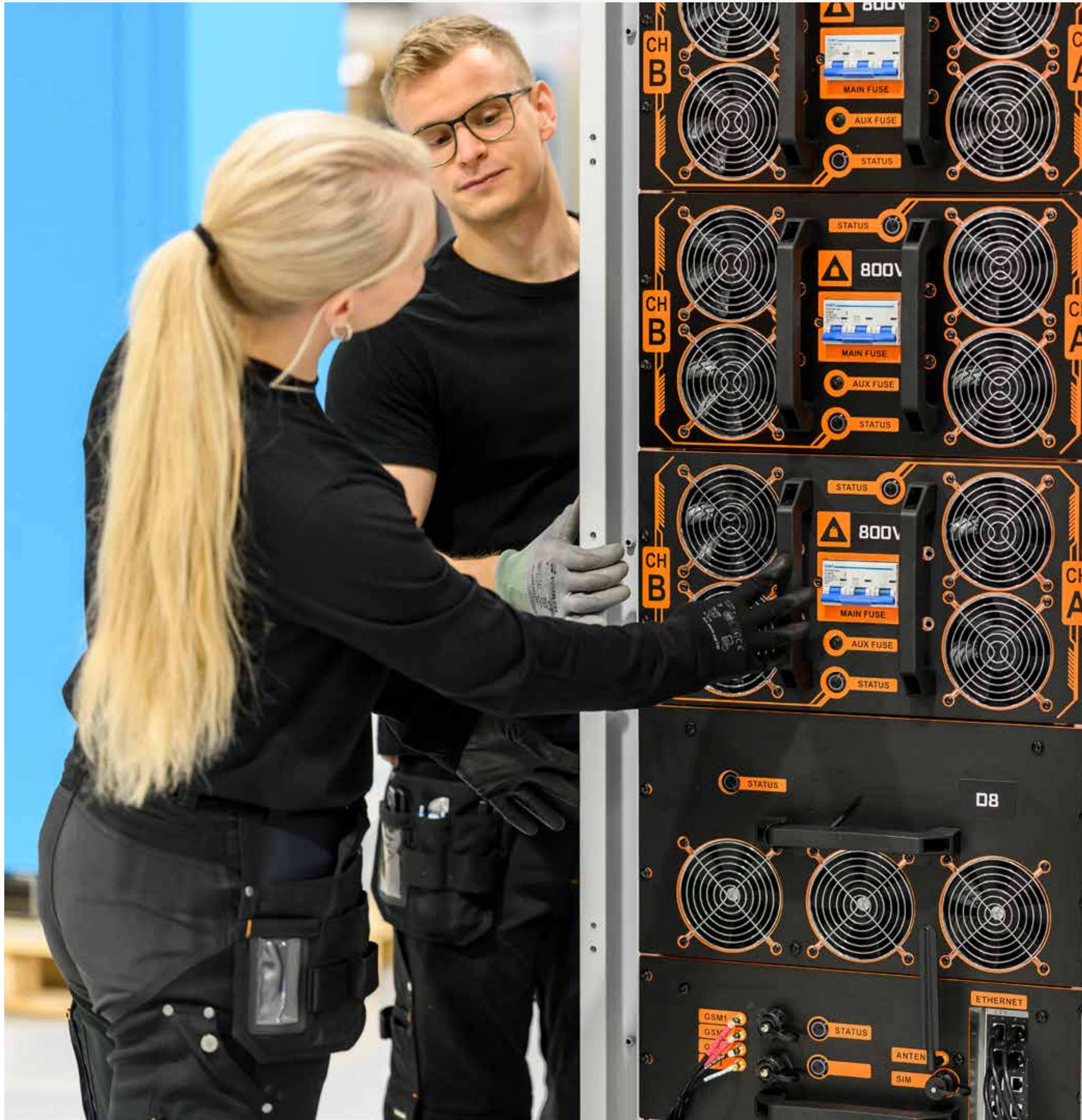
2

Cost and capital expenditure efficiency of production and operations. Kempower will continue to focus on cost and capital expenditure efficiency driven by standardization, outsourcing and the mass customization principles described above, and enabled by both optimized product design and scrutinized product management.

3

R&D and innovation of new products and features. Kempower considers R&D and innovation to be an essential part of Kempower and its organizational culture.

According to market research, the U.S. will soon be the world's fastest-growing EV market. This trend is supported by the country's new clean technology policies.



Financial targets

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.

Outlook for 2023

Kempower expects: 2023 revenue;

180–210 meur

(2022: 104 meur)

2023 operative EBIT;

a positive single digit operative EBIT margin, %

The accelerated entry to the North American markets in 2023 impacts Kempower's operative EBIT due to additional costs relating to recruitment and capacity ramp-up.

Charging a better future

Kempower charging technology contributes to climate change mitigation and plays an important role in enabling the climate neutral future.

Sustainability at the core of business

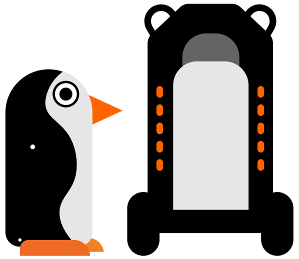
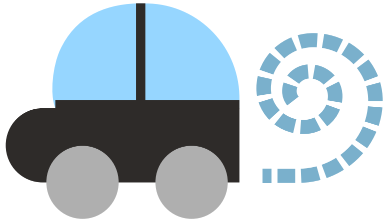
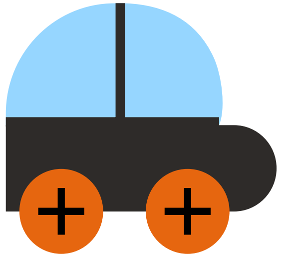
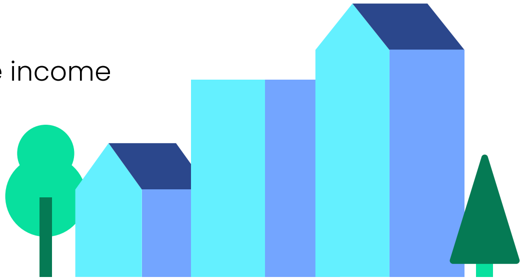
Our vision is to create the world's most desired EV charging solutions for everyone, everywhere. We are EV drivers who design and manufacture chargers to EV drivers around the world. This commitment to creating user friendly and reliable charging technology is reflected in the chargers we make today. Utilizing our experience and understanding of electricity, power sources and charging systems for the benefit of climate ambition is a natural and responsible choice.

We believe in making moving sustainable, enabling a carbon neutral society. When working for the planet, we align our actions with national and international commitments, and we take care in expanding our responsibility for the key environmental and societal challenges on which we can have a positive impact.

Expanding our sales to new market areas in 2022 also meant multiplying our environmental handprint impact. In December 2022, 12 000 MWh of energy was charged with Kempower chargers worldwide, compared to just 2 500 MWh in January 2022.

Handprint impact via the reduction of GHG emissions of transport by Kempower charging stations far exceeds the GHG footprint of Kempower's operations and supply chain. The emissions of an electric car represent an 86% reduction in traffic compared to combustion engine vehicles.

Value creation

	INPUTS	KEMPOWER OUTPUTS	IMPACT
Social	• 34 traineeships and summer jobs provided • Similar business conduct and ethical principles is expected from suppliers 	• Workplace safety: LTIF 5* • Diversity and equal opportunities for 375 employees and 30 different nationalities • Personnel eNPS 80 • New recruits in 2022: 239 • Code of conduct training index 72%	• Accessible, safe and remotely controllable charging units • Engaged and motivated employees • Better air quality 
Environmental	• Inbound logistics' CO_2 emissions minimised in collaboration with suppliers 	• -78% reduction in relative CO_2-eq. footprint • 100% ISO certified operations: ISO9001:2015, ISO14001:2015 and ISO45001:2018 • Horizontal packaging: Outbound logistics are lowered • 99.61% of Kempower Movable Chargers designed for modularity and recyclability	• -86% emissions/100 km from fully electric passenger car in traffic compared to ICE passenger cars** • 390 MWh charging power to end customers daily • Circular design: Reusable components 
Economic	• Raw material sourcing increasing with business growth 	• Increasing revenue and salaries 	• Corporate income taxes 

* LTIF, lost time incident frequency.

** Based on the data provided by The Finnish Transport and Communications Agency Traficom

Stakeholders and commitments

Kempower's key stakeholders include customers, employees, investors, and owners. Suppliers, contractors, schools and universities have a direct impact on Kempower.

The expectations of customers and employees are heard through surveys, where the customer focus for climate impact and sustainable products is a priority. Employees highlight the meaningfulness of work at Kempower. Investors and founders expect solid performance, growth, and a positive societal impact.

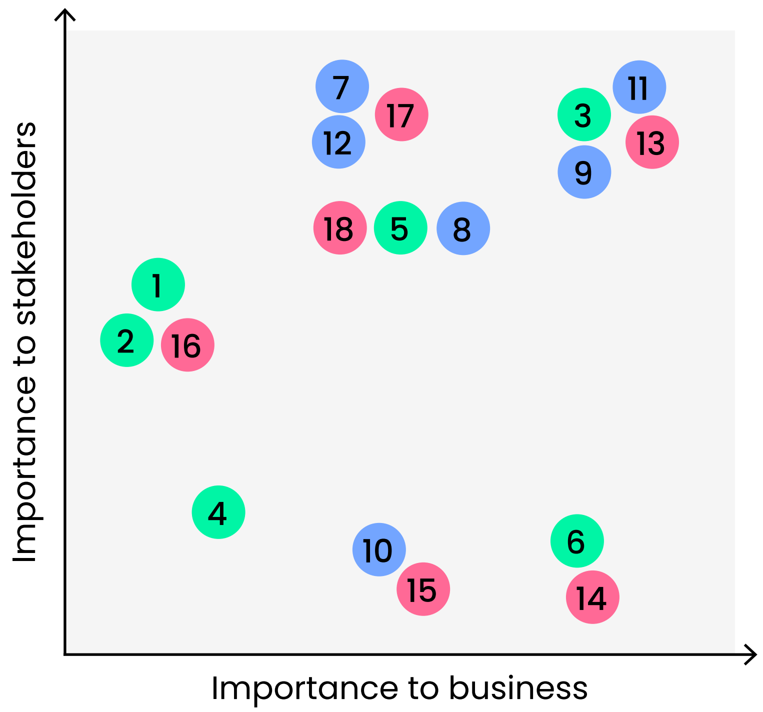
Kempower is committed to carbon neutrality by 2035, in alignment with the 1.5°C goal of the Paris Agreement. In 2022, Kempower prepared a review for the first time on how substantially it contributes to the European climate change mitigation goal described in the EU taxonomy. Kempower's strategy is fully focused on combatting climate change by electrifying transportation, and the climate risk assessment completed in 2022 indicates climate resilience in all scenarios.

Kempower is promoting the UN Sustainability Development Goals (SDGs) of the 2030 Agenda for Sustainable Development. The SDG's identified as most relevant to Kempower are 3 Ensure healthy lives and promote well-being for all at all ages, 4 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all, 7 Ensure access to affordable, reliable, sustainable and modern energy for all, 11 Make cities and human settlements inclusive, safe, resilient and sustainable, 12 Ensure sustainable consumption and production patterns and 13 Take urgent action to combat climate change and its impacts, each of which are well in alignment with the main sustainability themes. Kempower endorses the UN Global Compact's ten principles regarding to human rights, labor, the environment and anti-corruption.

The material sustainability themes were reviewed in 2022. A materiality assessment was executed based on a value chain analysis and the double materiality principle. The main themes, comprising; Committed to 100% Carbon Neutrality, Responsible products, Enabling a society powered by 100% electric transportation, and The Best Workplace for Future Professionals - were still found to be relevant on a high level as described last year. The content and the metrics supporting the sustainability themes were finetuned to add granularity and coverage for each of the three main themes.

Top management enforces the practice of reviewing the main social and environmental indicators regularly in management team meetings.

Materiality matrix



Environmental
1 Emissions from own operations
2 Emissions from supply chain
3 Impact to traffic emissions
4 Circularity
5 Waste
6 Environmental regulation

Social
7 Air quality
8 Trustworthy partner
9 Working conditions
10 Local partnerships
11 Product safety
12 Accessibility

Governance
13 Employee satisfaction
14 Good governance
15 Sub-contractors' operations
16 Remuneration policies
17 Responsible operations
18 Responsible ownership

Sustainability Governance

Sustainable strategy is defined by the board, CEO, and management team. Sustainable actions are owned by all employees. A high level of ethics is common to every Kempowerian, and there is a whistleblowing channel in-use to support transparency.

In 2022, Kempower carried out a policy review to ensure that supporting processes are in place and everyone is committed to the same principles. Essential policies include the Code of Conduct, HR policies and Procurement policy. The Code of conduct and policies are aligned with the goals of OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights.

ESG factors are directly part of the incentive program for only a limited number of employees, but due to the overall goal of electrifying transportation, the increase in deliveries is also an indirect ESG goal, and therefore part of remuneration for all.

Management systems cover quality management, occupational health and safety, and environmental management. In addition to already existing ISO90001:2015 and ISO45001:2018 Kempower was certified according to ISO14001:2015 in January 2022.

Kempower's risk management process consists of risk identification, assessment, management, monitoring and reporting. In the annual risk review, the previously published risks were updated, and some amendments were made: the risk related to the pandemic was lowered from previous time.

Resilience of our business model in a changing world is highlighted in a separate climate risk and opportunity assessment. The assessment of the financial impacts of climate related risks and opportunities according to TCFD methodology was carried our based on two climate scenarios, a 'well below 2°C' (IPCC SSP1-2.6) and a '4°C' (IPCC SSP5-8.5) scenario. Electrification will proceed and our strategy is viable and climate resilient.

Top climate opportunities were evaluated to have a high-to-medium financial impact and to be strong drivers in both climate scenarios. Regulation creates a strong global market for charging solutions, and there is financing available for low carbon solutions providers. Kempower is part of the green transformation, which is a major factor in retaining a capable workforce.

Climate risks were fewer and smaller in terms of financial impact than the opportunities in both climate scenarios. The top risks identified were physical, especially in the 4°C scenario. These risks included local damages due to extreme weather, disruptions in the global supply chain and negative regional impacts on the workforce, all of which were estimated to have a small or small-to-medium financial impact.

Green Equity Designation

In 2022, Kempower received Green Equity Designation from Nasdaq. According to an assessment carried out by CICERO Green, in 2021, 100% of Kempower's revenue and 100% of investments (CAPEX) are shaded Dark Green. CICERO Green considers Kempower's charging products to contribute toward climate change mitigation and act as an important enabler of the 2050 solution.

Taxonomy Alignment

100% of Kempower activities substantially contribute to climate change mitigation. Kempower activities qualify as eligible to and aligned with EU Taxonomy Regulation (EU) 2020/852 criteria, as set in Annex I of the delegated regulation in the description and technical screening conditions 6.15. Infrastructure enabling low-carbon road transport and public transport. Kempower activities do not cause any significant harm to any of the other environmental objectives, and the social safeguards in place are in line with the taxonomy.

	Eligible	Eligibility	Objective: Climate change mitigation. Taxonomy category	Do No Significant Harm, DNSH criteria	Minimum Social Safeguards	Alignment to taxonomy
Revenue	103.6 MEUR	100%	Section 6.15. Infrastructure enabling low-carbon road transport and public transport	Aligned	Aligned	100%
Opex	6.9 MEUR	100%		Aligned	Aligned	100%
Capex	6.4 MEUR	100%		Aligned	Aligned	100%

External recognitions

Kempower's committed work in sustainability and design has attracted recognition. A positive end-user experience and accessibility have increased public interest towards the company. According to our survey of European EV drivers carried out in 2022, Kempower is seen as a highly valued charging brand. Our modular and scalable charging system and world-class software enable the best user experience for EV drivers.

Fennia Prize 22

In 2022, Kempower's Satellite charging system was awarded an Honourable Mention in the Fennia Prize '22 for its unique and innovative product design. The innovativeness of the Kempower Satellite design lies in its versatility, modularity, user-friendliness, and scalability.

Finnish Growth Company of the Year 2022

Kempower was awarded the designation of Finnish Growth Company of the Year 2022 by Kauppalehti, Finland's leading business media. The award is the main prize of Kauppalehti's Kasvajat 2022 study, which annually recognizes the fastest growing companies in Finland.

Internationalization Award of the President of Finland

President of Finland, Mr. Sauli Niinistö, granted the annual Internationalization award to Kempower in November 2022. Kempower was awarded as the newcomer company of the year.

Climate Impact — 100% carbon neutrality by 2035

Kempower has set a target to be carbon neutral in 2035 in own operations and has started the journey towards this ambition with additional targets and action plans.

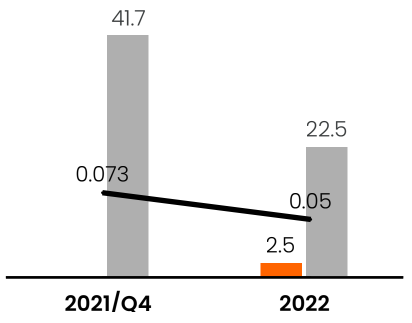
To support this ambition, there are continuous actions and projects ongoing across operations. Steps towards climate neutrality include using 100% renewable electricity in almost all facilities, the implementation of renewable energy projects, and the sorting and reduction of waste.

Similar choices and actions to reduce identified environmental impacts are preferred in all steps of the value chain, from inbound logistics to the reduction of the amount of packaging waste.

In 2022, steps towards carbon neutrality included an initial assessment of the value chain impacts, including indirect emissions from Scope 3. We have identified the following types of emissions: purchased goods, such as raw materials, components and capital expenditure for the new factory, electricity and heating of the facilities, logistics and business travel, waste, and employee commuting. Of the indirect emissions, in 2022 we quantified the emissions related to energy use, waste and business travel. In 2023, we continue to develop the reporting accuracy of the Scope 3 emissions.

Relative emissions were reduced in 2022, but the trend in the absolute amount of waste increased, partially due to the new manufacturing location. Our facilities in Finland are powered by electricity from the grid, where the grid factor is 0.156 CO_2eq tons/MWh. The grid in Finland is based on renewable (52%), nuclear (34%), and fossil fuels (14%).

Emissions and resource efficiency



	Long term targets	Short term targets	2021	2022
Relative CO_2 emissions	Carbon neutrality by 2035	Reduce relative footprint annually	N/A	2.5 g CO_2-eq/EUR
Fossil free energy	100% fossil free energy by 2025	Natural gas 50%, ramping down to be replaced by geothermal in 2023.	N/A	Heating 0.66 t CO_2-eq/MEUR Electricity 1.80 t CO_2-eq/MEUR
Non-avoidable emissions	Business travel is compensated when it can't be avoided	Travel emissions reported and compensated annually	N/A	1.2 t CO_2-eq/MEUR
Waste	Reducing landfill waste to zero in 2025	Short term target is to reduce landfill waste as % of total waste annually	0.073 ton/ MEUR	0.050 ton/MEUR

Saving time, space, and emissions with new packaging

In summer 2022, Kempower's New Product Introduction (NPI) team took on the challenge of making a more sustainable packaging solution for Kempower Satellite chargers.

Kempower NPI Engineer, Sini Alander, had the idea for this project when her team had a meeting about the challenge of increased production volume but not enough storage space. That's when they took a closer look at how one Kempower Satellite unit package took up too much space in the warehouse.

The team researched and developed a solution to make the Kempower Satellite charger packaging 3 times smaller. Now, it is possible to fit 3 packaged units of the Kempower Satellite charger in the same space where they could previously only fit one packaged unit.

Along with optimizing warehouse space, this new packaging solution brings additional benefits such as: reduced emissions by increasing units per shipment (decreasing deliveries needed), savings in transport costs, cutting work time in half for the packaging of Kempower Satellite chargers.

Upon implementing this new Kempower Satellite charger packaging solution, we've received positive customer feedback about shipments and further packaging ideas.

Responsible products – Enabling 100% electric transportation sustainably

Kempower is committed to developing the supply chain as part of its daily work with its suppliers. A typical example of ongoing actions is the initiative to reduce waste together with suppliers.

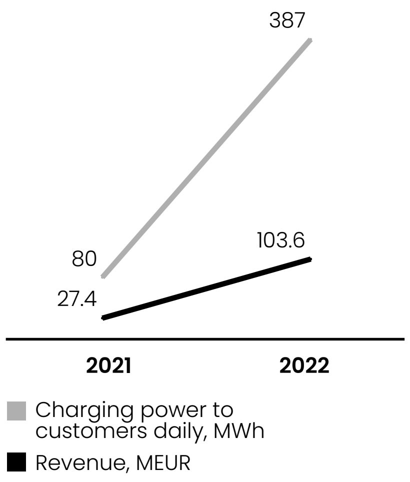
In 2022, we continued to engage selected suppliers in climate action. In the future, we expect to work with suppliers to further explore the use of renewable materials and to develop the reporting of GHG emissions. We also follow compliance and human rights due diligence with our supply network.

The social impacts are identified throughout the value chain, from supplier selection to service, modernization capabilities and an extremely high end-of-life recyclability rate, which stands at 99.6% for one typical product – the Kempower Movable Charger.

The Kempower team also recognized the importance of extending the perspective of social sustainability from the company's own operators to contractors and suppliers. The supplier code of conduct will be developed for 2023.

Service operations take benefit fully from remote service technologies, enabling service activities to be fast for the end user, while reducing service visit emissions as well as the risks to the operators. Our service team can diagnose a problem almost immediately and, using our stores of data, quickly offer a remote solution.

Electrifying transport



	Long term targets	Short term targets	2021	2022
Enabling electric transportation	Maximize the climate impact by increasing the charging power delivered to customers on a daily basis	Impact: 86% less emissions/100 km in a passenger car (fully electric compared to ICE)	80 MWh charging power to end customers on a daily basis	390 MWh charging power to end customers on a daily basis
Packaging	Reduce plastic packaging -50% by -25 (from 2021). Transfer to bio plastics and biodegradable when economically viable	Actions implemented to reduce the use of plastics annually	N/A	Not fully reported
Circularity	99% lifetime recyclability rate for Kempower chargers	More studies planned for 2023	99.61% for Kempower Movable Charger	99.61% for Kempower Movable Charger
Local supply chain		Supplier management, logistics emissions	100% of production in Finland, majority of sourcing local	100% of production in Finland, majority of first-tier suppliers local
Remote access		Quantify maintenance travel reductions by remote support	100% remote support and updates via Kempower ChargEye	100% remote support and updates via Kempower ChargEye

Powering the most sustainable cycling race: Arctic Race of Norway 2022

In August 2022, Kempower was selected as a sponsor of the 9th annual Arctic Race of Norway for the second year in a row. We supplied chargers throughout the race to power staff and athletes' service cars. The use of EVs is part of the Arctic Race of Norway's target to become the world's most sustainable cycling race.

The event has a strong sustainability message and is one of the first cycling races to use predominantly EVs in-race. In 2022, the race employed 90 electric cars for transporting athletes and staff, making up 75% of the fleet and building towards an aim of being 100% electric by 2025.

Kempower provided 8 of its Kempower Movable DC fast charging units throughout the route. Together with other sponsors, Kempower's team managed fast charging with a total of 11 Kempower Movable chargers during the race. The movability and light weight of the movable chargers mean they can easily travel alongside the cycling teams and are able to access even the most remote of locations. Furthermore, the Kempower Movable fast-charging ability was crucial for this event, as the event's EVs travelled upwards of 250km some days, meaning they needed to be charged quickly overnight.

Making EV charging reliability a top priority

Electric vehicle ownership continues to grow. To support the accelerating e-mobility transition, charging infrastructure must keep pace with the expanding EV market.

We've developed our Kempower ChargEye software to stay ahead of the game. Our cloud-based charging management system allows us to analyze the charging data of every vehicle that connects to Kempower chargers. We use this data to build our understanding of the electric vehicles we serve, meaning that, when something unexpected occurs, we have a rich set of data to draw from to devise a solution.

This self-designed and self-manufactured software has features unique to Kempower. For example, Kempower ChargEye's ability to recognize cars based on their charging curve allows us to build a database for each model of electric car we encounter. This means that, as soon as a new model of electric car incompatible with existing technology hits the road, we can respond by creating a tailored solution. This unique feature of our technology allows us to keep the pace up-to-speed with the rapidly developing EV market.

The fact that Kempower ChargEye works remotely is also a crucial advantage. It means our team can diagnose different cases almost immediately and, using our stores of data, quickly offer a remote solution. The process is so fast that users – the EV drivers – often don't even notice the issue themselves before our tech team fixes it.

We prepare for different situations by making our charging system modular. This means that, if one of our components fails, then the rest of the system isn't made redundant. Our tech team can resolve any issue quickly before returning to normal operations, without impacting the rest of the charging system.

As EV drivers themselves, our team members have a deep understanding of the EV market and understand the frustrations that fellow drivers can face, making them even more dedicated to finding solutions. All members of our service team are also well-trained in our remote monitoring Kempower ChargEye software, meaning they can use its many features to their full abilities, finding the best solutions and guaranteeing that our charging infrastructure remains reliable.

By placing a commitment to reliability at the core of Kempower, we have demonstrated that it is possible to ensure reliability in charging infrastructure and have proven that drivers don't have to sacrifice convenience to drive an EV.

The best workplace for the professionals of the future

Kempower focus is on employee engagement, safety, diversity, inclusion and competence development. Employee engagement is measured through regular work satisfaction scores and eNPS. Having a team comprising more than 20 nationalities highlights our commitment to diversity and inclusion.

People are treated fairly in their work environment and can progress in their careers regardless of personal background. To ensure the quality of the managerial work, we have established a training program for the managers, and all employees have performance and development discussions with their managers. We also offer an increasing number of traineeships to students in local universities.

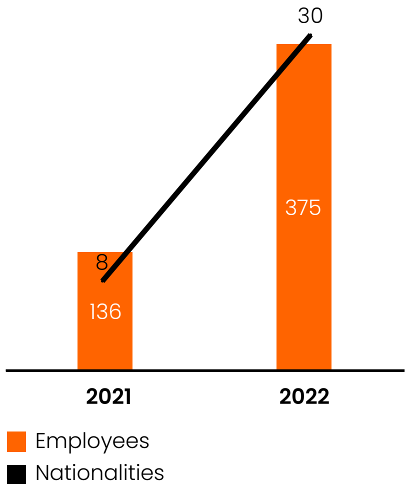
We take a proactive approach to safety: this year, there was more focus on engagement and improvement actions. To ensure proactive safety, Kempower set safety walks as a new indicator for 2022 to support topic engagement and to gather improvement ideas.

Thinking more widely across the value chain is built into how we operate. An example of this is how Kempower wants to increase safety awareness and take care of colleagues at work and family at home, by offering employees free first aid training and the possibility to perform volunteer work one day a year.

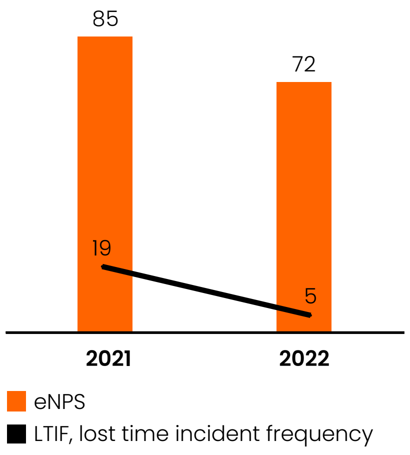
Extending social sustainability and care for people outside of Kempower's operations starts from product design, in ways that ensure products are safe and accessible to use, as well as being safe to manufacture and assemble.

Code of conduct training was introduced for all employees in Q4/2021. In 2022, the Code of Conduct was integrated into the onboarding process and the content was updated.

Growing and diverse team



Committed and safe



	Long term targets	Short term targets	2021	2022
Diversity	Diversity and inclusion as part of the culture	Diversity in processes and decisions. Increasing number of nationalities.	8	30
Safety	Zero workplace accidents: Incident frequency reduction to zero	Decrease LTIF, increase proactive safety*	LTIF 19	LTIF 5; Proactive safety 124
Satisfaction	Secure high work satisfaction	High employee net promoter score, above 50	85 eNPS	80 eNPS
Training	First aid skills training	Code of conduct training	N/A	72% Code of conduct
Collaboration for education	Cooperation with universities	Kempower offers trainee positions and first jobs for the graduates.	N/A	34 traineeships and summer jobs provided

* LTIF, lost time incident frequency.
Proactive safety actions include hazard observations, near misses, safety walks and risk assessments

A dynamic team of 30 nationalities

We appreciate our diverse individuals who build, enrich, and strengthen our corporate culture in their own special way. In the end of the year 2022, Kempowerians represented 30 different nationalities.

One of Kempower's international experts, Pierre Gau, explains what made him choose Kempower:

"Kempower has a unique approach to charging electric vehicles, which impressed me. So, I was already sold on Kempower's technology before the job offer; but without the right people, I wouldn't have taken up even the most interesting role," Pierre says.

Pierre works as Regional Sales Director for Western and Southern Europe at Kempower. From a young age, he has focused on working with sustainable energy solutions, such as solar power and electric transportation.

"Kempower has everything I want from a workplace: amazing technology, a strong vision and brilliant people both in Finland and abroad. I believe this is a perfect recipe for success," he adds.

Osprey Charging's first accessibly designed fast-charging hub with Kempower technology

In August 2022, our customer Osprey Charging officially launched its first accessibly designed fast-charging hub featuring Kempower technology at Marston's Paisley Pear pub and restaurant in Brackley, UK.

Accessibility has been fundamental in the design of the charging hub. The Kempower Satellite chargers have been positioned in a more user-friendly way to support drivers of all physical abilities. The charging cables are supported by springs, which carry most of the weight and make it easy to move and to bring the cable to a vehicle. The physical footprint of each of our Kempower Satellite chargers has also been reduced by 74% compared to the industry average, further improving accessibility, and allowing space for more chargers.

Paisley Pear is the first of Osprey Charging's new accessibly designed fast charging hubs to be inspected by the independent, public EV charging endorsement body ChargeSafe. It has scored an overall rating of 4.46 out of 5, which includes the highest accessibility score recorded by ChargeSafe on the UK network.

Metrics and targets

GRI content index

Statement of use	Kempower has reported the information cited in this GRI content index for the period 1.1.2022-31.12.2022 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION/ADDITIONAL INFORMATION
GRI 2: General Disclosures 2021	2-1 Organizational details	Powering planet cool - Kempower in brief, p. 8; Governance-Corporate Governance Statement, p. 45; Financial review-Report of the Board of Directors p. 66
	2-2 Entities included in the organization's sustainability reporting	Powering planet cool - CEO's review, p. 6 and Kempower in Brief, p. 7.
	2-3 Reporting period, frequency and contact point	Sustainability reporting period is annual and the period of this report is 1.1.–31.12.2022, same as the financial reporting period.
	2-4 Restatements of information	Kempower published sustainability commitments in annual report of 2021. This report is the first Kempower report with reference to GRI standards.
	2-5 External assurance	Kempower's sustainability reporting has not been externally assured.
	2-6 Activities, value chain and other business relationships	Powering planet cool - CEO's review, p. 6; Powering planet cool-Kempower in brief, p. 7, 8; Powering planet cool - Business overview, p. 9, 10
	2-7 Employees	Powering planet cool - Highlights 2022, p. 11; Charging a better future - Value creation, p. 25; Charging a better future - The best workplace for the professionals of the future, p. 35; Financial Review-Report of the Board of Directors 2022, p. 66
	2-8 Workers who are not employees	In addition to employees, Kempower had in 2022 some workers who were not employees. Agency workers represented a minor amount of full time workforce in operative roles and as contracted temporary staff.
	2-9 Governance structure and composition	Governance - Corporate Governance Statement, p. 47-53; Financial review-Report of the Board of Directors 2022, p. 67-68. Composition of the Management Team and the Board of Directors
	2-10 Nomination and selection of the highest governance body	Governance - Corporate Governance Statement, p. 46; Financial review - Report of the Board of Directors 2022, p. 67.
	2-11 Chair of the highest governance body	Governance - Corporate Governance Statement, p. 46; Financial review - Report of the Board of Directors 2022, p. 68. Chairman of the board is the chair of the highest governance body.
	2-12 Role of the highest governance body in overseeing the management of impacts	Governance - Corporate Governance Statement, p. 46; Financial review - Report of the Board of Directors 2022, p. 62-63.
	2-13 Delegation of responsibility for managing impacts	Financial review - Report of the Board of Directors 2022, p. 63. Management systems as framework for managing impacts and continuous improvement; Governance- Corporate Governance Statement, p. 51. Roles of the CEO and the management team.

GRI STANDARD	DISCLOSURE	LOCATION/ADDITIONAL INFORMATION
	2-14 Role of the highest governance body in sustainability reporting	Governance - Corporate Governance Statement, p. 46. Financial review - Report of the Board of Directors - Sustainability, p. 63. Reference to sustainability report which summarizes performance and commiments
	2-15 Conflicts of interest	Governance-Corporate Governance Statement, p. 50. Independence of the members of the Board
	2-16 Communication of critical concerns	Charging a better future - Sustainability Governance, p. 27
	2-17 Collective knowledge of the highest governance body	Governance - Corporate Governance Statement - Board of Directors, p. 50 on composition, qualifications and diversity of the board.
	2-18 Evaluation of the performance of the highest governance body	Governance - Corporate Governance Statement, p. 45-46. Annual General Meeting and Board of Directors
	2-19 Remuneration policies	Governance - Corporate Governance Statement, p. 46, 47, 51; Governance - Remuneration Report, p. 56, 57, 59
	2-20 Process to determine remuneration	Governance - Remuneration Report, p. 57, 67
	2-21 Annual total compensation ratio	Governance - Remuneration Report, p. 58-59
	2-22 Statement on sustainable development strategy	Charging a better future - Sustainability at the core of business, p. 29; Charging a better future - Stakeholders and commitments, p. 31
	2-23 Policy commitments	Charging a better future - Sustainability at the core of business, p. 29; Charging a better future - Stakeholders and commitments, p. 31; Charging a better future - Sustainability Governance, p. 27
	2-24 Embedding policy commitments	Charging a better future - Value creation, p. 30; Charging a better future - Sustainability Governance, p. 27; Charging a better future - The best workplace for the professionals of the future, p. 35
	2-25 Processes to remediate negative impacts	Charging a better future - Sustainability Governance, p. 27-28
	2-26 Mechanisms for seeking advice and raising concerns	Charging a better future - Sustainability Governance, p. 27; Governance-Corporate Governance Statement p. 54
	2-27 Compliance with laws and regulations	No instances of non-compliance with laws and regulations.
	2-28 Membership associations	No major roles in industry associations, other membership associations, and national or international advocacy organizations
	2-29 Approach to stakeholder engagement	Charging a better future -Sustainability at the core of business, p. 29; Charging a better future - Stakeholders and commitments, p. 31; Charging a better future - Sustainability Governance, p. 27
	2-30 Collective bargaining agreements	No data available

GRI STANDARD	DISCLOSURE	LOCATION/ADDITIONAL INFORMATION
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Charging a better future - Stakeholders and commitments, p. 31
	3-2 List of material topics	Charging a better future - Stakeholders and commitments, p. 31
	3-3 Management of material topics	Charging a better future - Stakeholders and commitments, p. 31; Charging a better future - Sustainability Governance, p. 27
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Powering planet cool - CEO's review, p. 5; Charging a better future - Sustainability Governance, p. 28; Financial review - Reconciliation of the key figures, p. 74; Financial review - Consolidated Financial Statement, p. 77, 84
	201-2 Financial implications and other risks and opportunities due to climate change	Enabling clean mobility - Megatrends impacting market growth, p. 17-19; Charging a better future - Sustainability Governance, p. 28
	201-3 Defined benefit plan obligations and other retirement plans	Financial review - Consolidated Financial Statements, p. 77, 80, 84, 86, 87, 102, 109, 110
	201-4 Financial assistance received from government	Financial review - p. 82, 84, 90 and 114. Governmental grants received from Business Finland
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Powering Planet Cool - Business Overview, p. 9
	203-2 Significant indirect economic impacts	Charging a better future - Sustainability at the core of business, value creation, p. 25;
GRI 204: Procurement Practices	204-1 Proportion of spending on local suppliers	Charging a better future - Responsible products-Enabling 100% electric transportation sustainably, p. 32. Majority of the first tier suppliers are local.
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Charging a better future - Responsible products-Enabling 100% electric transportation sustainably, p. 32. Supplier development for compliance and human rights due diligence.
	205-2 Communication and training about anti-corruption policies and procedures	Charging a better future - Value creation, p. 25; Charging a better future - Sustainability Governance, p. 28; Charging a better future - The best workplace for the professionals of the future, p. 35
	205-3 Confirmed incidents of corruption and actions taken	No incidents of corruption
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No legal actions for anti-competitive behavior, anti-trust, and monopoly practices
GRI 207: Tax 2019	207-1 Approach to tax	Financial review- Consolidated Financial Statements, p. 77-79 Income tax, p. 82 Tax assets and p. 85-87 Income tax.
	207-2 Tax governance, control, and risk management	Governance - Corporate Governance Statement, p. 50; Audit committee role

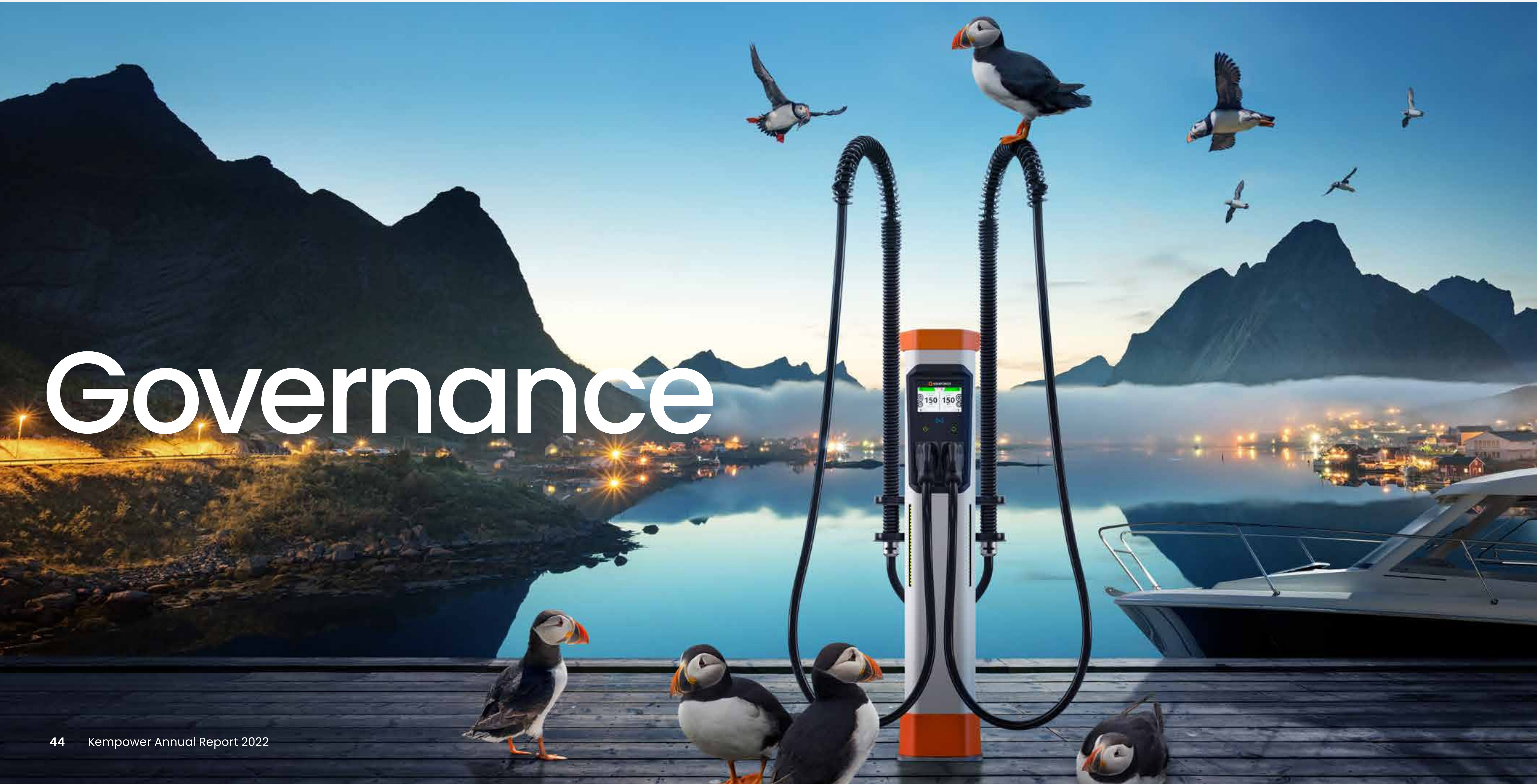
GRI STANDARD	DISCLOSURE	LOCATION/ADDITIONAL INFORMATION
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Charging a better future - Climate Impact - 100% carbon neutrality by 2035, p. 30. Total energy consumption is 2300 MWh (energy use/EUR multiplied by total revenue)
	302-2 Energy consumption outside of the organization	Charging a better future - Climate impact - 100% carbon neutrality by 2035, p. 30. We continue to develop the reporting of the value chain energy use in the coming years.
	302-3 Energy intensity	Charging a better future - Climate Impact - 100% carbon neutrality by 2035, p. 30
	302-4 Reduction of energy consumption	Charging a better future - Climate Impact - 100% carbon neutrality by 2035, p. 30
GRI 303: Water and Effluents 2018	303-2 Management of water discharge-related impacts	No significant water use. Municipal water management
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	No sites in protected areas or areas of high biodiversity value
	304-2 Significant impacts of activities, products and services on biodiversity	No significant impacts on biodiversity
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Charging a better future - Value creation, p. 25; Charging a better future - Climate Impact - 100% carbon neutrality by 2035, p.30. Scope 1 and 2 emissions combined 250 t CO_2-eq.
	305-2 Energy indirect (Scope 2) GHG emissions	Charging a better future - Value creation, p. 25; Charging a better future - Climate Impact - 100% carbon neutrality by 2035, p. 30. Scope 1 and 2 emissions combined 250 t CO_2-eq.
	305-3 Other indirect (Scope 3) GHG emissions	Charging a better future - Climate impact - 100% carbon neutrality by 2035, p. 30. We continue to develop the reporting of the indirect emissions in the coming years.
	305-4 GHG emissions intensity	Charging a better future - Climate Impact - 100% carbon neutrality by 2035, p. 30
	305-5 Reduction of GHG emissions	Charging a better future - Climate Impact - 100% carbon neutrality by 2035, p. 30
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Charging a better future - Climate Impact - 100% carbon neutrality by 2035, p. 30
	306-2 Management of significant waste-related impacts	Charging a better future - Climate Impact - 100% carbon neutrality by 2035, p. 30; Charging a better future - Responsible products - Enabling 100% electric transportation sustainably, p. 32
	306-3 Waste generated	Charging a better future - Climate Impact - 100% carbon neutrality by 2035, p. 30
	306-5 Waste directed to disposal	Charging a better future - Climate Impact - 100% carbon neutrality by 2035, p. 30
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Charging a better future - Responsible products - Enabling 100% electric transportation sustainably, p. 32. Close cooperation with main suppliers.
	308-2 Negative environmental impacts in the supply chain and actions taken	Charging a better future - Responsible products - Enabling 100% electric transportation sustainably, p. 32. Close cooperation with main suppliers.

GRI STANDARD	DISCLOSURE	LOCATION/ADDITIONAL INFORMATION
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Powering planet cool - Highlights, p. 11; Charging a better future - The best workplace for the professionals of the future, p. 35; Financial review - Report of the Board of Directors 2022, p. 62, 66, 84
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Charging a better future - Sustainability Governance, p. 27, 28
	403-2 Hazard identification, risk assessment, and incident investigation	Charging a better future - Sustainability Governance, p. 28
	403-5 Worker training on occupational health and safety	Charging a better future - The best workplace for the professionals of the future, p. 35
	403-6 Promotion of worker health	Charging a better future - The best workplace for the professionals of the future, p. 35
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Charging a better future - Sustainability Governance, p. 28
	403-8 Workers covered by an occupational health and safety management system	Charging a better future - Sustainability Governance, p. 28
	403-9 Work-related injuries	Charging a better future - The best workplace for the professionals of the future, p. 35
	403-10 Work-related ill health	Charging a better future - The best workplace for the professionals of the future, p. 35
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Charging a better future - The best workplace for the professionals of the future, p. 35
	404-2 Programs for upgrading employee skills and transition assistance programs	Charging a better future - The best workplace for the professionals of the future, p. 35
	404-3 Percentage of employees receiving regular performance and career development reviews	Charging a better future - The best workplace for the professionals of the future, p. 35
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Charging a better future - The best workplace for the professionals of the future, p. 35; Governance - Corporate Governance Statement p. 50
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	There are no countries or geographic areas with operations and suppliers in which the risks of violations of the right to freedom of association and collective bargaining are considered significant
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	There are no countries or geographic areas with operations and suppliers where the risk of incidents of child labour is considered high
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	There are no countries or geographic areas with operations and suppliers where the risk of incidents of forced or compulsory labor is high
GRI 414: Supplier Social Assessment 2016	414-2 Negative social impacts in the supply chain and actions taken	Charging a better future - Responsible products-Enabling 100% electric transportation sustainably, p. 32. Close cooperation with main suppliers.
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Charging a better future - The best workplace for the professionals of the future, p. 35
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	No reported complaints concerning breaches of customer privacy

SASB -Electrical & electronic equipment

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	LOCATION AND COMMENTS
Energy Management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Gigajoules (GJ), Percentage (%)	RT-EE-130a.1	Charging a better future - Climate Impact - 100% carbon neutrality by 2035, p.30. Total energy consumption 8400 GJ or 2300 MWh (22.5 Wh/EUR multiplied by total revenue)
Hazardous Waste Management	Amount of hazardous waste generated, percentage recycled	Metric tons (t), Percentage (%)	RT-EE-150a.1	Not reported
	Number and aggregate quantity of reportable spills, quantity recovered	Number, Kilograms (kg)	RT-EE-150a.2	No spills reported, 0 kg
Product Safety	Number of recalls issued, total units recalled	Number	RT-EE-250a.1	None reported
	Total amount of monetary losses as a result of legal proceedings associated with product safety	Reporting currency	RT-EE-250a.2	None reported, 0 EUR
Product Lifecycle Management	Percentage of products by revenue that contain IEC 62474 declarable substances	Percentage (%) by revenue	RT-EE-410a.1	Not reported
	Percentage of eligible products, by revenue, that meet ENERGY STAR® criteria	Percentage (%) by revenue	RT-EE-410a.2	Not reported
	Revenue from renewable energy-related and energy efficiency-related products	Reporting currency	RT-EE-410a.3	100% of revenue from EV charging solutions
Materials Sourcing	Description of the management of risks associated with the use of critical materials	n/a	RT-EE-440a.1	Charging a better future - Responsible products, p. 32; Majority of the first tier suppliers are local.
Business Ethics	Description of policies and practices for prevention of: (1) corruption and bribery and (2) anti-competitive behavior	n/a	RT-EE-510a.1	Charging a better future - Value creation, p. 25; Charging a better future - Sustainability Governance, p. 28; Charging a better future - The best workplace for the professionals of the future, p. 35.
	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	Reporting currency	RT-EE-510a.2	None, 0 EUR
	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	Reporting currency	RT-EE-510a.3	None, 0 EUR

Governance



Corporate Governance Statement

1. Introduction

Kempower Corporation (the "**Company**" or "**Kempower**") is a Finnish public limited liability Company. The duties and responsibilities of Kempower's governing bodies are determined in accordance with Finnish law. The Company is domiciled in Lahti. This Corporate Governance Statement has been prepared on the basis of the Finnish Corporate Governance Code 2020 and applicable legislation and regulations.

In accordance with the decision of the Board of Directors, the Company has complied with all recommendations of the Finnish Corporate Governance Code 2020 (the "Corporate Governance Code"). The Corporate Governance Code is available on the Securities Market Association's website at www.cgfinland.fi.

This report describes the key principles of Kempower Corporation's Corporate Governance. The Corporate Governance Statement is issued separately from the Board of Directors' report for the financial period 1 January to 31 December 2022. The Corporate Governance Statement and the report of the Board of Directors are available on Kempower's website at www.kempower.com.

This report has been reviewed by the Board's Audit Committee and approved by the Board.

2. Kempower's administrative and governing bodies

Kempower's administrative and governing bodies are the Annual General Meeting, the Board of Directors and the CEO. Kempower's highest decision-making power is exercised by the shareholders at the Annual General Meeting. The Board of Directors and the CEO are responsible for management. The Board's work is supported by its two committees, the Audit Committee and the Remuneration and Nomination Committee. The Management Team assists the CEO in managing the company and the Group. Further information on the administration is available on Kempower Corporation's website www.kempower.com.

3. Annual General Meeting

The Annual General Meeting is Kempower Corporation's highest decision-making body. The Annual General Meeting is to be held annually by the end of June and it deals with matters falling within its competence under the Articles of Association, as well as proposals made to it. If necessary, an Extraordinary General Meeting is convened.

The Board of Directors is also obliged to convene a General Meeting if the auditor or shareholders holding a total of at least 10% of the Company's shares so request in writing, to deal with a particular matter.

The decision-making power of Kempower's Annual General Meeting includes inter alia:

- approving the financial statements and deciding on the distribution of profits;
- the number, election and remuneration of Board members;
- discharging the members of the Board of Directors and the CEO from liability;

- amending the Articles of Association;
- share issues or authorizing the Board of Directors to decide on share issues; and
- the increase or decrease of share capital.

The notice to the Annual General Meeting shall be delivered to shareholders by publishing the notice on the Company's website or in one or more widely circulated daily newspapers designated by the Board no earlier than three months and no later than three weeks before the reconciliation date, however always at least nine (9) days before the record date.

The notice to the meeting and the Board's proposals to the Annual General Meeting are also published in a stock exchange release. Correspondingly, the proposal of the shareholders holding at least 10 percent of the voting rights of the Company's shares is announced in a stock exchange including the composition and remuneration of the Board of Directors and the election of the auditor.

The agenda of the Annual General Meeting, proposed resolutions and meeting documents in accordance with the Companies Act, including the remuneration report and the remuneration policy, if scheduled to be discussed at the meeting, will be posted on the Company's website at least three weeks before the Annual General Meeting.

If a shareholder wishes to participate in the Annual General Meeting, he or she must register in advance in the manner specified in the notice convening the meeting and no later than on the date specified in the notice, which may not be earlier than ten (10) days before the date.

Annual General Meeting 2022

The Annual General Meeting 2022 was held on April 13, 2022.

4. Board of Directors

The Board of Directors is responsible for the administration of Kempower Corporation and the proper organization of its operations. The Board of Directors has the general authority to decide on all matters related to the Company's administration and other matters which, according to law or the Articles of Association, do not belong to the Annual General Meeting or the CEO.

The Board is elected by the Annual General Meeting. The Remuneration and Nomination Committee prepares the appointments of the members of the Board of Directors for the Annual General Meeting. According to the Articles of Association, the Company's Board of Directors may consist of a minimum of four (4) and a maximum of eight (8) ordinary members.

The term of office of a member of the Board of Directors begins at the end of the Annual General Meeting at which he or she is elected, and ends at the end of the Annual General Meeting following his or her election. The Annual General Meeting elects the Chairman and Vice Chairman of the Board, whose term of office is the same as that of a members of the Board.

Key responsibilities of the Board of Directors

The Board of Directors is responsible for the Company's administration and the proper organization of operations, and for ensuring that the Company's accounting and financial management are properly supervised.

The Board of Directors deals with matters that are far-reaching and fundamentally important for the operations of the Company and its subsidiaries. The Board of Directors must manage the Company in a professional manner and in accordance with sound and prudent business principles. The Board's task is to promote the interests of the Company and its all shareholders.

Kempower Corporation's Board of Directors has approved written rules of procedure for the Board's duties, matters to be discussed, meeting procedures and decision-making procedures.

According to the Board of Director's Charter, the Board duties include, inter alia:

- ensuring that the Company's accounting and financial management are properly supervised
- appointing and dismissing the CEO and decide on the terms of his/her service contract and the amount of his/her annual remuneration
- approving and confirming the Company's strategic objectives and risk management principles;
- ensuring the functioning and control of the management system;
- ensuring that the Company has the values to be observed in the Company's operations;
- promoting the interests of the Company and all its shareholders;
- taking care of the development of shareholder value;
- adopting an annual plan/rules of procedure;
- preparing proposals for the Annual General Meeting and convening the Annual General Meetings;
- preparing and approving management reports, financial statements and interim reports;
- making a proposal to the Annual General Meeting on dividend distribution, amount of dividend and the time of payment;
- confirming the Company's objectives and strategy and approving the business plan presented by the CEO;
- adopting annual budgets and action plans;

- monitoring and guiding the implementation of the Company's business strategy;
- approving a business and performance plan based on the business plan;
- monitoring the Company's earnings development and the achievement of set objectives;
- directing and supervising the CEO;
- confirming the composition of the management team on the proposal of the CEO;
- monitoring, directing and controlling the operational management of the business;
- authorizing the persons designated by it, if necessary, to write the name of the Company, either alone or together, or per procuram, as the case may be;
- monitoring funding options and the implementation of funding decisions;
- separately approving drawdowns of loans within the agreed financing terms;
- adopting key policies, such as remuneration and financial policies;
- making major business decisions, such as acquisitions, significant contracts, investments and financing arrangements;
- deciding on the company structure;
- approving the organizational structure and deciding on its application;
- approving the annual internal audit program and reviewing the internal audit reports;
- cooperating with the external auditor as necessary and monitoring the implementation of the audit program
- considering the reports submitted by the auditor to the Board;
- dealing with other matters raised by the Chairman of the Board, a member of the Board and the CEO; and
- deciding on other matters pertaining to the Board in accordance with the law.

The Board complies with Nasdaq Helsinki Oy's insider guidelines and is committed to complying with them and the Company's own insider guidelines. In addition, each member of the Board has a duty of confidentiality with respect to all information he or she receives about the Company or any other matter in his or her capacity as a member of the Board.

Once a year, the Board evaluates its own operations and working methods as a self-assessment. A self-assessment was also carried out in 2022.

The Board shall meet as often as necessary to carry out its duties. A quorum is reached when more than half of the Board's members are present. The decision of the Board of Directors shall be the opinion supported by more than half of those present, or, in case of an equal number of votes, the Chairman has the casting vote. The CEO and CFO regularly attend the Board's meetings. The CEO presents a CEO's review at all Board meetings. Other persons whose presence is necessary due to the matter under discussion shall also attend the Board meeting. The Company's General Counsel shall act as the Secretary of the Board of Directors.

Board of Directors year 2022

Prior to the Annual General Meeting held on April 13, 2022, the Board had the following seven members: Chairman of the Board Antti Kemppi, Vice Chairman of the Board Teresa Kemppi-Vasama, Juha-Pekka Helminen, Tero Era, Kimmo Kemppi, Vesa Laisi and Eriikka Söderström. The members were re-elected in the Annual General Meeting 2022. According to Article 6 of the Articles of Association of the company, Antti Kemppi was elected as the Chairman of the Board of Directors, and Vesa Laisi as the Vice Chairman of the board.

Board of Directors as per 31 December 2022

The company's Board of Directors comprised seven members as of December 31, 2022:

Antti Kemppi

Chairman of the Board

Master of Science (Economics and Business Administration)

b. 1978

Finnish citizen

Chairman of the Board since 2018

Independent of the Company, not independent of the Company's major shareholder.

Holding on December 31, 2022: 17,501 shares.

Indirect ownership on December 31, 2022: Minority owner of Kempinvest Oy. Kempinvest Oy owns 348,432 shares. Voting majority in Facultas Oy. Facultas Oy owns 17,501 shares. Voting majority in Potestas Oy. Potestas Oy owns 17,501 shares.

Vesa Laisi

Vice Chair of the Board

Master of Science in Technology and Master of Science (Economics and Business Administration)

b. 1957

Finnish citizen

Member of the Board since 2021.

Independent of the Company and the Company's major shareholder.

Holding on December 31, 2022: 31,097 shares.

Tero Era

Member of the Board

Master of Science (Economics and Business Administration), MBA

b. 1977

Finnish citizen

Member of the Board since 2020

Independent of the Company and the Company's major shareholder.

Holding on December 31, 2022: 8,710 shares

Juha-Pekka Helminen

Member of the Board

Master of Science in Technology, EMBA.

b. 1971

Finnish citizen

Member of the Board since 2020

Independent of the Company and the Company's major shareholder.

Holding on December 31, 2022: 17,501 shares

More detailed information on the members of the Board of Directors is available on the company's website: https://investors.kempower.com/governance/.

Kimmo Kemppi

Member of the Board

Bachelor of Business Administration, BBA.

b. 1972

Finnish citizen

Member of the Board since 2021

Independent of the Company, not independent of the Company's major shareholder.

Holding on December 31, 2022: 56,620 shares

Indirect ownership on December 31, 2022: Owns Kimmoke Oy. Kimmoke Oy owns 25,261 shares. Owns Kemppitalli Oy through Kimmoke Oy. Kemppitalli Oy owns 25,261 shares.

Teresa Kemppi-Vasama

Member of the Board

Master of Social Sciences and MBA

b. 1970

Finnish citizen

Member of the Board since 2018

Independent of the Company, not independent of the Company's major shareholder.

Holding on December 31, 2022: 17,501 shares.

Indirect ownership on December 31, 2022: Majority owner of Bellator Oy and Montia Oy. Bellator Oy owns 24,390 shares and Montia Oy 24,390 shares. Auro Invest Oy was split to Bellator Oy and Montia Oy on December 31, 2022.

Eriikka Söderström

Member of the Board

Master of Science (Economics and Business Administration)

b. 1968

Finnish citizen

Member of the Board since 2021.

Independent of the Company and the Company's major shareholder.

Holding on December 31, 2022: 29,181 shares.

In 2022, the Board held a total of 20 meetings.

The average attendance rate at Board meetings was 99.3 percent.

In 2022, the members of the Board were present at the meetings as follows:

Board Member	Presence	Attendance rate
Antti Kemppi	20/20	100%
Tero Era	20/20	100%
Juha-Pekka Helminen	20/20	100%
Kimmo Kemppi	19/20	95%
Teresa Kemppi-Vasama	20/20	100%
Vesa Laisi	20/20	100%
Eriikka Söderström	20/20	100%

Independence of the members of the Board

According to the Corporate Governance Code, the majority of the members of the Board of Directors must be independent of the Company. At least two members of the Board of Directors who are independent of the Company must also be independent of the Company's significant shareholders.

The Board annually assesses the independence of its members in relation to the Company and its significant shareholders.

Based on the independence assessment in accordance with the Corporate Governance Code in 2022, the members of the Board of Directors Antti Kemppi, Teresa Kemppi-Vasama, Juha-Pekka Helminen, Kimmo Kemppi, Eriikka Söderström, Vesa Laisi and Tero Era were considered independent of the Company.

Based on the independence assessment, the members of the Board of Directors have also been considered independent of significant shareholders, except for Antti Kemppi, Teresa Kemppi-Vasama and Kimmo Kemppi.

Diversity of the Board of Directors

The composition of the Board of Directors takes into account the requirements set by the Company's operations and the Company's development phase. The person elected to the Board of Directors must have the qualifications required for the position and be able to devote sufficient time to the position. The number of members of the Board of Directors and the composition of the Board of Directors must enable the Board to perform its duties effectively.

Kempower takes into account diversity in the selection of Board members in relation to the members' gender, age, educational background and nationality, so that the Board has a broad and diverse representation of the education and skills that support Kempower's operations. There must be persons of both genders in the Board.

5. Committees

The Board confirms the key tasks and operating principles of the committees in the rules of procedure. The Board elects the members and the chairman of the committee. The committee must have at least three members with the expertise required for the duties. The task of the committee is to assist the Board in preparing matters pertaining to the Board. The committees do not have independent decision-making power and report on their work to the Board.

Audit Committee

The scope of the Company's business also requires the preparation of matters concerning financial reporting and control in a smaller Audit Committee than the entire Board. The members of the Audit Committee shall have sufficient expertise and experience, taking into account the Committee's remit and the statutory audit responsibilities.

The Audit Committee assists the Board in preparing matters concerning financial reporting and control. The duties of the Audit Committee include the following:

- monitoring and evaluating the financial reporting system;
- monitoring and evaluating the effectiveness of internal control and audit and risk management systems;
- monitoring and evaluating the extent to which agreements and other legal transactions entered into between the Company and its related parties meet the requirements for normal operations and market conditions;
- monitoring and evaluating the independence of auditors, and in particular the provision of non-audit services;
- monitoring the Company's audit;
- preparing the election of the Company's auditor;
- approving the annual internal audit plan; and
- reviewing internal audit reports and monitoring the handling of key audit findings.

The Audit Committee may also oversee the financial reporting and risk management process, assess compliance with laws and regulations, monitor and evaluate the definition of related party policies, monitor financial and tax risks, monitor IT security-related processes and risks and to identify and monitor specific issues identified by the Board and appropriate to the activities of the Audit Committee.

In 2022, the Audit Committee consisted of Chairman Eriikka Söderström, Antti Kemppi, Teresa Kemppi-Vasama and Juha-Pekka Helminen. All members are independent of the Company. All members are independent of significant shareholders except for Antti Kemppi and Teresa Kemppi-Vasama.

In 2022, the Audit Committee convened 6 times. The attendance percentage was 100%.

Remuneration and Nomination Committee

The task of the Remuneration and Nomination Committee is to prepare the appointments and remuneration of the members of the Board of Directors and to prepare the appointments and remuneration of both the CEO and the members of the Management Team. The task of the committee is to promote and develop the transparency and systematic nature of the selection processes and the remuneration system, and to comply with the principles of good corporate governance. The committee prepares the remuneration policy and the remuneration report and presents it at the Annual General Meeting and promotes the development of know-how and ability, as well as succession planning.

The duties of the Committee include the following:

- preparation for the Annual General Meeting related to the composition of the Board of Directors, the number of members and persons;
- preparing proposals for the remuneration of the members of the Board of Directors for the Annual General Meeting;
- preparation of government diversity principles;
- succession planning for Board members
- preparing the preparation of matters related to the hiring, remuneration and other financial benefits of the CEO and the members of the Management Team;
- evaluating the remuneration of the company's CEO and other management;
- matters related to the management succession plan and its development; and
- answering questions related to the remuneration report at the Annual General Meeting.

In 2022, the Remuneration and Nomination Committee consisted of Chairman Vesa Laisi, Tero Era, Antti Kemppi, Kimmo Kemppi and Teresa Kemppi-Vasama.

In 2022 the Remuneration and Nomination Committee convened 6 times. The attendance percentage was 100%.

6. CEO and the Management Team

The CEO is responsible for managing Kempower's operations in accordance with the instructions and regulations issued by the Company's Board of Directors and for keeping the Board informed of the development of Kempower's business and financial situation. The CEO is responsible for the day-to-day administration and day-to-day management of the Company in accordance with the Limited Liability Companies Act and the instructions and regulations issued by the Board of Directors. The Board of Directors appoints and dismisses the CEO, decides on the financial benefits and other terms of the contractual relationship within the framework of the valid remuneration policy presented to the Annual General Meeting, and supervises the CEO's operations. The CEO is also the President of the Kempower Group.

The terms and conditions of the CEO's contract are based on a written agreement approved by the Board. The CEO cannot serve as the Chairman of the Board of Directors of the Company. The CEO will be elected until further notice.

Tomi Ristimäki has been the CEO of Kempower Corporation since February 2019.

Company's Management Team is chaired by the CEO, and it assists the CEO in the operative management and development of Kempower. The CEO proposes the appointment of the Management Team members, and the Board of Directors approves the appointment, as well as approves the remuneration for the members of the Management Team.

Kempower Corporation's extended management team operated in the following composition at the end of 2022:

CEO and the Management Team as per 31 December 2022

Tomi Ristimäki
CEO
Member of the Management Team since 2019
b. 1975, Master of Science in Electrical Engineering
Finnish citizen
Holding on December 31, 2022: 24,479 shares

Sanna Otava
Chief Operating Officer
Member of the Management Team since 2019
b.1975, Master of Science in Energy Engineering
Finnish citizen
Holding on December 31, 2022: 9,234 shares

Jukka Kainulainen
Chief Financial Officer
Member of the Management Team since 2021
b. 1982, Master of Science (Economics and Business Administration)
Finnish citizen
Holding on December 31, 2022: 18,916 shares

Jussi Vanhanen
Chief Market Officer
Member of the Management Team since 2021
b. 1972, Master of Science in Electrical Engineering
Finnish citizen
Holding on December 31, 2022: 2,000 shares

Mikko Veikkolainen
Chief Technology Officer
Member of the Management Team since 2019
b. 1970, Master of Science in Mechanical Engineering; Welding engineer
Finnish citizen
Holding on December 31, 2022: 18,594 shares

Tommi Liuska
Chief Sales Officer
Member of the Management Team since 2019
b. 1977, Master of Science in Industrial Engineering
Finnish citizen
Holding on December 31, 2022: 18,840 shares

Juha-Pekka Suomela
Chief Service Business Officer
Member of the management team since 2022
b.1974, Master of Science, Economics and Business Administration
Bachelor of Science, Electrical Engineering
Finnish Citizen
Holding on December 31, 2022: 3,059 shares

Paula Savonen
Vice President, Communications
Member of the Extended Management Team since 2021
b. 1976, Master of Agricultural and Forestry Sciences
Finnish citizen
Holding on December 31, 2022: 7,566 shares

Petri Korhonen
Chief Engineer
Member of the Extended Management Team since 2021
b. 1967, Master of Science in Electrical Engineering
Finnish citizen
Holding on December 31, 2022: 9,230 shares

Sanna Lehti
General Counsel
Member of the Extended Management Team since 2022
b. 1972, Master of Laws
Finnish citizen
Holding on December 31, 2022: 0 shares

7. Risk management, audit, internal control and internal audit

Overview of risk management

Risk management is part of the Company's strategic and operational planning, and it is also linked to internal control.

Risk means an event or circumstance that may hinder or prevent the achievement of Kempower Corporation's objectives or due to which business opportunities may not be utilized.

The company proactively and systematically aims to identify, analyze, evaluate and manage the most significant risks, which are divided into the following main groups: strategic, operational, hazard, compliance and financial risks. Non-financial effects are also taken into account when assessing risks.

Through risk management, Kempower Corporation supports the achievement of its strategic and business objectives and ensures the continuity of its operations in changing circumstances. The ability to bear risks and manage them effectively is central to business success and the creation of shareholder value.

The objectives of risk management are achieved by providing the Group with information on the uncertainties, risks and opportunities facing the objectives and operations, as well as uniform and effective methods for identifying, assessing and managing risks and their consequences. The willingness to take risks must be proportionate to the risk-bearing capacity and the risk-taking must be in balance with the intended benefits. Risk reporting is available to management as part of other reporting.

Kempower Corporation has a risk management policy approved by the Board of Directors. The purpose of the company's risk management is to ensure the comprehensive and appropriate identification, assessment, management and control of risks throughout the Kempower Group. It is an integral part of the company's planning and management process, decision-making, day-to-day management and operations, and control and reporting procedures.

Audit

According to Kempower's Articles of Association, the Company has one ordinary auditor that shall be an auditing firm approved by the Finnish Patent and Registration Office.

The board's audit committee prepares the selection process for auditors. The auditor is elected by the Annual General Meeting for one year's term of service. The auditor reports to the Board of Directors at least once a year and participates in Audit Committee meetings.

Kempower has a written pre-approval policy for non-audit services, in which the Audit Committee has been specified to govern this topic.

Internal control and Internal audit

The objective of internal control and internal auditing is to ensure that the Company's operations are efficient and effective, that information is reliable and that regulations and operating principles are complied with. Internal control covers all measures and procedures to ensure that objectives are met. The subjects of internal control are the organization's internal operating environment, goal setting, risk management, control measures, information flow, communication, and monitoring.

Kempower Corporation's internal audit evaluates the appropriateness and effectiveness of the internal control system and risk management in order to improve the operating methods, processes and controls of risk management, supervision and administration systems and thus promote the achievement of the organization's objectives.

The Company's Internal Audit assesses, among other things, the Company's internal control and risk management.

The company has an independent external internal auditor who is responsible for internal audit tasks with the help of, if necessary, external service providers. The internal Auditor reports regularly to the Board's Audit Committee.

The Audit Committee approves the annual internal audit plan on the proposal of the Audit Committee.

The purpose of internal control is to protect the value of assets, ensure the appropriateness and efficiency of operations - including the reliability of financial and operational reporting - compliance with regulations and operating principles, and compliance with the objectives of operations.

Kempower's values, group-level operational guidelines and policies help the management and ultimately the board to ensure that the goals set by the company are met, Kempower Corporation's business is managed ethically and in accordance with all applicable laws and regulations as well as internal operating guidelines, and that financial reporting is carried out appropriately.

Every employee of the company has the right and obligation to make a report, if necessary, anonymously, through a "whistleblower system" for activities contrary to laws or internal guidelines.

8. Related party administration

Kempower's Board of Directors has defined the principles for monitoring and evaluating related party activities and maintains a list of its related parties. Related parties are defined in accordance with the IAS 24 standard. Transactions between the Company and its related parties are acceptable when they are in accordance with the purpose of the Company's operations and the Company's interests, and have a business basis and are made in accordance with the regulations in force. The company's related party transactions are always market-based and the company's financial organization monitors compliance with the company's related party principles. The Board shall make decisions regarding unusual transactions between the Company and its related parties.

The Company will ensure that it has identification, decision-making, approval, reporting and oversight policies that take due account of the above principles and conflicts of interest. The Audit Committee monitors and evaluates the Company's related party activities.

The Company did not enter into any transactions with its related parties that are material to the Company and deviate from the Company's normal business operations or carried outside of ordinary and arm's length conditions in 2022. Kempower's related party transactions relate to certain lease agreements, management and support services and material purchases from Kemppi Group companies.

9. Insider administration

Kempower has an insider policy approved by the Board of Directors which is based on the market abuse regulation, NASDAQ Helsinki Oy's insider guidelines and other relevant regulations and guidelines.

The Company's CFO is responsible for supervising insider matters. He is responsible for e.g., that persons who are required to process inside information are aware of the insider regulations and that they comply with trading restrictions.

The company maintains project-specific insider lists in accordance with applicable insider regulations.

Kempower Corporation's directors and their related parties must notify the Company and the Financial Supervisory Authority of their transactions with Kempower Corporation's financial instruments. The Company has a register of all persons in management positions and their related parties.

In addition to the members of the Kempower Board of Directors and Management Team, Kempower Corporation's directors include members of the Board of Directors of Kempower Corporation's parent company Kemppi Group Oy: Hannu Kemppi, Jouko Kemppi, Eija Vartiainen, Petri Vartiainen, Anna Maria Kemppi, Olli Ryynänen and Aaro Vasama, vice member of the Board.

10. Auditor

The Company's auditor is Ernst & Young Oy. Authorized Public Accountant Toni Halonen acted as the principal auditor as of 31st of December 2022. The auditor's term of office ends at the end of the Annual General Meeting following the election.

The following fees have been paid to the auditor in the financial year 2022:

Auditor's fees	Kempower Group (EUR)	Kempower Corporation (EUR)
Audit	101,787	101,787
Tax consulting	39,421	39,421
Other services	66,988	66,988
Total	**208,196**	**208,196**

Remuneration Report

Letter from the Chair of the Remuneration and Nomination Committee

Dear shareholders,

As Chair of the Remuneration and Nomination Committee of the Board of Directors, I am pleased to present Kempower's 2022 Remuneration Report. The Report has been reviewed by the Board's Remuneration and Nomination Committee ("Committee") and approved by the Board of Directors. The shareholders will make an advisory decision on the approval of the Remuneration Report at the Kempower's Annual General Meeting 2023.

Remuneration of the Kempower's governing bodies is based on the Remuneration Policy that was presented for an advisory decision at the Annual General Meeting 13 April 2022. The company's remuneration is guided by fairness, competitiveness, and the implementation of the company's growth strategy. The aim is to provide all Kempower employees with both an inspiring workplace and meaningful work in driving the green transition in mobility.

In 2022, the Remuneration and Nomination Committee focused on reviewing the company's overall remuneration and market benchmarking, remuneration of the Management Team, setting the performance targets and remuneration levels for short- and long-term incentives for 2023, Board and Management Team appointments, launching the employee share savings plan, and, in particular, corporate culture and its development as part of the company's growth strategy. We want every Kempowerian to contribute to building a company culture that supports growth and evolves with it. We also want to combine the interests of shareholders and employees with the long-term development of the company. In December 2022, we announced our plan to implement a new employee share savings plan to encourage every Kempowerian to acquire and own shares in the company.

The performance of the short-term incentive plan for 2022 was very good, as the plan's performance metrics focused on profitable growth. The company's growth has been strong and profitable. In 2022, Kempower reached EUR 209 million of order intake and EUR 104 million of revenue representing 279% year-on-year growth. Kempower is already the top player in the Nordic markets and quickly gaining 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. In 2023, Kempower will continue to expand its business in both Europe and North America as well as to supporting its sales partners in other regions.

Rapidly internationalizing operations place new demands on company's remuneration. Our aim is to ensure Kempower's attractiveness as an employer in international markets. We need the best resources in the industry to implement our strategy.

I want to thank all Kempowerians for the excellent results in 2022 and for accelerating our growth strategy. Our market share grew strongly, and we can be confident in our position at the forefront of the green mobility transition.

Vesa Laisi

Chair of the Remuneration and Nomination Committee

1. Introduction

This remuneration report for 2022 is prepared in accordance with the Finnish Corporate Governance Code 2020 (the "Corporate Governance Code"). In this report, Kempower presents the salaries, fees and other financial benefits paid to the members of the Company's Board of Directors and the CEO during the financial year 2022 and due on the basis of the financial year 2022. In addition, the report describes the decision-making on remuneration and the key principles governing it at Kempower.

Description of the decision-making process

The Annual General Meeting makes the decision on the remuneration of the Board of Directors annually. Kempower's Remuneration and Nomination Committee prepares the remuneration policy and any material changes to it, and the Board of Directors approves it for presentation to the Annual General Meeting.

The remuneration policy was presented for the first time at the 2022 Annual General Meeting. Kempower's remuneration policy is presented at the company's Annual General Meeting at least every four years and whenever significant changes are proposed.

Kempower's Remuneration and Nomination Committee prepares proposals for the remuneration of all members of the Board of Directors, and the Annual General Meeting makes the decision on the remuneration of the Board of Directors annually.

The Board of Directors decides on the remuneration of the CEO and other members of the Management Team and the grounds for it. The renumeration of the CEO and the members of the Management Team consists of a monthly salary, a performance bonus and share-based incentive. In addition, all Kempower employees are included in a performance bonus program (short-term incentive) that includes company-level targets combined with personal goals.

Remuneration principles 2022

Kempower's remuneration report for 2022 is based on the remuneration policy of the Company's governing bodies, approved by the Board of Directors in 2021, which was handled at the 2022 Annual General Meeting.

In accordance with its remuneration policy, Kempower strives to reward its management in a way that provides an incentive and engages them in advancing the Company's strategy and creating value for the shareholders. Remuneration and remuneration development are assessed on the basis of the Company's success, general economic development and the industry's remuneration practices. In addition to a fixed salary, the key remuneration principle is performance-based remuneration. In addition, the overall remuneration of the management is central to the remuneration. Kempower's remuneration consists of the following:

- Annual basic salary
- Short-term incentive (STI)
- Long-term incentive scheme (LTI)
- Other financial benefits

During the financial year 2022, the remuneration policy was followed in the remuneration of the Board of Directors and the CEO. With regard to the performance bonus paid to the CEO during 2022, which was however based on the 2021 financial period, the terms of the previous bonus system based on the achievement of 2021 goals was followed. The matter is also discussed in more detail below in section 3. It was not resolved to defer, deny, or recover all or part of the remuneration of the members of the Board of Directors or the CEO.

Remuneration and business development 2018–2022

According to the Corporate Governance Code, the remuneration report of the governing bodies must describe in a comparable way how the remuneration paid to the members of the Board of Directors and the CEO has developed over at least the previous five financial years.

The table below describes how the remuneration paid to the members of Kempower's Board of Directors and CEO has developed proportionally during its previous financial years compared to the development of the average remuneration of the Kempower Group's employees and the financial development of the Kempower Group during the same period. The development is described by comparing the development index figures of the key figures.

The Company's financial development is expressed by presenting the development of the Kempower Group's revenue and order intake between the financial years 2018-2022. Kempower was listed on the First North Growth Market Finland in December 2021.

The number of Board members is seven (7). The Board has two committees, the Audit Committee and the Remuneration and Nomination Committee. The number of members of the committees, 4 in Audit Committee and 5 in Renumeration and Nomination Committee, has remained the same throughout the period under review.

Tomi Ristimäki started as the company's CEO in February 2019.

2. Board remuneration during the financial year 2022

Kempower Corporation's Annual General Meeting decided on April 13, 2022 that the Chairman of the Board will be paid EUR 45,000 per year, the Deputy Chairman EUR 35,000 per year and the other members of the Board EUR 35,000 per year. Entitlement to the Board's annual fee accrues over time and is paid in equal monthly installments (annual fee/12). In addition, participants will be paid a separate meeting fee of EUR 500 per meeting, excluding short meetings and email meetings. Travel expenses are reimbursed in accordance with Kempower's travel policy.

In addition, the Chairman of the Audit Committee is paid EUR 5,000 per year in addition to the Board fee and the Chairman of the Remuneration and Nomination Committee is paid EUR 2,500 per year.

No options, shares or other share-based remunerations have been granted to the members of the Board of Directors for their work as Board members.

No other financial benefits have been paid to the members of the Board of Directors in addition to the annual fee and meeting fees decided by the Annual General Meeting. There are no pension contributions related to the remuneration of the company's Board of Directors.

	2022	2021	2020	2019	2018
Board fees EUR	245,375	217,792	12,000	0	0
CEO fees EUR	361,085	192,792	135,384	86,105	0
Remuneration of employees (average)* EUR	77,987	74,431	64,758	68,724	61,135
Revenue TEUR	103,644	27,400	3,252	327	20
Order intake TEUR	208,891	37,388	7,092	483	6

* Wages, salaries and bonuses paid according to the financial statements divided by the number of full-time employees.

Board Member	Annual fees (EUR)	Other financial benefits	Total annual fees (EUR)
Antti Kemppi, Chairman of the Board	40,750	0	40,750
Tero Era, Board Member	33,250	0	33,250
Juha-Pekka Helminen, Board Member	33,250	0	33,250
Kimmo Kemppi, Board Member	32,750	0	32,750
Teresa Kemppi-Vasama, Board Member	33,250	0	33,250
Vesa Laisi, Board Member	35,125	0	35,125
Eriikka Söderström, Board Member	37,000	0	37,000
Total	**245,375**	**0**	**245,375**

By unanimous decision of Kempower's shareholders on October 22, 2021, it was decided that the fixed Board fees for the period from December 1, 2021 to March 31, 2022 and the meeting fees scheduled for December 2021 will be paid in full in cash. Based on this, each member of the Board of Directors undertook to invest at least 50 per cent of the meeting fees planned for December 1, 2021 - March 31, 2022 and in December 2021 in Kempower Corporation's shares in the company's IPO.

Board Member	Board Fees Advance Payment 1.12.2021 – 31.3.2022 (EUR)	Share subscriptions in the IPO (pcs)	Value of share subscriptions in the IPO (EUR)
Antti Kemppi, Chairman of the Board	17,500	17,501	100,456
Tero Era, Board Member	14,167	8,710	49,995
Juha-Pekka Helminen, Board Member	14,167	17,501	100,456
Kimmo Kemppi, Board Member	14,167	56,620	324,999
Teresa Kemppi-Vasama, Board Member	14,167	17,501	100,456
Vesa Laisi, Board Member	15,000	31,097	178,497
Eriikka Söderström, Board Member	15,833	29,181	167,499
Total	**105,000**	**178,111**	**1,022,357**

Remuneration of the CEO during the financial year 2022

Fees paid during the financial year 2022

The remuneration of Kempower Corporation's CEO Tomi Ristimäki in the financial year January 1, 2021–December 31, 2021 consisted of a base salary, fringe benefits and a bonus related to the fulfillment of business objectives.

Remuneration and benefits paid to the CEO during the financial year 1.1.2022 – 31.12.2022

	Fringe benefits, EUR / year		Changing components of remuneration, EUR / year	CEO renumeration EUR / year
Fixed basic salary EUR / year	Car benefit	Phone benefit	Performance bonus based on the year 2021	Total
171,401	13,529	240	175,915	361,085

The CEO is part of Kempower's general annual bonus program. In the financial year 2022, the CEO was paid a performance bonus based on the achievement of the targets under the 2021 bonus program, in accordance with the Board's assessment and decision.

The targets of the performance bonus paid to the CEO on the basis of the financial year 2021 were partly based on the Kempower Group's revenue and order backlog and partly on personal targets decided by the Board of Directors relating to the management system and profitability. Company level targets had a weight of 70% in the CEO's bonus program. The performance bonus of EUR 175,915 paid to the CEO during 2022, tied to the achievement of the 2021 targets, corresponded to 12 months' basic salary.

The fixed annual salary and fringe benefits paid to the CEO in 2022 accounted for 51% of the total remuneration and the short-term incentive bonuses paid accounted for 49%.

Reimbursements are made to the CEO in accordance with the company's travel policy and other policies.

CEO's annual fixed basic salary for 2023 is EUR 266,580. The new salary is based on a comparative study of the remuneration of CEOs in similar stock listed companies.

Fees payable in the financial year 2023 based on the financial year 2022

The CEO was part of Kempower's short - term incentive plan - STI, under which the performance bonus will be paid in April 2023. Based on the 2022 bonus program, a total amount of approximately EUR 116,000 will be paid to the CEO as a bonus, which corresponds to a fixed base salary of 5.2 months.

According to the remuneration policy, the board has the right to increase or decrease the amount of the remuneration in certain situations. In addition to above bonus Board decided to grant additional performance bonus to CEO and whole Kempower personnel of strong performance in 2022 considering that the additional performance bonus will support the achievement of targets and the execution of the growth strategy in the future as well. The CEO's additional bonus of EUR 93,000 is based on company level targets and will be paid in spring 2023 in Kempower shares trough the Employee Share Saving Plan. When combining both 2022 bonus program and additional performance bonus for year 2022 a total amount of 210,000 EURO will be paid in spring 2023 which corresponds to a fixed base salary of 9.4 months in 2023.

The targets of the performance bonus to be paid to the CEO on the basis of the financial year 2022 were partly based on the Kempower Group's revenue and order backlog (total 70% of total targets) and partly on personal targets decided by the company's Board, which were related to the implementation of operational plans and certain strategic flagship projects.

The performance bonus to be paid to the CEO for the financial year 2022 is based on the Board's assessment and decision on the achievement of targets.

Other benefits

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. Amount of shares which CEO subscribed, after the share issue without consideration, was 15,768. The members of Kempower's personnel including CEO 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.

Share-based incentive

In 2022 the Board of Directors of Kempower decided to establish a new share-based incentive plan for the group's key employees including CEO. The aim was 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.

During the performance period 2022-2024, 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 in 2025 on the CEO will correspond to a total of approximately 14,000 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 17,500 Kempower's shares.

The CEO does not have any other personal compensation plan based on shares or stock options or other special rights entitling to shares.

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.

Termination, severance pay and pension

The CEO has been elected until further notice. The period of mutual notice of the Kempower's CEO contract is three months and the CEO has an obligation to work during the notice period, unless otherwise agreed in writing.

If the CEO is terminated at the initiative of Kempower, the CEO is entitled to a lump sum equal to six months' monthly salary under certain conditions.

The notice period for the management employment contracts of the other members of the Management Team is three to six months if Kempower terminates the contract, and two to three months if the member of the Management Team terminates the contract.

Kempower has the right to release a member of the management team from work obligation during the period of notice. If Kempower terminates the employment of a member of the management team, certain members of the management team are entitled, under certain conditions, to a lump sum equivalent to their monthly salary between four and six months.

The CEO's retirement age is determined by the Pensions Act. No special supplementary pension benefits have been agreed with the CEO.

Financial review

Report of the Board of Directors 2022

Highlights

January-December 2022 highlights, IFRS (comparison figures in parenthesis January-December 2021):

- Order backlog increased to EUR 118.9 million (EUR 13.7 million)
- 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)
- Amount of personnel at the end of the period grew to 375 (136)

Kempower Group key figures

MEUR	2022 IFRS	2021 IFRS	2020 FAS
Order backlog	118.9	13.7	3.8
Order intake	208.9	37.4	7.1
Revenue	103.6	27.4	3.3
Revenue growth, %	279%	741%	894%
Gross margin	48.2	12.9	1.8
Gross margin, %	46%	47%	54%
EBITDA	9.5	0.5	-2.1
EBITDA margin, %	9%	2%	-66%
Operating profit/loss (EBIT)	6.1	-0.7	-2.2
EBIT margin, %	6%	-3%	-68%
Operative EBIT	6.7	1.0	-2.2
Operative EBIT margin, %	6%	4%	-68%
Profit/loss for the period	3.6	0.3	0.2
Equity ratio, %	68%	91%	10%
Cash flow from operating activities	-5.4	-2.6	-2.5
Investments	6.2	1.6	0.5
Net debt	-58.4	-89.3	2.9
Items affecting comparability	0.6	1.7	
Earnings per share, basic, EUR	0.06	0.01	0.01
Earnings per share, diluted, EUR	0.06	0.01	0.01
Headcount end of period	375	136	29

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.

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 the 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 of charging can be measured continuously, which makes Kempower's contribution easily quantifiable and continuously increasing.

Kempower's sustainability agenda consists of 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 68% reduction in own energy consumption relative to revenue from H1 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's 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 BY GEOGRAPHICAL REGIONS

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%**

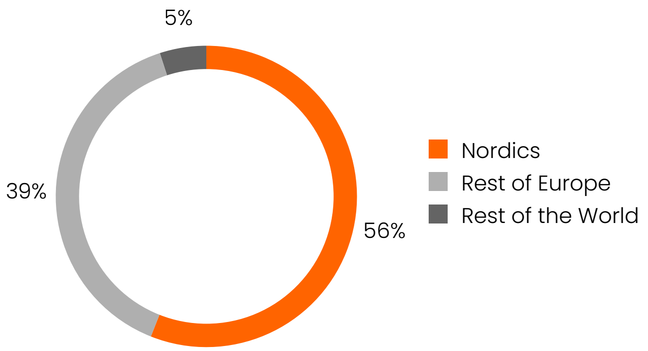
Kempower's revenue mainly consists of deliveries of electric vehicle chargers and charging stations the company manufactures, charger maintenance services and project sales involving turnkey deliveries of installed charging equipment to customers. Kempower also provides its customers with the ChargEye 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 2022 amounted to EUR 103.6 (27.4) million. Revenue increased by 279 percent compared to the previous year.

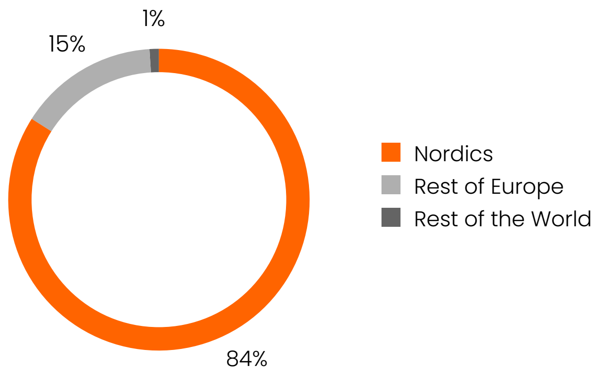
Kempower's main geographical markets include the Nordics and the Rest of Europe. In 2022 the revenue generated from the Nordics accounted for 56 (84) percent of Kempower's revenue. The revenue from the Rest of Europe accounted for 39 (15) percent of Kempower's revenue in 2022.

Kempower's charging solutions have been delivered to almost 50 countries globally, and revenue outside Europe accounted for 5 (1) percent of revenue for 2022. Kempower's growth during the 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.

Revenue 2022



Revenue 2021



Profitability

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 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	2022	2021
Expenses related to establishing operations in the United States presented in other operating expenses	0.6	
Capital reorganisation expenses related to First North Listing presented in other operating expenses		1.7
Total	**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.

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 totalled 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.

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 (pcs)	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.	Ilmarinen Mutual Pension Insurance Company	839,100	1.51%
5.	Evli Fund Management Company Ltd	836,849	1.51%
6.	Fondbolaget Fondita AB	625,000	1.13%
7.	Nordea Life Assurance Finland Ltd	534,395	0.96%
8.	Julius Tallberg Corp.	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.	Elo Mutual Pension Insurance Company	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-and-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.

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. 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 percent 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 percent 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.

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 charge 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 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 Chief Service Business Officer of Kempower 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 published 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 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 Kempower's 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.

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.

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 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.

Key figures

MEUR	2022 IFRS	2021 IFRS	2020 FAS
Order backlog	118.9	13.7	3.8
Order intake	208.9	37.4	7.1
Revenue	103.6	27.4	3.3
Revenue growth, %	279%	741%	894%
Gross margin	48.2	12.9	1.8
Gross margin, %	46%	47%	54%
EBITDA	9.5	0.5	-2.1
EBITDA margin, %	9%	2%	-66%
Operating profit/loss (EBIT)	6.1	-0.7	-2.2
EBIT margin, %	6%	-3%	-68%
Operative EBIT	6.7	1.0	-2.2
Operative EBIT margin, %	6%	4%	-68%
Profit/loss for the period	3.6	0.3	0.2
Equity ratio, %	68%	91%	10%
Cash flow from operating activities	-5.4	-2.6	-2.5
Investments	6.2	1.6	0.5
Net debt	-58.4	-89.3	2.9
Items affecting comparability	0.6	1.7	
Earnings per share, basic, EUR	0.06	0.01	0.01
Earnings per share, diluted, EUR	0.06	0.01	0.01
Headcount end of period	375	136	29

Reconciliation of the key figures

MEUR	2022	2021	2020
Revenue growth, %			
Revenue	103.6	27.4	3.3
Revenue of the comparative period	27.4	3.3	0.3
Change of revenue	76.3	24.1	3.0
Revenue growth, %	279%	741%	894%
Gross margin			
Revenue	103.6	27.4	3.3
Materials and services	-52.4	-13.6	-1.4
Variable employee benefits	-3.1	-0.9	-0.1
Gross margin	48.2	12.9	1.8
Items affecting comparability			
Expenses related to establishing operations in the United States presented in other operating expenses	0.6		
Capital reorganisation expenses related to First North Listing presented in other operating expenses		1.7	
Items affecting comparability	0.6	1.7	
Operative EBIT			
Operating profit/loss (EBIT)	6.1	-0.7	-2.2
Items affecting comparability	0.6	1.7	
Operative EBIT	6.7	1.0	-2.2

MEUR	2022	2021	2020
Investments			
Investments in intangible assets	1.9	0.2	0.0
Investments in tangible assets excluding Right-of-use assets	4.3	1.4	0.4
Investments	6.2	1.6	0.5
Earnings per share, basic, EUR			
Profit/loss for the period attributable to the equity holders of the company	3.6	0.3	0.2
Average number of shares, 1,000 pcs	55,484	38,835	38,013
Earnings per share, basic, EUR	0.06	0.01	0.01
Earnings per share, diluted, EUR			
Profit/loss for the period attributable to the equity holders of the company	3.6	0.3	0.2
Average number of shares adjusted for the dilutive effect, 1,000 pcs	55,585	38,847	38,013
Earnings per share, diluted, EUR	0.06	0.01	0.01

Calculation of key figures

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

Financial statements

Consolidated Financial Statements (IFRS)

Consolidated income statement

EUR 1,000	Notes	2022	2021
Revenue	2.1	**103,643.7**	**27,363.0**
Other operating income	2.2	326.0	314.4
Materials and services	2.3	-52,393.9	-13,596.1
Employee benefits	2.4	-21,864.0	-7,473.0
Depreciation, amortization and impairment losses	2.6	-3,397.5	-1,143.0
Other operating expenses	2.5	-20,213.8	-6,155.2
Total expenses		**-97,869.3**	**-28,367.3**
Operating profit/loss		**6,100.4**	**-689.9**
Finance income	2.7	17.2	0.1
Finance expenses	2.7	-1,325.9	-177.6
Total finance income and expenses		**-1,308.7**	**-177.5**
Profit/loss before tax		**4,791.7**	**-867.4**
Income tax	2.8	-488.6	-54.8
Changes in deferred taxes	2.8	-750.5	1,191.3
Income taxes		**-1,239.0**	**1,136.5**
Profit/loss for the year		**3,552.7**	**269.1**
Profit/loss for the period attributable to the owners of the parent company		**3,552.7**	**269.1**
Earnings per share for profit/loss attributable to the owners of the parent company			
Basic earnings per share, EUR	2.9	0.06	0.01
Diluted earnings per share, EUR	2.9	0.06	0.01

EUR 1,000	Notes	2022	2021
Consolidated statement of comprehensive income			
Profit/loss for the year		**3,552.7**	**269.1**
Other comprehensive income for the period			
Items that may be subsequently reclassified to profit or loss:			
Translation difference		-59.4	8.2
Other comprehensive income that will not be reclassified to profit or loss:			
Remeasurement of defined benefit plan	5.3	-17.4	2.2
Total other comprehensive income for the period		**-76.8**	**10.3**
Comprehensive profit/loss for the period		**3,475.9**	**279.5**
Comprehensive profit/loss for the period attributable to the owners of the parent company		**3,475.9**	**279.5**

Consolidated statement of financial position

EUR 1,000	Notes	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Intangible assets	3.1	2,575.3	1,092.5
Property, plant and equipment	3.2	5,649.7	1,783.5
Right-of-use assets	3.3	15,481.1	1,081.5
Non-current receivables		3.1	4.0
Deferred tax receivables	2.8	610.0	1,256.2
Total non-current assets		**24,319.3**	**5,217.7**
Current assets			
Inventories	3.4	27,130.6	6,374.8
Trade receivables	3.5, 4.3	23,140.6	4,649.5
Other receivables	3.5, 4.3	3,937.8	1,192.3
Prepaid expenses and accrued income	3.5	1,691.9	668.3
Other financial assets	4.3	64,198.1	
Cash and cash equivalents	4.3	9,821.2	90,398.6
Total current assets		**129,920.3**	**103,283.5**
TOTAL ASSETS		**154,239.5**	**108,501.2**

EUR 1,000	Notes	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
Equity			
Share capital		80.0	80.0
Reserve for invested unrestricted equity		95,656.2	95,656.2
Treasury shares		-1,421.7	
Translation differences		-51.3	8.2
Retained earnings		2,782.8	1,514.8
Profit/loss for the period		3,552.7	269.1
Total equity		**100,598.7**	**97,528.3**
Non-current liabilities			
Lease liabilities	4.3	13,269.5	473.7
Provisions	3.7	803.4	108.0
Deferred tax liabilities	2.8	392.8	292.7
Other liabilities		35.6	0.3
Total non-current liabilities		**14,501.3**	**874.7**
Current liabilities			
Lease liabilities	4.3	2,383.0	615.9
Provisions	3.7	1,640.1	108.0
Advance payments		5,292.5	776.7
Trade payables	3.6, 4.3	16,778.4	5,477.0
Other liabilities	3.6, 4.3	2,328.0	688.7
Accruals and deferred income	3.6	10,717.5	2,431.8
Total current liabilities		**39,139.4**	**10,098.2**
Total liabilities		**53,640.8**	**10,972.9**
TOTAL EQUITY AND LIABILITIES		**154,239.5**	**108,501.2**

Consolidated statement of cash flow

EUR 1,000	Notes	2022	2021
Cash flow from operating activities			
Profit/loss for the period		3,552.7	269.1
Adjustments:			
Depreciation, amortisation and impairment	2.6	3,397.5	1,143.0
Financial income and expenses	2.7	1,172.3	187.2
Income taxes	2.8	1,239.0	-1,136.5
Other adjustments		3,300.0	235.4
Changes in working capital			
Change in trade and other receivables		-22,595.5	-5,229.4
Change in inventories		-20,758.3	-5,048.8
Change in trade payables and short-term liabilities		25,719.0	7,058.5
Interest paid		-392.2	-31.3
Interest received		1.6	
Taxes paid		-56.3	-57.3
Cash flow from operating activities		**-5,420.1**	**-2,610.1**
Cash flow from investing activities			
Increase (-)/ decrease (+) of other financial assets		-65,000.0	
Investments in tangible and intangible assets		-6,208.5	-1,623.3
Cash flow from investing activities		**-71,208.5**	**-1,623.3**
Cash flow from financing activities			
Purchase of treasury shares		-1,421.7	
Repayment of non-current borrowings	4.3		-3,400.0
Payment of lease liabilities	4.3	-2,376.5	-744.1
Proceeds from share offerings			95,743.4
Group contribution received			2,500.0
Cash flow from financing activities		**-3,798.2**	**94,099.3**
Net change in cash and cash equivalents		**-80,426.8**	**89,866.0**
Cash and cash equivalents beginning of the period	4.3	90,396.4	521.5
Effects of exchange rate fluctuations on cash held		-148.4	9.0
Cash and cash equivalents end of the period	4.3	9,821.2	90,396.4

Other adjustments in statement of cash flow

EUR 1,000	2022	2021
Unrealised foreign exchange gains and losses	56.3	-2.0
Share-based payments	1,016.3	82.0
Change in provisions	2,227.4	155.3
Total	**3,300.0**	**235.4**

Consolidated statement of changes in equity

EUR 1,000	Share capital	Reserve for invested unrestricted equity	Translation difference	Treasury shares	Retained earnings	Total equity
Shareholders' equity at 1 Jan 2022	**80.0**	**95,656.2**	**8.2**		**1,783.9**	**97,528.3**
Profit/loss for the period					3,552.7	3,552.7
Remeasurement of defined benefit plans					-17.4	-17.4
Currency translation differences			-59.4			-59.4
Total comprehensive income for the period, net of tax			**-59.4**		**3,535.3**	**3,475.9**
Acquisition of treasury shares				-1,421.7		-1,421.7
Share-based payments					1,016.3	1,016.3
Transactions with owners, total				**-1,421.7**	**1,016.3**	**-405.4**
Shareholders' equity at 31 Dec 2022	**80.0**	**95,656.2**	**-51.3**	**-1,421.7**	**6,335.5**	**100,598.7**
Shareholders' equity at 1 Jan 2021	**2.5**				**1,430.6**	**1,433.1**
Profit/loss for the period					269.1	269.1
Remeasurement of defined benefit plans					2.2	2.2
Currency translation differences			8.2			8.2
Total comprehensive income for the period, net of tax			**8.2**		**271.3**	**279.5**
Personnel offering		578.9				578.9
Initial Public Offering for First North Growth market		95,154.8				95,154.8
Share capital increase	77.5	-77.5				0.0
Share-based payments					82.0	82.0
Transactions with owners, total	**77.5**	**95,656.2**			**82.0**	**95,815.7**
Shareholders' equity at 31 Dec 2021	**80.0**	**95,656.2**	**8.2**		**1,783.9**	**97,528.3**

Notes to the consolidated financial statements

1 Accounting policies for the consolidated financial statements

1.1 CORPORATE INFORMATION

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 is domiciled in Lahti and its registered address is Ala-Okeroistentie 29, 15700 Lahti. The Company’s shares were listed on the Nasdaq First North Growth Finland maintained by Nasdaq Helsinki Ltd. on 14 December 2021.

Kempower Corporation is part of Kemppi Group, whose parent company is Kemppi Group Oy. Kemppi Group Oy is domiciled in Lahti and its registered address is Kempinkatu 1, 15800 Lahti.

Kempower designs, manufactures and sells direct current (DC) fast charging devices, solutions and services for EVs, such as personal and commercial vehicles, mobile off-highway machinery and electric marine vessels and boats. Kempower offers a selection of solutions for all the fast-charging needs ranging from public parking lots to bus depots and terminal stops, heavy-duty commercial vehicles and other electric vehicles, ports, and charging electric vessels and boats. Kempower’s main geographical markets are the Nordics and the rest of Europe.

1.2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with 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 and in note 5.7.

Kempower’s Board of Directors confirmed these Consolidated Financial Statements on 14 February 2023.

The consolidated financial statements present all monetary information in euros, as the euro is the Kempower Group’s operating currency and reporting currency. The figures shown in the consolidated financial statements 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 thousands of euros, unless otherwise stated. The Kempower Group’s consolidated financial statements have 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. Distribution of the financial period's profit to parent company shareholders and non-controlling shareholders is presented in conjunction with the income statement, and the share of equity belonging to non-controlling shareholders is presented as a separate item in equity. The subsidiaries' reporting principles have been amended to correspond to the Group's reporting principles. Kempower has no goodwill in the balance sheet on 31 December 2022.

1.3 ACCOUNTING POLICIES REQUIRING MANAGEMENT JUDGEMENT AND KEY UNCERTAINTIES RELATING TO THE ESTIMATES

Preparation of the consolidated financial statements requires the management's judgement 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

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

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.

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.

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.

Estimates and accounting policies requiring management judgement	
Deferred tax assets	2.8 Taxes
Research and development expenses	3.1 Intangible assets
Provisions	3.7 Provisions
Share-based payments	5.1 Share-based payments

1.4 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 Financial performance

2.1 REVENUE

Accounting principles

Kempower's revenue mainly consists of deliveries 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 are mainly charge point operators (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 to 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 (fulfillment rate). 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." On the date of the financial statements, 31 December 2022 or 31.12.2021, the Group had no contract assets or liabilities related to project sales agreements. Other assets and liabilities related to accrued revenue are recognized as accrued receivables or accrued liabilities.

More information on trade receivables is presented in notes 3.5 and 4.2.

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.

Revenue by recognition type

EUR 1,000	2022	2021
Point in time	101,957.9	25,806.2
Over time	1,685.8	1,556.9
Total	**103,643.7**	**27,363.0**

Contract assets and liabilities

EUR 1,000	2022	2021
Assets	628.6	103.7
Liabilities	6,134.2	802.3

Contract assets include sales accruals of EUR 628.7 (103.7) thousands, for which the performance obligations have been fulfilled.

Contract liabilities include customer advance payments of EUR 5,292.5 (776.7) thousands, extended warranty sales of EUR 396.2 (24.2) thousands and other sales accruals EUR 445.5 (1.4) thousands. The Group expects to recognise the revenue of these performance obligations during 2023 except for the extended warranty sales, for which the revenue is recognised during 2023–2027.

EUR 1.4 thousand of the contract liabilities on 31.12.2021 have been recognised as revenue during the financial year 2022.

Revenue by geographical area

EUR 1,000	2022	2021
Finland	20,449.8	8,049.8
Other Nordic countries	37,377.9	15,041.8
Other Europe	40,736.8	4,080.6
Other World	5,079.2	190.8
Total	**103,643.7**	**27,363.0**

Revenue by geographical area is classified based on the customer's location.

In 2022 Kempower Group had two customers (three in 2021), whose sales contributed more than 10% of the Group's net sales. The combined sales of these customers amounted to EUR 29,604.9 (15,894.2) thousands.

2.2 OTHER OPERATING INCOME

Accounting principles

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.

EUR 1,000	2022	2021
Government grants	271.6	314.4
Insurance compensations	54.4	
Total	**326.0**	**314.4**

2.3 MATERIALS AND SERVICES

Accounting principles

Materials and services include the direct business expenses related to purchases of raw materials needed in production, external services, and the change in inventory.

EUR 1,000	2022	2021
Purchases during the financial year	-72,289.0	-17,130.4
External services	-860.7	-1,514.5
Change in inventories	20,755.7	5,048.8
Total	**-52,393.9**	**-13,596.1**

2.4 EMPLOYEE BENEFITS

Accounting principles

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 present value of the defined-benefit obligation is the present 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 net defined-benefit obligation is calculated annually by an actuary and recognized in the balance sheet as an asset or liability. Net interest expense is the increase in the fair value of the defined benefit obligation during the financial period due to the fact that the payout of the benefits is one period closer than before. This expense is recognized under personnel expenses in the income statement. Actuarial gains and losses caused by increases or decreases in the fair value of the obligation or in the fair value of the associated funds belonging to the plan are recognized in the statement of comprehensive income for the period during which they are realized.

EUR 1,000	2022	2021
Wages and salaries	-17,028.7	-6,177.7
Pension expenses - defined contribution plans	-2,769.0	-1,016.0
Pension expenses - defined benefit plans	-17.3	-5.7
Other social security expenses	-2,049.0	-273.5
Total	**-21,864.0**	**-7,473.0**

	2022	2021
Number of personnel at the end of the period	375	136
Average number of personnel	258	83

2.5 OTHER OPERATING EXPENSES

EUR 1,000	2022	2021
Sales and marketing expenses	-3,023.8	-735.3
Administration expenses	-2,854.3	-2,187.0
IT expenses	-3,006.2	-637.0
Real estate and vehicle expenses	-1,753.8	-511.4
Product development expenses	-2,574.3	-971.1
Warranty expenses	-5,235.4	-606.8
Other expenses	-1,766.0	-506.5
Total	**-20,213.8**	**-6,155.2**

Auditor's fee

EUR 1,000	2022	2021
Ernst & Young Oy		
Audit fee	-101.8	-29.3
Tax advisory	-39.4	-5.8
Other fees	-67.0	-1.3
Total	**-208.2**	**-36.4**

2.6 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Accounting principles

Depreciation on fixed assets is defined according to the useful economic life of the assets. Straight line depreciation is used on all fixed assets. The depreciations commence when the asset item is available for use. The useful economic lives and residual values of asset items are presented in note 3.1 Intangible assets, 3.2 Property, plant and equipment and 3.3 Leases.

EUR 1,000	2022	2021
Intangible assets		
Amortizations	-409.7	-255.6
Property, plant and equipment		
Depreciations	-447.9	-135.7
Right-of-use assets		
Depreciations	-2,539.9	-751.7
Total	**-3,397.5**	**-1,143.0**

2.7 FINANCE INCOME AND EXPENSE

EUR 1,000	2022	2021
Finance income		
Interest income	1.6	
Other finance income	15.6	0.1
Total	**17.2**	**0.1**
Finance expenses		
Change in fair value of money market investments	-723.3	
Interest expenses	-569.2	-170.3
Other finance expenses	-33.4	-7.3
Total	**-1,325.9**	**-177.6**
Total finance income and expenses	**-1,308.7**	**-177.5**

2.8 INCOME TAXES

Accounting principles

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, capitalized product development costs and accelerated depreciation. Whether the conditions for recognizing deferred tax assets are met is reassessed at the end of each financial period.

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

Critical accounting judgements:
A deferred tax asset is recognized when it is probable that future taxable profit will be available, against which the deferred tax asset exceeding the deferred tax liability can be utilized. The Group's management exercises judgement in deciding whether to recognize deferred tax assets on unutilized confirmed losses. The assessment of future taxable cash flows is based on the Kempower Group's strategy, forecasts, and evaluation of related uncertainties. The Group's management monitors the Group's financial status and evaluates its future development at each reporting date. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available, against which the deferred tax assets can be utilized.

Taxes in the income statement

EUR 1,000	2022	2021
Income tax on taxable profit for the year	-482.0	-54.8
Change in deferred taxes	-750.5	1,191.3
Tax for previous accounting periods	-6.6	
Total	**-1,239.0**	**1,136.5**

Reconciliation of profit/loss before taxes with total income taxes in the income statement

EUR 1,000	2022	2021
Profit/loss before tax	4,791.7	-867.4
Income tax calculated at Finnish tax rate 20%	-958.3	173.5
Non-deductible expenses and tax-exempt income	-233.6	997.6
Effect of different tax rates	-40.5	-34.6
Other differences	-6.5	0.0
Taxes in the statement of comprehensive income	**-1,239.0**	**1,136.5**

Confirmed tax losses

EUR 1,000	2022	2021
Expiry within 5 years		
Expiry within 5-10 years	221.0	6,056.0
Total	**221.0**	**6,056.0**

Deferred tax receivables and liabilities 2022

EUR 1,000	1 Jan 2022	Recognized in the statement of income	Recognized in the statement of comprehensive income	Exchange differences	Other changes	31 Dec 2022
Deferred tax receivables						
Tax losses	1,209.4	-1,165.2				44.2
Provisions	43.2	445.5				488.7
Leases	1.5	32.7				34.2
Trade receivables	1.9	27.3				29.3
Defined benefit plans		0.5	4.9			5.4
Inventories		8.6		-0.3		8.3
Total	**1,256.2**	**-650.5**	**4.9**	**-0.3**		**610.0**
Deferred tax liabilities						
Accelerated depreciations	95.8					95.8
Capitalized development expenses	147.9	-44.8				103.2
Inventories	48.1	145.8				193.9
Defined benefit plans	0.9	-1.2	-0.6		0.9	0.0
Total	**292.7**	**99.9**	**-0.6**		**0.9**	**392.8**
Net amount	**963.4**	**-750.5**	**5.5**	**-0.3**	**-0.9**	**217.2**

Deferred tax receivables and liabilities 2021

EUR 1,000	1 Jan 2021	Recognized in the statement of income	Recognized in the statement of comprehensive income	Exchange differences	Other changes	31 Dec 2021
Deferred tax receivables						
Tax losses		1,209.4				1,209.4
Provisions		43.2				43.2
Leases		1.5				1.5
Trade receivables		1.9				1.9
Total		**1,256.2**				**1,256.2**
Deferred tax liabilities						
Accelerated depreciations	24.3	71.4				95.8
Capitalized development expenses	192.7	-44.8				147.9
Inventories	10.3	37.8				48.1
Defined benefit plans		0.3	0.6			0.9
Total	**227.3**	**64.7**	**0.6**			**292.7**
Net amount	**-227.3**	**1,191.3**	**-0.8**			**963.4**

2.9 EARNINGS PER SHARE, EPS

Accounting principles

Basic earnings per share are calculated by dividing the profit for the financial year attributable to equity holders of the parent company by the weighted average number of externally owned shares during the financial year. The weighted average number of shares is adjusted with the amount of treasury shares.

The diluting effect of the share-based incentive plans is taken into account in the diluted earnings per share.

EUR 1,000	2022	2021
Profit/loss for the year	3,552.7	269.1
Average number of shares (1,000 pcs)		
Undiluted	55,484	38,835
Diluted	55,585	38,847
Earnings per share (EUR)		
Undiluted	0.06	0.01
Diluted	0.06	0.01

3 Capital employed

3.1 INTANGIBLE ASSETS

Accounting principles

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. Straight-line amortizations are recognized as cost in the income statement during the estimated useful economic life.

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

- Patents and trademarks 10 years
- Product development costs 5 years
- Other intangible assets 5 years

The determination of useful economic lives of intangible assets is reassessed at the end of each reporting period, and if the expected useful economic lives differ from those previously determined, the difference is recognized as a change in accounting estimates. 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.

The profit or loss created from de-recognition of an intangible asset is determined as the difference between the disposal price and the carrying value of the asset and is recognized in the profit and loss statement either as other operating income or other operating expense.

Critical accounting judgements:
Development expenses that meet the capitalization criteria will be recognized in the balance sheet. The management uses judgement in determining whether the Group has adequate technological and financial resources to successfully complete the development work and whether the development project will generate future cash flows in excess of the book value of the capitalized development project. The Kempower Group's management assesses at the end of each reporting period whether the book values of the capitalized development expenses exceed the discounted net cash flows that the assets are expected to produce. The expected future cash flows are based on uncertain financial estimates.

EUR 1,000	Intangible rights	Other intangible assets	Total
31 Dec 2022			
Carrying amount at 1 Jan 2022	937.9	154.6	1,092.5
Additions	248.1	1,631.5	1,879.6
Depreciations and impairment	-272.2	-124.5	-396.8
Carrying amount at 31 Dec 2022	**913.8**	**1,661.5**	**2,575.3**
31 Dec 2022			
Cost	1,627.1	1,788.7	3,415.7
Accumulated depreciations and impairment	-713.3	-127.2	-840.4
Carrying amount at 31 Dec 2022	**913.8**	**1,661.5**	**2,575.3**
31 Dec 2021			
Carrying amount at 1 Jan 2021	1,137.3		1,137.3
Additions	46.1	157.2	203.3
Depreciations and impairment	-245.6	-2.6	-248.2
Carrying amount at 31 Dec 2021	**937.9**	**154.6**	**1,092.5**
31 Dec 2021			
Cost	1,378.9	157.2	1,536.1
Accumulated depreciations and impairment	-441.0	-2.6	-443.7
Carrying amount at 31 Dec 2021	**937.9**	**154.6**	**1,092.5**

Carrying amount of intangible rights at 31 Dec 2022 includes capitalized development cost of EUR 515.8 thousands. No development costs have been capitalized during the financial year 2022. The carrying amount of intangible assets located in Finland at 31 Dec 2022 amounted to EUR 2,575.3 (1,092.5) thousands.

3.2 PROPERTY, PLANT AND EQUIPMENT

Accounting principles

The Kempower Group's property, plant and equipment, 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.

EUR 1,000	Machinery and equipment	Pre-payments and work in progress	Total
31 Dec 2022			
Carrying amount at 1 Jan 2022	1,078.8	704.7	1,783.5
Additions	3,743.1	585.8	4,328.9
Depreciations and impairment	-460.8		-460.8
Translation differences	-1.8		-1.8
Carrying amount at 31 Dec 2022	**4,359.2**	**1,290.5**	**5,649.7**
31 Dec 2022			
Cost	5,056.3	1,290.5	6,346.7
Accumulated depreciations and impairment	-692.8		-692.8
Translation differences	-4.2		-4.2
Carrying amount at 31 Dec 2022	**4,359.2**	**1,290.5**	**5,649.7**
31 Dec 2021			
Carrying amount at 1 Jan 2021	394.1	112.5	506.6
Additions	827.0	592.2	1,419.3
Depreciations and impairment	-142.4		-142.4
Translation differences	0.1	0.0	0.1
Carrying amount at 31 Dec 2021	**1,078.8**	**704.7**	**1,783.5**
31 Dec 2021			
Cost	1,311.0	704.7	2,015.7
Accumulated depreciations and impairment	-232.3		-232.3
Translation differences	0.1	0.0	0.1
Carrying amount at 31 Dec 2021	**1,078.8**	**704.7**	**1,738.5**

The carrying amount of property, plant and equipment located in Finland at 31 Dec 2022 amounted to EUR 5,591.4 (1,779.6) thousands.

3.3 LEASES

Accounting principles

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, the lease term of which is 12 months or less, 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.

Amounts recognized in the statement of financial position

EUR 1,000	Buildings	Machinery and equipment	Total
Carrying amount at 1 Jan 2022	**705.7**	**375.8**	**1,081.5**
Additions	15,575.6	1,464.9	17,040.5
Disposals	-74.6	-17.2	-91.8
Depreciations and impairment	-2,075.2	-464.7	-2,539.9
Translation differences	-2.6	-6.5	-9.1
Carrying amount at 31 Dec 2022	**14,128.9**	**1,352.3**	**15,481.1**

EUR 1,000	Buildings	Machinery and equipment	Total
Carrying amount at 1 Jan 2021	**479.3**	**139.9**	**619.3**
Additions	757.4	455.5	1,212.9
Depreciations and impairment	-531.1	-220.6	-751.7
Translation differences	0.1	0.9	0.9
Carrying amount at 31 Dec 2021	**705.7**	**375.8**	**1,081.5**

The carrying amount of leases recognised as right-of-use assets located in Finland at 31 Dec 2022 amounted to EUR 14,823.8 (930.4) thousands.

Lease liabilities arising from lease agreements and the maturity of related financial expenses are specified in note 4.2.

Amounts recognized in the statement of comprehensive income

EUR 1,000	2022	2021
Depreciation of right-of-use assets		
Buildings	-2,075.2	-531.1
Machinery and equipment	-464.7	-220.6
Total	**-2,539.9**	**-751.7**
Interest expense (included in finance cost)	-387.6	-27.0
Expense relating to leases of short-term (included in other operating expenses)	-71.0	-2.1
Cash flow from leases	-2,447.5	-746.2

3.4 INVENTORIES

Accounting principles

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.

EUR 1,000	31 Dec 2022	31 Dec 2021
Raw materials and consumables	20,421.7	5,258.2
Work in progress	3,709.0	558.3
Finished products	2,999.8	558.3
Total	**27,130.6**	**6,374.8**

Inventory write-downs recognised as an expense amounted to EUR 504.7 (399.0) thousands.

3.5 TRADE AND OTHER CURRENT RECEIVABLES

Trade receivables

EUR 1,000	31 Dec 2022	31 Dec 2021
Trade receivables	23,286.9	4,659.1
Loss allowance provision	-146.3	-9.6
Total	**23,140.6**	**4,649.5**

Prepaid expenses and accrued income

EUR 1,000	31 Dec 2022	31 Dec 2021
Accrued government grants	123.4	162.2
Contract assets (sales accruals)	628.6	103.7
Costs paid in advance	699.7	306.4
Other accruals	240.2	96.0
Total	**1,691.9**	**668.3**

Other receivables

EUR 1,000	31 Dec 2022	31 Dec 2021
Income tax receivables	11.3	16.3
VAT receivables	3,884.1	1,176.0
Other receivables	42.4	
Total	**3,937.8**	**1,192.3**

3.6 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Trade payables

EUR 1,000	31 Dec 2022	31 Dec 2021
Trade payables	16,778.4	5,477.0
Total	**16,778.4**	**5,477.0**

Accruals and deferred income

EUR 1,000	31 Dec 2022	31 Dec 2021
Employee benefit accruals	5,812.2	2,222.3
Contract liabilities (sales accruals)	841.7	25.6
Other operating expense accruals	3,953.9	154.2
Other accruals	109.7	29.7
Total	**10,717.5**	**2,431.8**

Other current liabilities

EUR 1,000	31 Dec 2022	31 Dec 2021
Tax liabilities	469.8	54.0
VAT payables	1,313.6	352.9
Withholding tax and social security charge payables	518.6	185.5
Other payables	26.0	96.3
Total	**2,328.0**	**688.7**

3.7 PROVISIONS

Accounting principles

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 Group generally applies a 26-month warranty period.

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.

Critical accounting judgements:
The Group recognizes provision for warranty work based on past experience from actual warranty work. The amount of provision is reviewed regularly and adjusted where necessary to reflect the best estimate at the time of review. The actual costs may differ from the estimates.

EUR 1,000	Warranty provisions	Total
Provisions at 1 Jan 2022	**216.1**	**216.1**
Additions	6,556.2	6,556.2
Reversals	-1,320.8	-1,320.8
Provisions used	-3,008.0	-3,008.0
Provisions at 31 Dec 2022	**2,443.5**	**2,443.5**
Carrying amounts of provisions		
Non-current	803.4	803.4
Current	1,640.1	1,640.1
	2,443.5	**2,443.5**

EUR 1,000	Warranty provisions	Total
Provisions at 1 Jan 2021	**60.7**	**60.7**
Additions	616.4	616.4
Deductions (Provisions used)	-461.0	-461.0
Provisions at 31 Dec 2021	**216.1**	**216.1**
Carrying amounts of provisions		
Non-current	108.0	108.0
Current	108.0	108.0
	216.1	**216.1**

4 Capital structure and financial risks

4.1 SHAREHOLDERS' EQUITY

Accounting principles

The Group's equity consists of share capital, reserve for invested unrestricted equity, treasury shares, translation differences, and retained earnings.

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 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.

Treasury shares

Consideration paid for the purchase of treasury shares is recognized directly in equity. The cost of treasury shares is presented as a separate reserve reducing the unrestricted equity of the company.

Reserve for invested unrestricted equity

The subscription price of new shares is recorded in the reserve for invested unrestricted equity unless it is decided in the share issue resolution to be recorded partly of fully into share capital. Contributions to the reserve for invested unrestricted equity can also be made without a share issue. Transaction costs directly related to the issue of new shares and the funds raised are recognized as net in the reserve for invested unrestricted equity.

Translation difference

Translation difference contains the translation differences arising from the conversion of the acquired equity and the financial statements consolidated of foreign subsidiaries. The change in translation difference is presented in other comprehensive income.

EUR 1,000	Outstanding shares (pcs)	Own shares (pcs)	Total registered shares (pcs)
1 Jan 2021	**100**		**100**
Share issue	38,112,506		38,112,506
Share capital increase			
Initial public offering	17,430,314		17,430,314
31 Dec 2021	**55,542,920**		**55,542,920**
Acquisition of own shares	-124,634	124,634	
31 Dec 2022	**55,418,286**	**124,634**	**55,542,920**

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.

4.2 FINANCIAL RISK MANAGEMENT

Accounting principles

Kempower is exposed to several types of financial risks: foreign currency, interest, financing, liquidity, credit, and counterparty risks. The most significant risks relate to foreign currency, credit, and liquidity risks. The group observes a uniform treasury policy that has been approved by the Company's Board of Directors. The Group's Chief Financial Officer is responsible for the management of financial risks. The objective of risk management is to mitigate all possible financial risks where financially reasonable.

Capital management and liquidity risk

Kempower's capital management aims to maintain the ongoing availability of sufficient financial resources for the Group's operating activities.

To maintain or to change its capital structure the Group can issue new shares, get financing through borrowings, or make changes to the execution of the planned growth investments.

The Group's management monitors capital based on net debt. In the calculation of net debt, the Group includes interest bearing liabilities deducted with cash and cash equivalents and current financial assets. Interest bearing liabilities include lease liabilities.

Foreign currency risk

Kempower conducts its business in several European countries in addition to which the Company makes purchases from several countries. This exposes the Group to different foreign currency risks.

Foreign currency risks arise from net investments in subsidiaries outside the euro zone (translation risk), and foreign currency denominated assets, liabilities and expected business transactions (transaction risk). The Group is mainly exposed to foreign currency risks related to USD, GBP, NOK and SEK currencies.

The financing of each Group company is organized in the Group company's operating currency. The parent company bears the foreign currency risk related to the financing of the Group companies. The Group did not have any open forward exchange contracts at year end 2022 or 2021.

Interest risk

The effects of changes in interest rates to Kempower's financial items are limited to deposits and money market investments, as the Group had no interest-bearing liabilities except for lease liabilities on the balance sheet date of 31 December 2022 or 31 December 2021. The investment portfolio is subject to interest rate risk, which is managed by minimizing the duration of the portfolio.

Credit and counterparty risk

To manage its credit risk Kempower has drafted a credit policy stating the requirements regarding the customers' credit rating and defining the principles of sales on credit.

Trade receivables are recognized as originally invoiced. To measure expected credit losses the Group applies the IFRS 9 simplified approach which uses a lifetime expected loss allowance for all trade receivables. In addition, an impairment loss is recognized when there is evidence of insolvency, bankruptcy, or liquidation of a creditor.

Impairment of trade receivables is recognized as an expense in other operating expenses. Reversals of earlier impairment losses are recognized as a reduction of other operating expenses.

The expected credit losses are based on assumptions of likely payment defaults and on expected credit loss rates. Judgment is exercised when making these assumptions and choosing the input information used in estimating expected credit losses. The judgment is based on historical information, prevailing market conditions and forward-looking assumptions made at the end of each financial period.

Capital management

EUR 1,000	31 Dec 2022	31 Dec 2021
Net debt	-58,366.8	-89,309.1
Total equity	100,598.7	97,528.3
Net debt equity ratio	**-58.0%**	**-91.6%**

Net debt includes non-current and current borrowings and lease liabilities deducted by cash and cash equivalents and current financial assets.

The Group's net debt is negative and its interest bearing debts consist merely of lease liabilities.

Credit risk

Credit risk and counterparty risk

Aging of trade receivable and expected credit loss allowance 31 Dec 2022

EUR 1,000	Not past due	1–30 days past due	31–60 days past due	61–90 days past due	91–120 days past due	121–180 days past due	181–360 days past due	Over 360 days past due	Total
Expected loss rate	0.05%	0.50%	3.00%	7.00%	13.00%	25.00%	50.00%	100.00%	
Gross carrying amount - trade receivables	16,633.5	4,513.9	1,260.3	467.3	189.5	76.2			23,140.6
Loss allowance provision	9.4	22.6	37.8	32.7	24.6	19.0			146.3

Aging of trade receivable and expected credit loss allowance 31 Dec 2021

EUR 1,000	Not past due	1–30 days past due	31–60 days past due	61–90 days past due	91–120 days past due	121–180 days past due	181–360 days past due	Over 360 days past due	Total
Expected loss rate	0.05%	0.50%	3.00%	7.00%	13.00%	25.00%	50.00%	100.00%	
Gross carrying amount - trade receivables	3,744.3	613.1	155.1			-1.3			4,511.2
Loss allowance provision	1.9	3.1	4.7			0.0			9.6

Movements of the expected credit loss allowance:

EUR 1,000	31 Dec 2022	31 Dec 2021
Expected loss allowance at 1 Jan	**9.6**	
Increase in expected credit loss allowance recognised in profit or loss during the year	136.7	9.6
Expected loss allowance at 31 Dec	**146.3**	**9.6**

Liquidity risk

Group's contractual maturity repayments on financial liabilities at the end of 2022

EUR 1,000	2023	2024	2025	2026–thereafter	Total
Trade payables	16,778.4				16,778.4
Accruals for trade payables	3,953.9				3,953.9
Lease liabilities including interest costs	3,146.3	2,795.9	2,317.6	10,674.1	18,933.9
Total	**23,878.6**	**2,795.9**	**2,317.6**	**10,674.1**	**39,666.2**

Group's contractual maturity repayments on financial liabilities at the end of 2021

EUR 1,000	2022	2023	2024	2025–thereafter	Total
Trade payables	5,477.0				5,477.0
Accruals for trade payables	154.2				154.2
Lease liabilities including interest costs	663.5	372.7	98.2	18.1	1,152.6
Total	**6,294.8**	**372.7**	**98.2**	**18.1**	**6,783.8**

Foreign exchange risk

Translation risks

The Group's translation exposure to net investments in subsidiaries outside the euro zone at the end of 2022

EUR 1,000	NOK	GBP	SEK
Net investment	679.3	337.9	112.1

The Group's translation exposure to net investments in subsidiaries outside the euro zone at the end of 2021

EUR 1,000	NOK	GBP	SEK
Net investment	148.0	0.7	

The following table shows how a 10% weakening or strengthening of the functional currencies of the Group companies against the euro would affect the Group's equity.

Sensitivity analysis, impact on equity as at 31 Dec 2022

EUR 1,000	NOK	GBP	SEK
Weakening 10%	-61.8	-30.7	-10.2
Strengthening 10%	75.5	37.5	12.5

Sensitivity analysis, impact on equity as at 31 Dec 2021

EUR 1,000	NOK	GBP	SEK
Weakening 10%	-13.5	-0.1	
Strengthening 10%	16.4	0.1	

Transaction risks

International sales and purchasing activities and foreign currency denominated financing to subsidiaries expose the Group to transaction risks. The currency specific transaction risk exposure comprises foreign currency denominated receivables and liabilities in the balance sheet and foreign subsidiaries' receivables and liabilities with respect to the parent company. There were no open foreign currency derivatives at year-end 2022 or 2021.

The Group's transaction risk as at 31 Dec 2022

EUR 1,000	USD	NOK	GBP	SEK
Transaction risk	481.0	4,211.9	1,210.6	176.7

The Group's transaction risk as at 31 Dec 2021

EUR 1,000	USD	NOK	GBP	SEK
Transaction risk	-8.2	248.0	-44.8	

The following table shows how a 10% weakening or strengthening of the foreign currencies against the euro would affect the Group's pre-tax profit.

Sensitivity analysis, impact on pre-tax profit as at 31 Dec 2022

EUR 1,000	USD	NOK	GBP	SEK
Weakening 10%	-43.7	-382.9	-110.1	-16.1
Strengthening 10%	53.4	468.0	134.5	19.6

Sensitivity analysis, impact on pre-tax profit as at 31 Dec 2021

EUR 1,000	USD	NOK	GBP	SEK
Weakening 10%	0.7	-22.5	4.1	
Strengthening 10%	-0.9	27.6	-5.0	

4.3 FINANCIAL ASSETS AND LIABILITIES

Accounting principles

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 is 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). To determine the fair value of these instruments, the Group utilizes generally accepted valuation models, which use input data that is, in significant part, based on observable market data. The fair value of instruments at level 3 is not based on observable market data (inputs not observable).

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 is recognized as an expense in other operating expenses. Impairment of trade receivables is presented in note 4.2.

Other financial assets include money market investments measured at fair value through profit or loss. 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

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.

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

31 Dec 2022 EUR 1,000	Fair value through profit or loss	Amortized cost	Carrying amount	Fair value	Level 1	Level 2	Level 3
Current financial assets							
Trade receivables		23,140.6	23,140.6	23,140.6			
Other receivables		3,937.8	3,937.8	3,937.8			
Other financial assets	64,198.1		64,198.1	64,198.1	64,198.1		
Cash and cash equivalents		9,821.2	9,821.2	9,821.2			
Total financial assets	**64,198.1**	**36,899.7**	**101,097.8**	**101,097.8**	**64,198.1**		
Non-current financial liabilities							
Non-current lease liabilities		13,269.5	13,269.5	13,269.5			
Current financial liabilities							
Current lease liabilities		2,383.0	2,383.0	2,383.0			
Trade payables		16,778.4	16,778.4	16,778.4			
Other non-interest-bearing liabilities		2,328.0	2,328.0	2,328.0			
Total financial liabilities		**34,758.9**	**34,758.9**	**34,758.9**			

31 Dec 2021 EUR 1,000	Fair value through profit or loss	Amortized cost	Carrying amount	Fair value	Level 1	Level 2	Level 3
Current financial assets							
Trade receivables		4,649.5	4,649.5	4,649.5			
Other receivables		1,192.3	1,192.3	1,192.3			
Cash and cash equivalents		90,398.6	90,398.6	90,398.6			
Total financial assets		**96,240.4**	**96,240.4**	**96,240.4**			
Non-current financial liabilities							
Non-current lease liabilities		473.7	473.7	473.7			
Current financial liabilities							
Current lease liabilities		615.9	615.9	615.9			
Trade payables		5,477.0	5,477.0	5,477.0			
Other non-interest-bearing liabilities		688.7	688.7	688.7			
Total financial liabilities		**7,255.3**	**7,255.3**	**7,255.3**			

Changes in liabilities arising from financing activities

	Liabilities from financing activities			
EUR 1,000	**Long-term interest-bearing liabilities**	**Short-term lease liabilities**	**Long-term lease liabilities**	**Total**
Interest-bearing liabilities as at 1 Jan 2021	**3,400.0**	**296.9**	**324.8**	**4,021.7**
Cash flows	-3,400.0	-744.1		-4,144.1
New and changed leases		572.5	625.1	1,197.6
Other non-cash movements		490.5	-476.3	14.3
Interest-bearing liabilities as at 31 Dec 2021		**615.9**	**473.7**	**1,089.6**
Cash flows		-2,376.5		-2,376.5
New and changed leases		2,149.8	14,890.7	17,040.5
Other non-cash movements		1,993.8	-2,094.8	-101.0
Interest-bearing liabilities as at 31 Dec 2022		**2,383.0**	**13,269.5**	**15,652.5**

5 Other notes

5.1 SHARE-BASED PAYMENTS

Accounting principles

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.

Stock option program 2021

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.

Long term incentive program

Kempower launched in March 2022 a 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 are 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 percent 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 percent of their annual base salary of the preceding year. Such a 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.

Recognition of share and option arrangements

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.

Critical accounting judgements:

The Group recognizes the costs related to share-based payments in the income statement. In connection with share options, the Group's management makes estimates related to aspects of the option pricing model, such as expected volatility, the estimated number of options, and the expected option exercise date. In connection with share-based incentive plans the Group's management makes estimates on the number of shares likely to be granted.

Plan	**Directed share issue to personnel**	**Stock Options 2021**	**Performance Share Plan 2022–2024**	**Total**
Type	Share	Option	Share	
Initial amount, pcs*	540,000	108,000	165,000	813,000
The subscription ratio for underlying shares, pcs		1		
Initial exercise price, EUR*	1.8519	1.85		
Dividend adjustment	No	Yes	No	
Current exercise price, EUR		1.85		
Grant date	26.11.2021	19.11.2021	1.4.2022	
Performance period start date			1.1.2022	
Performance period end date			31.12.2024	
Vesting date	31.12.2024	31.12.2024	31.5.2025	
Maturity date		15.12.2025		
Vesting conditions	Employment	Employment	Total shareholder return during performance period, Group revenue 2024, Employment	
Number of persons at 31 Dec 2022	78	26	19	

* Directed share issue to personnel and Stock Options 2021 adjusted by the share split carried out in November 2021.

Changes during period	**Directed share issue to personnel***	**Stock Options 2021***	**Performance Share Plan 2022–2024****	**Total**
Outstanding at 1 Jan 2021				
Granted	312,606	107,946		420,552
Outstanding at 31 Dec 2021	312,606	107,946		420,552
Outstanding at 1 Jan 2022	312,606	107,946		420,552
Granted			112,500	112,500
Forfeited	14,634	6,480	3,500	24,614
Outstanding at 31 Dec 2022	297,972	101,466	109,000	508,438

* Directed share issue to personnel and Stock Options 2021 adjusted by the share split carried out in November 2021.
** Performance Share Plan 2022–2024 presented at target level 100% out of 125% at ultimate maximum level.

Fair value determination	**Performance Share Plan 2022–2024**
Share price at grant date, EUR	10.72
Share price at 31 Dec 2022, EUR	21.22
Expected dividends, EUR	0
Additional Monte Carlo simulation parameters	
Exercise price, EUR	0
Expected volatility*	63.46%
Maturity, years	2.72
Risk-free rate	0.29%
Valuation model	Monte Carlo simulation with Geometric Brownian Motion
Fair value for the market based portion, EUR	7.97

* Expected volatility was determined by using annualized daily return volatilities of Company shares.

The impact of share-based payment plans on Group’s profit for 2022 was EUR -1,016.3 thousands (EUR -82.0 thousands).

5.2 RELATED PARTY TRANSACTIONS

Accounting principles

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.

Compensation of the members of the Board of Directors

EUR 1,000	2022	2021
Antti Kemppi, Chairman	40.8	38.0
Teresa Kemppi-Vasama, Member	33.3	31.3
Tero Era, Member	33.3	31.3
Juha-Pekka Helminen, Member	33.3	31.3
Kimmo Kemppi, Member	32.8	29.8
Vesa Laisi, Member from 1 Sep 2021 onwards	35.1	26.0
Eriikka Söderström, Member from 1 Sep 2021 onwards	37.0	27.0
Ville Vuori, Member until 30 March 2021		1.5
Katri Sahlman, Member until 30 March 2021		1.5
Total	**245.4**	**217.8**

EUR 1,000	CEO	Management team	Total
2022			
Salaries and other short-term employee benefits	361.1	819.0	1,180.1
Post-employment benefits	63.9	145.0	208.9
Share-based payments	62.5	193.6	256.0
Total	**487.4**	**1,157.6**	**1,645.0**
2021			
Salaries and other short-term employee benefits	192.8	629.3	822.1
Post-employment benefits	33.7	109.9	143.6
Share-based payments	2.9	9.4	12.3
Total	**229.4**	**748.6**	**978.0**

Related party transactions

EUR 1,000	2022	2021
Sales and purchases of goods and services to and from Kemppi Group companies		
Products sold	261.6	28.0
Purchased materials	-26,453.8	-6,669.8
Purchased administration and support services	-1,158.7	-618.0
Office and facility lease	-2,321.4	-465.9
Financial expenses		
Interest expenses to Kemppi Group companies		-138.4
Sales and purchases of goods and services to and from other related parties		
Purchased services	-35.0	-43.0
Products sold	3.5	4.0

EUR 1,000	31 Dec 2022	31 Dec 2021
Outstanding balances with Kemppi Group companies		
Trade and other receivables	167.9	148.0
Total current receivables	**167.9**	**148.0**
Lease liabilities	11,566.4	44.8
Total non-current liabilities	**11,566.4**	**44.8**
Lease liabilities	1,089.4	251.7
Trade payables	6,809.4	2,447.0
Prepaid expenses and accrued income and other liabilities	2,129.9	81.0
Total current liabilities	**10,028.7**	**2,779.7**
Commitments to Kemppi Group companies		
Purchase commitments	6,639.3	
Total commitments	**6,639.3**	

5.3 DEFINED BENEFIT PLANS

Accounting principles

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 present value of the defined-benefit obligation is the present 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 net 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.

Defined benefit assets and liabilities recognized in the balance sheet

EUR 1,000	31 Dec 2022	31 Dec 2021
Present value of defined benefit obligation	51.3	13.1
Fair value of plan assets	30.0	17.1
Surplus (-)/Deficit (+)	21.3	-4.0
Net receivable (-)/liability (+) in the balance sheet	21.3	-4.0
Change in the net assets recognized in the balance sheet		
Receivable at the beginning of the financial year	**-4.0**	**-5.3**
Income/cost recognized in the income statement	19.6	8.9
Remeasurement	25.0	2.8
Contributions to plan	-19.5	-10.7
Translation differences	0.2	0.3
Receivable at the end of the financial year	**21.3**	**-4.0**

Change in present value of defined benefit obligations and fair value of plan assets

EUR 1,000	Present value of defined benefit obligation	Fair value of plan assets	Total
Balance at 1 Jan 2022	13.1	-17.1	-4.0
Expenses based on work performance during the financial year	17.3		17.3
Interest expenses and income	0.2	-0.4	-0.2
Administrative expenses		2.4	2.4
	30.7	**-15.1**	**15.6**
Revaluation	21.2	3.8	25.0
Contributions to plan		-19.5	-19.5
Translation differences	-0.6	0.8	0.2
Balance at 31 Dec, 2022	**51.3**	**-30.0**	**21.3**

EUR 1,000	Present value of defined benefit obligation	Fair value of plan assets	Total
Balance at 1 Jan 2021	3.8	-9.1	-5.3
Expenses based on work performance during the financial year	5.7		5.7
Interest expenses and income	0.1	-0.3	-0.2
Administrative expenses		3.5	3.5
	9.6	**-5.9**	**3.6**
Revaluation	3.7	-0.9	2.8
Contributions to plan		-10.7	-10.7
Translation differences	-0.2	0.4	0.3
Balance at 31 Dec 2021	**13.1**	**-17.1**	**-4.0**

Principal actuarial assumptions

	2022	2021
Discount rate	2.4%	1.6%
Inflation rate	3.5%	2.8%
Pension growth rate	1.5%	0.0%
Average service expectancy, years	8.0	8.1

In addition to changes in the general level of interest rates, the defined benefit obligation is impacted by changes in the statutory pension arrangement, future salary increases, index-based pension increases and changes in life expectancy. When the level of interest rates increases, the present value of the defined benefit obligation falls. Salary increases, index-based pension increases and increase in life expectancy increase the defined benefit obligation.

5.4 COMMITMENTS

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

EUR 1,000	2022	2021
Purchase commitments to Kemppi Group companies	6,639.3	
Guarantees given on own behalf	29.6	
Commitments total	**6,668.9**	

5.5 GROUP STRUCTURE

Company name	Domicile	Ownership, %
Kempower AB	Sollentuna, Sweden	100%
Kempower AS	Nannestad, Norway	100%
Kempower B.V.	Amsterdam, The Netherlands	100%
Kempower Charging Limited	Bedford, United Kingdom	100%
Kempower Charging Spain S.L.U.	Barcelona, Spain	100%
Kempower GmbH	Langgöns, Germany	100%
Kempower Inc.	Delaware, the United States	100%
Kempower Italy S.R.L	Milan, Italy	100%
Kempower SAS	Paris, France	100%

5.6 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.

5.7 NOTES TO IFRS TRANSITION

Kempower Corporation's transition to IFRS reporting and unaudited comparative IFRS information

Kempower Corporation (together with its subsidiaries "Kempower" or "the Group") transferred from the Finnish Accounting Standards (FAS) to the International Financial Reporting Standards (IFRS). The company expects the adoption of IFRS transition to increase comparability of the financial figures with the other companies in the industry, support the growth strategy of the company and increase the interest for the company among international investors. The transition date for the IFRS reporting was January 1, 2021. Kempower has previously prepared its financial statements in accordance with the Finnish Accounting Standards (FAS). Kempower has prepared the following unaudited IFRS financial information to provide investors with comparative information for the consolidated statement of comprehensive income and consolidated statement of financial position as of December 31, 2021. In addition, the opening balance sheet for the IFRS transition date January 1, 2021, is presented. Kempower presents information on its key figures and related reconciliations in the Report of the board of directors 2022 on pages 35-36. The key differences arising from the transition to IFRS reporting compared with FAS reporting are described below.

The most significant impacts from the transition to IFRS reporting:

- The right to use leased assets and a lease liability corresponding to the rents to be paid are recognized in the statement of financial position, which increases long-term assets and lease liabilities. The increase of lease liabilities has an impact on net debt and equity ratio key figures. The adjustment of rent expense from other operating expenses to instalment of lease liability and interest expense improves cash flow from operating activities and EBITDA key figures. The instalments of lease liability are presented in cash flow from financing activities under IFRS instead of lease payments in cash flow from operating activities under FAS.
- Development expenses are accrued over their useful lives when requirements of capitalization under IFRS are met. Depreciation expense is recognized in the consolidated statement of comprehensive income instead of other operating expense, which improves EBITDA key figure. The change in accounting policy has also an impact on investments.
- The IPO related transaction costs directly attributable to the issuance of new shares are deducted from the reserve for invested unrestricted equity in equity. The IPO related transaction costs attributable to existing shares are recognized in other operating expenses. Under FAS reporting all IPO related transaction costs are expensed through the income statement in finance expenses. The change decreases cash flow from operating activities and increases cash flow from financing activities respectively.

The financial information presented in this note is unaudited except for the consolidated income statement for the financial year January 1 – December 31, 2021, and the consolidated balance sheets as of December 31, 2021 and December 31, 2020, prepared in accordance with FAS.

Consolidated statement of comprehensive income January 1–December 31, 2021

MEUR	FAS 1 Jan–31 Dec 2021	1) Leases	2) Intangible assets, development expenses	3) Inventories	4) Financial instruments	5) Employee benefits	6) Share-based payments	7) Reclassifi-cations	Total impact of transition to IFRS	IFRS 1 Jan–31 Dec 2021
Revenue	**27.4**								**0.0**	**27.4**
Other operating income	0.3								0.0	0.3
Materials and services	-13.8			0.2					0.2	-13.6
Employee benefits	-7.4					0.0	-0.1		-0.1	-7.5
Depreciation, amortization and impairment losses	-0.2	-0.8	-0.2						-1.0	-1.1
Other operating expenses	-5.3	0.8			-1.7				-0.9	-6.2
Total operating expenses	**-26.6**	**0.0**	**-0.2**	**0.2**	**-1.7**	**0.0**	**-0.1**	**0.0**	**-1.8**	**-28.4**
Operating result	**1.1**	**0.0**	**-0.2**	**0.2**	**-1.7**	**0.0**	**-0.1**	**0.0**	**-1.8**	**-0.7**
Finance income	0.0					0.0			0.0	0.0
Finance expenses	-6.7	-0,0			6.6	-0,0			6.5	-0.2
Total finance income and expenses	**-6.7**	**-0,0**	**0.0**	**0.0**	**6.6**	**0.0**	**0.0**	**0.0**	**6.5**	**-0.2**
Profit/loss before tax	**-5.6**	**0.0**	**-0.2**	**0.2**	**4.9**	**-0,0**	**-0.1**	**0.0**	**4.8**	**-0.9**
Income tax	-0.1								0.0	-0.1
Changes in deferred taxes	1.2	0.0	0.0	-0,0	0.0	0,0			0.0	1.2
Total income taxes	**1.1**	**0.0**	**0.0**	**-0,0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.1**
Profit/loss for the period	**-4.5**	**0.0**	**-0.2**	**0.2**	**4.9**	**-0,0**	**-0.1**	**0.0**	**4.8**	**0.3**
Profit/loss for the period attributable to the equity holders of the Company	**-4.5**	**0.0**	**-0.2**	**0.2**	**4.9**	**-0,0**	**-0.1**	**0.0**	**4.8**	**0.3**
Other comprehensive income for the period										
Items that may be subsequently reclassified to profit or loss										
Translation difference	0.0								0.0	0.0
Other comprehensive income, that will not be reclassified to profit or loss										
Remeasurement of defined benefit plan						0.0			0.0	0.0
Taxes						-0,0			-0,0	-0,0
Total other comprehensive profit/loss for the period	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Comprehensive profit/loss for the period	**-4.5**	**0.0**	**-0.2**	**0.2**	**4.9**	**0.0**	**-0.1**	**0.0**	**4.8**	**0.3**
Comprehensive profit/loss for the period attributable to the equity holders of the Company	**-4.5**	**0.0**	**-0.2**	**0.2**	**4.9**	**0.0**	**-0.1**	**0.0**	**4.8**	**0.3**

Consolidated statement of financial position 31 December 2021

MEUR	FAS 31 Dec 2021	1) Leases	2) Intangible assets, development expenses	3) Inventories	4) Financial instruments	5) Employee benefits	6) Share-based payments	7) Reclassifi-cations	Total impact of transition to IFRS	IFRS 31 Dec 2021
ASSETS										
Non-current assets										
Intangible assets	0.4		0.7					0.0	0.7	1.1
Property, plant and equipment	1.7	1.1						0.0	1.1	2.9
Non-current receivables						0.0			0.0	0.0
Deferred tax assets	1.3	0.0			0.0				0.0	1.3
Total non-current assets	**3.4**	**1.1**	**0.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.8**	**5.2**
Current assets										
Inventories	6.1			0.2					0.2	6.4
Trade receivables	4.7				0.0				0.0	4.7
Prepaid expenses and accrued income	1.9								0.0	1.9
Cash and cash equivalents	90.4								0.0	90.4
Total current assets	**103.0**	**0.0**	**0.0**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.2**	**103.3**
TOTAL ASSETS	**106.4**	**1.1**	**0.7**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**2.1**	**108.5**

MEUR	FAS 31 Dec 2021	1) Leases	2) Intangible assets, development expenses	3) Inventories	4) Financial instruments	5) Employee benefits	6) Share-based payments	7) Reclassifi-cations	Total impact of transition to IFRS	IFRS 31 Dec 2021
EQUITY AND LIABILITIES										
Equity										
Share capital	0.1								0.0	0.1
Reserve for invested unrestricted equity	100.6				-4.9				-4.9	95.7
Retained earnings	0.6	0.0	0.8	0.0		0.0	0.1		0.9	1.5
Profit/loss for the period	-4.5	0.0	-0.2	0.2	4.9	0.0	-0.1		4.8	0.3
Total equity	**96.7**	**0.0**	**0.6**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.8**	**97.5**
Non-current liabilities										
Lease liabilities	0.0	0.5							0.5	0.5
Provisions	0.2								0.0	0.2
Deferred tax liabilities	0.1		0.1	0.0		0.0			0.2	0.3
Total non-current liabilities	**0.3**	**0.5**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.7**	**1.0**
Current liabilities										
Lease liabilities	0.0	0.6							0.6	0.6
Advance payments	0.8								0.0	0.8
Trade payables	5.5								0.0	5.5
Other liabilities	0.6								0.0	0.6
Accruals and deferred income	2.5								0.0	2.5
Total current liabilities	**9.4**	**0.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.6**	**10.0**
Total liabilities	**9.7**	**1.1**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.3**	**11.0**
TOTAL EQUITY AND LIABILITIES	**106.4**	**1.1**	**0.7**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**2.1**	**108.5**

Consolidated statement of financial position on the transition date January 1, 2021

MEUR	FAS 1 Jan 2021	1) Leases	2) Intangible assets, development expenses	3) Inventories	4) Financial instruments	5) Employee benefits	6) Share-based payments	7) Reclassifi-cations	Total impact of transition to IFRS	IFRS 1 Jan 2021
ASSETS										
Non-current assets										
Intangible assets	0.2		1.0					0.0	0.9	1.1
Property, plant and equipment	0.5	1.1						0.0	1.1	1.6
Deferred tax assets	0.0	0.0			0.0				0.0	0.0
Total non-current assets	**0.7**	**1.1**	**1.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2.1**	**2.7**
Current assets										
Inventories	1.3			0.1					0.1	1.3
Trade receivables	0.8				0.0				0.0	0.8
Other receivables	2.5								0.0	2.5
Prepaid expenses and accrued income	0.4								0.0	0.4
Cash and cash equivalents	0.5								0.0	0.5
Total current assets	**5.6**	**0.0**	**0.0**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**	**5.6**
TOTAL ASSETS	**6.2**	**1.1**	**1.0**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**2.1**	**8.4**

MEUR	FAS 1 Jan 2021	1) Leases	2) Intangible assets, development expenses	3) Inventories	4) Financial instruments	5) Employee benefits	6) Share-based payments	7) Reclassifi-cations	Total impact of transition to IFRS	IFRS 1 Jan 2021
EQUITY AND LIABILITIES										
Equity										
Share capital	0.0								0.0	0.0
Reserve for invested unrestricted equity	0.0								0.0	0.0
Retained earnings	0.4		0.8	0.0				0.0	0.8	1.3
Profit/loss for the period	0.2								0.0	0.2
Total equity	**0.6**	**0.0**	**0.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.8**	**1.4**
Non-current liabilities										
Borrowings	3.4								0.0	3.4
Lease liabilities	0.0	0.6							0.6	0.6
Provisions	0.1								0.0	0.1
Deferred tax liabilities	0.0		0.2	0.0					0.2	0.2
Total non-current liabilities	**3.5**	**0.6**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.8**	**4.2**
Current liabilities										
Lease liabilities	0.0	0.5							0.5	0.5
Advance payments	0.2								0.0	0.2
Trade payables	1.2								0.0	1.2
Other liabilities	0.1								0.0	0.1
Accruals and deferred income	0.6								0.0	0.6
Total current liabilities	**2.1**	**0.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.5**	**2.7**
Total liabilities	**5.6**	**1.1**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.3**	**6.9**
TOTAL EQUITY AND LIABILITIES	**6.2**	**1.1**	**1.0**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**2.1**	**8.4**

Notes to the IFRS financial statements

Kempower has applied the following first-time adopter's practical expedients:

- Lease liability is measured at present value of the remaining lease payments at the date of transition.
- Right-of-use assets are measured at the date of transition at the amount equal to the lease liability.
- Kempower's incremental discount rate has been used for discounting and a single discount rate has been applied to all lease contracts with similar characteristics.

A summary of the impacts of the adoption of the IFRS standards on Kempower's consolidated statement of comprehensive income as of January 1 – December 31, 2021, and consolidated statements of financial position as of December 31, 2021, and as of January 1, 2021, is presented below.

1) Leases

As a result of the IFRS 16 standard, all essential lease agreements are recognized in the statement of financial position. The Group has applied practical expedients to lease agreements of low value and short-term agreements. At the transition date, for the lease agreements identified in accordance with IFRS 16 standard, the Group has recognized a right-of-use asset in the property, plant and equipment of the balance sheet, the value of which corresponds to the lease liability adjusted by any advance payments or accumulated unpaid lease payments. The original value of the capitalized right-of-use asset corresponds to the lease liability, which is measured at present value of the lease payments to be paid in the future lease period.

According to standard the right to use a leased asset and a lease liability corresponding to lease payments are recognized in the balance sheet. Under FAS lease payments are recognized in other operating expenses as equal instalments during the lease period and lease payments payable after the financial year are presented as off-balance sheet liability. Under IFRS financial statements lease payments are adjusted from other operating expenses to instalments of lease liability and interest expense. Depreciation of right-of-use assets is recognized. The impact of leases has been presented in the column 1 in the statements of comprehensive income and statements of financial position.

2) Development expenses

Under FAS all development expenses relating to development projects of Kempower's technology are recognized in the income statement. Under IFRS reporting development expenses are capitalized in the balance sheet as an intangible asset when a development project is likely to generate economic benefits, the products are assessed to be technically feasible and commercially viable, capitalized expenses are measured reliably and the Group has relevant technical and financial resources to complete the development project. The impact on capitalized development expenses has been presented in the column 2 in the statements of comprehensive income and statements of financial position.

3) Inventories

Inventories have been measured at the weighted average acquisition cost or at standard cost. The acquisition cost of inventories includes all purchase costs and transport, handling and other costs directly attributable to the acquisition of inventories. Inventories are written down to net realizable value when inventory value is lower than the acquisition cost. Net realizable value is the estimated selling price in the normal conduct of business deducted by costs directly attributable to sales.

Under FAS the Group has not included fixed production overheads in the inventory values, which are allocated to inventories under IFRS reporting. The impact on inventories has been presented in the column 3 in the statements of comprehensive income and statements of financial position.

4) Financial instruments

Expected credit loss

Under IFRS 9 Kempower has applied the simplified approach to the treatment of expected credit losses of trade receivables, thus all trade receivables are deducted by lifetime expected credit losses. Expected credit losses are recognized in other operating expenses. The change in accounting policy relating to expected credit losses did not have material impact to the IFRS statements of financial position as of January 1, 2021 or December 31, 2021, or IFRS statement of comprehensive income 2021.

IPO related transaction costs

Under FAS reporting all IPO related transaction costs are expensed through the income statement in finance expenses. Under IFRS reporting IPO transaction costs directly attributable to the issuance of new shares are deducted from the reserve for invested unrestricted equity in equity. Transaction costs relating jointly to listing of all the shares are allocated to each share. The costs relating to existing shares are expensed through the statement of comprehensive income and costs of new shares are recognized in equity. The impact on IPO related transaction costs has been presented in the column 4 in the statements of comprehensive income and statements of financial position.

5) Employee benefits

Employee benefits consist of payments based on employee services and payments relating to termination of employment. Difference between FAS and IFRS reporting relates to accounting rules of post-employment benefits when the arrangement is classified as defined benefit plan. Kempower's pension plans are mainly defined contribution plans, such as TyEL pension plan in Finland, which is based on fixed payments. Defined contribution plan does not form legal or constructive obligation to make further payments in later post-employment periods.

The Group has a defined benefit plan in the subsidiary in Norway. The present value of the defined benefit obligation under defined benefit plan is the present value of the expected payments in the future based on employee services at the balance sheet date and in previous financial years before deduction of plan assets. The defined benefit obligation is calculated annually by independent actuaries and recognized as an asset or liability. The net interest cost is the increase in the present value of a defined benefit obligation during a period which arises because the benefits are one period closer to settlement. This cost is recognized as employee benefit expense in the comprehensive income. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur in other comprehensive income.

On the IFRS transition date January 1, 2021, Kempower did not have any defined benefit plans. The change in accounting policy relating to defined benefit plans did not have material impact to the Group's IFRS statement of financial position as of December 31, 2021, or IFRS statement of comprehensive income 2021.

6) Share-based payments

Kempower has issued a share-based option plan to its key employees and an employee share purchase plan to all of its employees. The arrangements are long-term incentive programs, which are granted for employees' commitment. The Group has applied IFRS 2 standard to both incentive programs.

The granted option rights are measured at fair value at grant date and recognized as expenses in the statement of comprehensive income over the vesting period, and corresponding increase in equity.

In the employee share purchase plan the employees are granted the right to subscribe shares at a value below the fair value. The issued shares are measured at fair value and the difference between the fair value of the shares issued less the amount received from employees are recognized as an expense over the employment obligation period. The impacts on share-based payments are presented in the column 6 in the statements of comprehensive income and statements of financial position.

7) Reclassifications

Under IFRS Kempower has reclassified improvements to leased premises from intangible assets to property, plant and equipment. The change in reclassification has no material impact on Group's IFRS statement of financial position.

Summary of the impacts of IFRS adoption to the consolidated equity and result for the period

The following tables present the impact of the adoption of IFRS standards to the equity and result of Kempower Group for the periods presented below.

Equity reconciliation 2021

MEUR	Note	31 Dec 2021	1 Jan 2021
Equity FAS		**96.7**	**0.6**
IFRS adjustments:			
Leases	1)	0.0	
Intangible assets, development expenses	2)	0.6	0.8
Inventories	3)	0.2	0.0
Financial instruments	4)	0.0	
Employee benefits	5)	0.0	
Share-based payments	6)	0.0	
Total adjustments		**0.8**	**0.8**
Equity IFRS		**97.5**	**1.4**

Reconciliation of the result for the period 2021

MEUR	Note	2021
Profit/loss for the period FAS		**-4.5**
IFRS adjustments:		
Leases	1)	0.0
Intangible assets, development expenses	2)	-0.2
Inventories	3)	0.2
Financial instruments	4)	4.9
Employee benefits	5)	0.0
Share-based payments	6)	-0.1
Total adjustments		**4.8**
Profit/loss for the period IFRS		**0.3**

Parent Company's Financial Statements (FAS)

Income statement of the parent company

EUR	Note	2022	2021
Revenue	2	**97,437,561.29**	**26,604,269.11**
Other operating income	3	325,973.14	314,414.00
Change in inventories of finished goods and work in progress		5,052,820.82	779,359.51
Raw materials and services			
Purchases during the financial period		-71,697,046.76	-16,976,605.07
Change in inventories		14,919,572.20	4,071,603.06
External services		-1,694,612.33	-1,654,725.48
Raw materials and services total		-58,472,086.89	-14,559,727.49
Staff expenses	4		
Salaries and wages		-14,788,606.05	-5,809,206.40
Pension expenses		-2,694,546.01	-1,009,087.58
Other social security expenses		-585,424.97	-131,844.39
Staff expenses total		-18,068,577.03	-6,950,138.37
Depreciation and amortisation	6	-625,977.57	-165,727.83
Other operating expenses	7	-21,250,653.12	-5,176,386.24
Operating profit/-loss		**4,399,060.64**	**846,062.69**

EUR	Note	2022	2021
Financial income and expenses			
Financial income	8	23,362.19	570.67
Financial expenses	8	-933,817.74	-6,707,242.26
Financial income and expenses total		-910,455.55	-6,706,671.59
Profit/-loss before tax and appropriations		**3,488,605.09**	**-5,860,608.90**
Appropriations	9		-357,071.60
PROFIT/-LOSS FOR THE FINANCIAL PERIOD		**3,488,605.09**	**-6,217,680.50**

Balance sheet of the parent company

EUR	Note	Dec 31, 2022	Dec 31, 2021
ASSETS			
Non-current assets			
Intangible assets	10		
Intangible rights		398,018.01	198,251.04
Other intangible assets		1,698,143.88	199,498.74
		2,096,161.89	397,749.78
Tangible assets	10		
Machinery and equipment		4,264,241.30	1,030,059.62
Advance payments and construction in progress		1,290,483.72	704,687.89
		5,554,725.02	1,734,747.51
Investments	10		
Shares in group companies		261,685.54	183,919.65
		261,685.54	183,919.65
Non-current assets total		**7,912,572.45**	**2,316,416.94**
Current assets			
Inventory			
Raw materials and consumables		20,037,021.82	5,117,449.62
Work in progress		3,382,566.88	504,098.42
Finished products		2,678,368.46	504,016.10
		26,097,957.16	6,125,564.14
Short-term receivables	11		
Trade receivables		17,378,713.01	4,308,757.98
Receivables from group companies		7,430,191.07	726,463.60
Other financial assets		64,198,091.58	
Other receivables		3,885,914.44	911,301.64
Prepayments and accrued income		1,613,901.31	634,239.29
		94,506,811.41	6,580,762.51
Cash and cash equivalents		3,628,659.21	89,479,255.48
Current assets total		**124,233,427.78**	**102,185,582.13**
ASSETS TOTAL		**132,146,000.23**	**104,501,999.07**

EUR	Note	Dec 31, 2022	Dec 31, 2021
EQUITY AND LIABILITIES			
Equity	12		
Share capital		80,000.00	80,000.00
Invested unrestricted equity fund		99,129,671.64	100,551,402.36
Retained earnings/-loss		-5,694,423.66	523,256.84
Profit/-loss for the period		3,488,605.09	-6,217,680.50
Equity total		**97,003,853.07**	**94,936,978.70**
Accumulated appropriations			
Cumulative accelerated depreciation	13	478,819.99	478,819.99
Provisions			
Other provisions	14	2,443,474.79	216,060.51
Liabilities			
Current liabilities	15		
Advances received		5,292,498.96	776,661.17
Trade payables		9,958,538.69	3,003,490.28
Payables to group companies		9,396,985.96	2,667,003.63
Other payables		401,263.58	178,068.00
Accruals and other payables		7,170,565.19	2,244,916.79
		32,219,852.38	8,870,139.87
Liabilities total		**32,219,852.38**	**8,870,139.87**
EQUITY AND LIABILITIES TOTAL		**132,146,000.23**	**104,501,999.07**

Cash flow statement of parent company

EUR	2022	2021
Cash flow from operating activities		
Profit/-loss before appropriations and taxes	3,488,605.09	-5,860,608.90
Adjustments:		
Depreciation and amortisation	625,977.57	165,727.83
Unrealised exchange gains and losses	56,397.52	-1,970.35
Change in provisions	2,227,414.28	155,322.51
Financial income and expenses	921,258.56	6,706,671.59
Cash flow before changes in working capital	**7,319,653.02**	**1,165,142.68**
Changes in working capital		
Change in inventories	-19,972,393.02	-4,850,962.57
Change in trade and other receivables	-23,244,197.58	-5,324,046.07
Change in trade payables and short-term debts	23,418,247.68	6,067,804.26
Cash flow from operating activities before financial items and taxes	**-12,478,689.90**	**-2,942,061.70**
Interest paid	-95,997.79	-4,340.01
Other financial items	-43,352.35	10,573.67
Taxes	-497.87	-40,961.74
Cash flow from operating activities (A)	**-12,618,537.91**	**-2,976,789.78**

EUR	2022	2021
Cash flow from investing activities:		
Investments in tangible and intangible assets	-6,144,367.19	-1,617,791.59
Acquisition of subsidiary shares	-77,765.89	-183,919.65
Loans granted	-588,194.56	
Increase(-)/decrease (+) of other financial assets	-65,000,000.00	
Cash flow from investing activities (B)	**-71,810,327.64**	**-1,801,711.24**
Cash flow from financing activities:		
Proceeds from issue of share capital		100,628,902.36
Acquisition of own shares	-1,421,730.72	
Repayment of non-current borrowings		-3,400,000.00
Paid finance costs		-5,992,607.81
Group contributions received		2,500,000.00
Cash flow from financing activities (C)	**-1,421,730.72**	**93,736,294.55**
Changes in cash flows (A + B + C)	**-85,850,596.27**	**88,957,793.53**
Cash and cash equivalents at the beginning of the period	89,479,255.48	521,461.95
Cash and cash equivalents at the end of the period	3,628,659.21	89,479,255.48
Change in cash and cash equivalents	**-85,850,596.27**	**88,957,793.53**

Notes to the parent company financial statements

1 ACCOUNTING PRINCIPLES

Parent company information

Kempower Oyj is a parent company of Kempower Group and part of Kemppi Group, whose parent company is Kemppi Group Oy. Kempower Oyj and Kemppi Group Oy are domiciled in Lahti, Finland. Kempower Oyj's registered address is Ala-Okeroistentie 29, 15700 Lahti. Kemppi Group Oy's registered address is Kempinkatu 1, 15800 Lahti. Copies of the consolidated financial statements for Kempower Group and Kemppi Group can be obtained from the head office of each parent company.

Accounting policy applied in the financial statements

The consolidated financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS).

The financial statement information is presented in thousands of euros and have been rounded to the nearest figure. Thus, in certain cases, the sum of figures in a column or row does not always exactly match the figure presented as the total of the column or row.

Principles for valuation

Valuation of fixed assets

Intangible and tangible assets are stated on the balance sheet at acquisition cost, net of accumulated planned depreciation. Planned depreciation is calculated on a straight line basis over the useful economic life of the asset.

The useful economic lives of assets are as follows:

Intangible assets	10 years
Long-term expenditure	3–10 years
Machinery and equipment	3–10 years

Valuation of inventories

Inventories are presented at the acquisition cost or at the lower probable net realization value. Acquisition cost value is determined according to the weighted average procedure. The acquisition cost of manufactured inventories includes purchase expenditure on materials, direct labor and other direct costs.

Valuation of other financial assets

Other financial assets include money market investments, which are presented at fair value.

Foreign currency items

Foreign currency receivables and liabilities are translated into euros at the average exchange rate on the closing date. The exchange rate differences arising from this and actual exchange rate differences during the financial period for trade receivables and trade payables are recorded as adjustment items for sales and purchases. Exchange rate differences for other commitments, receivables and liabilities are included in financial income and expenses.

Revenue recognition

Revenue is represented from the sales of the products and services at fair value adjusted by indirect taxes, discounts and exchange rate differences from foreign currency items. Revenue is recorded when the ownership of the product has been transferred to the buyer. Revenue is recognised during the same financial period when the service is provided. Fixed priced projects' sales and expenses are recorded as sales and expenses based on the maturity of the projects.

2 REVENUE BY MARKET AREA

EUR	2022	2021
Nordics	55,487,550.00	22,693,257.00
Rest of Europe	36,906,042.00	3,720,849.00
Rest of the World	5,043,969.29	190,163.11
Total	**97,437,561.29**	**26,604,269.11**

3 OTHER OPERATING INCOME

EUR	2022	2021
Government grants	271,587.97	314,414.00
Other operating income	54,385.17	
Total	**325,973.14**	**314,414.00**

4 PERSONNEL

Average number of personnel during financial period	2022	2021
Blue collar	63	17
White collar	159	66
Total	**222**	**83**

Management compensation

Wages, salaries and other benefits and pension benefits paid to CEO and to Management team:

EUR	2022	2021
Managing director		
Wages and salaries	361,084.52	192,771.00
Pension expenses	63,911.96	33,677.09
Total	**424,996.48**	**226,448.09**
Management team		
Wages and salaries	819,015.97	629,339.79
Pension expenses	144,965.83	109,945.66
Total	**963,981.80**	**739,285.45**
Board of directors		
Antti Kemppi	40,750.00	38,000.00
Teresa Kemppi-Vasama	33,250.03	31,333.50
Tero Era	33,250.03	31,333.50
Juha-Pekka Helminen	33,250.03	31,333.50
Kimmo Kemppi	32,750.03	29,833.35
Vesa Laisi*	35,125.00	25,958.34
Eriikka Söderström*	36,999.97	26,999.67
Ville Vuori**		1,500.00
Katri Sahlman**		1,500.00
Total	**245,375.09**	**217,791.86**

* Member of the board from 1st of September 2021.
** Member of the board until AGM 30th of March 2021.

Other management benefits

In October 2021, the company carried out a directed share issue, which deviated from shareholders' pre-emptive right, to engage Kempower's employees by issuing 5,789 new shares in the personnel issue. The subscription price in the personnel issue was EUR 100 per share before the free share issue registered on November 26, 2021, in which 53 new shares were issued for each existing share. The number of shares subscribed by the Extended Management Team after the free share issue was 69,714 shares. Kempower's employees, including the CEO and management team, who participated in the personnel issue have signed a shareholder agreement under which, among other things, they have committed to sell their shares to the company if their employment ends in certain circumstances. They have also committed to transfer restrictions that prevent them from selling, transferring, donating or pledging their subscribed shares without the permission of company's Board of Directors until 31 December 2024.

The CEO does not have any other personal compensation plan based on shares or stock options or any other special rights entitling to shares.

Share-based incentive plan

In 2022 the Board of Directors of Kempower decided to establish a new share-based incentive plan for the group's key employees including CEO. The aim was 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.

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 CEO will correspond to a total of approximately 14,000 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 17,500 Kempower's shares.

The CEO does not have any other personal compensation plan based on shares or stock options or other special rights entitling to shares.

5 AUDITORS FEES

EUR	2022	2021
Audit fees	-101,787.00	-24,400.00
Tax consultation	-39,421.00	-5,800.00
Other fees	-66,988.00	-1,300.00
Total	**-208,196.00**	**-31,500.00**

6 DEPRECIATION AND AMORTISATION

EUR	2022	2021
Intangible rights	-48,382.36	-21,746.90
Other long-term expenditures	-137,455.24	-9,355.20
Machinery and equipment	-440,139.97	-134,625.73
Total	**-625,977.57**	**-165,727.83**

7 OTHER OPERATING EXPENSES

EUR	2022	2021
Sales and marketing expenses	-3,551,703.68	-1,018,955.21
Administration expenses	-2,835,573.57	-511,486.09
IT expenses	-2,956,210.81	-632,323.63
Real estate and vehicle expenses	-3,428,100.87	-981,671.81
Product development expenses	-2,574,284.89	-971,102.14
Warranty expenses	-4,905,627.30	-616,368.22
Other	-999,152.00	-444,479.14
Total	**-21,250,653.12**	**-5,176,386.24**

8 FINANCIAL INCOME AND EXPENSES

EUR	2022	2021
Other interest and financial income		
From Group companies	7,145.94	493.70
From others	16,216.25	76.97
Total	**23,362.19**	**570.67**

EUR	2022	2021
Interest expenses and other financial expenses		
To Group companies		
Interest expenses		-138,423.61
Other financial expenses	*-4,779.23*	
To others		
Nasdaq First North -IPO fees		-6,557,023.31
Change in fair value of money market investments	-723,321.43	
Interest expenses	-95,997.79	-1,798.34
Other financial expenses	-109,719.29	-9,997.00
Total	**-933,817.74**	**-6,707,242.26**

9 APPROPRIATIONS

EUR	2022	2021
Change in cumulative accelerated depreciation		-357,071.60
Total		**-357,071.60**

10 ASSETS

Intangible assets

EUR	Dec 31, 2022	Dec 31, 2021
Intangible rights		
Acquisition cost, Jan 1	259,750.97	213,625.25
Increases	248,149.33	46,125.72
Acquisition cost, Dec 31	507,900.30	259,750.97
Accumulated amortisation, Jan 1	-61,499.93	-39,753.03
Amortisation for financial year	-48,382.36	-21,746.90
Accumulated amortisation, Dec 31	-109,882.29	-61,499.93
Carrying amount, Dec 31	**398,018.01**	**198,251.04**

EUR	Dec 31, 2022	Dec 31, 2021
Other long-term expenses		
Acquisition cost, Jan 1	213,242.93	25,027.88
Increases	1,636,100.38	188,215.05
Acquisition cost, Dec 31	1,849,343.31	213,242.93
Accumulated amortisation, Jan 1	-13,744.19	-4,388.99
Amortisation for financial year	-137,455.24	-9,355.20
Accumulated amortisation, Dec 31	-151,199.43	-13,744.19
Carrying amount, Dec 31	**1,698,143.88**	**199,498.74**

EUR	Dec 31, 2022	Dec 31, 2021
Total intangible assets		
Acquisition cost, Jan 1	**472,993.90**	**238,653.13**
Increases	1,884,249.71	234,340.77
Acquisition cost, Dec 31	2,357,243.61	472,993.90
Accumulated amortisation, Jan 1	-75,244.12	-44,142.02
Amortisation for financial year	-185,837.60	-31,102.10
Accumulated amortisation, Dec 31	-261,081.72	-75,244.12
Carrying amount, Dec 31	**2,096,161.89**	**397,749.78**

Tangible assets

EUR	Dec 31, 2022	Dec 31, 2021
Machinery and equipment		
Acquisition cost, Jan 1	1,250,130.09	458,911.07
Increases	3,674,321.65	791,219.02
Acquisition cost, Dec 31	4,924,451.74	1,250,130.09
Accumulated depreciation, Jan 1	-220,070.47	-85,444.74
Depreciation for the financial year	-440,139.97	-134,625.73
Accumulated depreciation, Dec 31	-660,210.44	-220,070.47
Carrying amount, Dec 31	**4,264,241.30**	**1,030,059.62**

EUR	Dec 31, 2022	Dec 31, 2021
Advance payments and purchases in progress		
Acquisition cost, Jan 1	704,687.89	112,456.09
Increases	585,795.83	592,231.80
Acquisition cost, Dec 31	1,290,483.72	704,687.89
Carrying amount, Dec 31	**1,290,483.72**	**704,687.89**
Total tangible assets		
Acquisition cost, Jan 1	1,954,817.98	571,367.16
Increases	4,260,117.48	1,383,450.82
Acquisition cost, Dec 31	6,214,935.46	1,954,817.98
Accumulated depreciation, Jan 1	-220,070.47	-85,444.74
Depreciation for financial year	-440,139.97	-134,625.73
Accumulated depreciation, Dec 31	-660,210.44	-220,070.47
Carrying amount, Dec 31	**5,554,725.02**	**1,734,747.51**

EUR	Dec 31, 2022	Dec 31, 2021
Shares in group companies		
Acquisition cost, Jan 1	183,919.65	
Increases	77,765.89	183,919.65
Acquisition cost, Dec 31	261,685.54	183,919.65
Carrying amount, Dec 31	**261,685.54**	**183,919.65**

11 RECEIVABLES

Current receivables

EUR	Dec 31, 2022	Dec 31, 2021
Receivables from others		
Trade receivables	17,378,713.01	4,308,757.98
Other receivables	3,885,914.44	911,301.64
Other financial assets	64,198,091.58	
Prepayments and accrued income	1,613,901.31	634,239.29
Total	87,076,620.34	5,854,298.91
Receivables from Group companies		
Trade receivables	5,994,715.50	726,463.60
Loan receivables	*579,827.01*	
Prepayments and accrued income	855,648.56	
Total	7,430,191.07	726,463.60
Total current receivables	**94,506,811.41**	**6,580,762.51**

EUR	Dec 31, 2022	Dec 31, 2021
Specification of prepayments and accrued income		
Accrued government grants	126,571.32	162,182.00
Costs paid in advance	477,530.79	218,927.57
Sales accruals	628,594.90	103,691.90
Other accruals	381,204.30	149,437.82
Prepayments and accrued income, total	**1,613,901.31**	**634,239.29**

12 EQUITY

Changes in equity

EUR	Dec 31, 2022	Dec 31, 2021
Share capital, Jan 1	80,000.00	2,500.00
Share capital increase		77,500.00
Share capital, Dec 31	**80,000.00**	**80,000.00**

EUR	Dec 31, 2022	Dec 31, 2021
Invested unrestricted equity fund, Jan 1	100,551,402.36	
Acquisition of own shares	-1,421,730.72	
Personnel Offering		578,900.00
Initial Public Offering for Nasdaq First North Growth Market		100,050,002.36
Share capital increase		-77,500.00
Invested unrestricted equity fund, Dec 31	**99,129,671.64**	**100,551,402.36**
Retained earning, Jan 1	-5,694,423.66	523,256.84
Profit/loss for the financial year	3,488,605.09	-6,217,680.50
Retained earnings, Dec 31	**-2,205,818.57**	**-5,694,423.66**
Total equity	**97,003,853.07**	**94,936,978.70**

EUR	Dec 31, 2022	Dec 31, 2021
Calculation of parent company's distributable equity		
Retained earnings from previous periods, Dec 31	-5,694,423.66	523,256.84
Profit/-loss for the financial year	3,488,605.09	-6,217,680.50
Invested unrestricted equity fund, Dec 31	99,129,671.64	100,551,402.36
Parent company's distributable equity, total	**96,923,853.07**	**94,856,978.70**

The distributable assets total 96.923.853,07€. The Board of Directors proposes to the Annual General Meeting that no dividend shall be distributed and the profit for the financial year will be transferred to the retained earnings account.

13 APPROPRIATIONS

EUR	Dec 31, 2022	Dec 31, 2021
Cumulative accelerated depreciation, Jan 1	478,819.60	121,748.00
Change in accelerated depreciation		357,071.60
Cumulative accelerated depreciation, Dec 31	**478,819.60**	**478,819.60**

14 PROVISIONS

EUR	Dec 31, 2022	Dec 31, 2021
Provision for warranty expenses	2,443,474.79	216,060.51
Total	**2,443,474.79**	**216,060.51**

15 CURRENT LIABILITIES

Current liabilities

EUR	Dec 31, 2022	Dec 31, 2021
Debts to others		
Trade payables	9,958,538.69	3,003,490.28
Advances received	5,292,498.96	776,661.17
Other payables	401,263.58	178,068.00
Accrued liabilities	7,170,565.19	2,244,916.79
Total	22,822,866.42	6,203,136.24
Debts to Group companies		
Trade payables	6,747,359.94	2,577,080.18
Other payables		84,923.45
Accrued liabilities	2,649,626.02	5,000.00
Total	9,396,985.96	2,667,003.63
Total current liabilities	**32,219,852.38**	**8,870,139.87**

EUR	Dec 31, 2022	Dec 31, 2021
Specification of accrued liabilities		
Liabilities allocated to the period relating to staff costs	5,140,197.78	2,095,001.40
Costs allocated to the period	3,846,599.57	34,249.48
Other accruals	833,393.86	120,665.91
Total	**9,820,191.21**	**2,249,916.79**

16 COMMITMENTS

EUR	Dec 31, 2022	Dec 31, 2021
Amount payable under leases		
Due for payment in next financial year	3,211,194.99	2,816,071.85
Due for payment at a later date	17,713,494.85	18,530,980.63
Total	**20,924,689.84**	**21,347,052.48**

EUR	Dec 31, 2022	Dec 31, 2021
Other commitments		
Purchase commitments to Kemppi Group companies	6,639,269.00	
Guarantees given on own behalf	29,584.00	
Total	**6,668,853.00**	

Lease liabilities of 31.12.2022 consists mainly from the lease agreement of Kempower's new production site in Lahti. Kempower Oyj signed the lease contract with Kemppi Group Oy in 2021. The lease agreement is valid until the end of 2031. The lease liability for this lease is EUR 17,529,264.

17 EVENTS AFTER THE REPORTING DATE

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

Signatures of the financial statements

Lahti, 14th of February 2023

Antti Kemppi
Chairman of the Board

Teresa Kemppi-Vasama
Member of the Board

Tero Era
Member of the Board

Juha-Pekka Helminen
Member of the Board

Kimmo Kemppi
Member of the Board

Vesa Laisi
Member of the Board

Eriikka Söderström
Member of the Board

Tomi Ristimäki
Managing Director

Auditor's note

A report on the audit carried out has been submitted today.

Lahti, 14th of February 2023

Ernst & Young Oy

Toni Halonen
KHT

Auditor's report (Translation of the Finnish original)

To the Annual General Meeting of Kempower Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kempower Corporation (business identity code 2856868-5) for the year ended 31 December, 2022. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- The consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- The financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

Other Reporting Requirements

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Lahti 14.2.2023

Ernst & Young Oy
Authorized Public Accountant Firm

Toni Halonen
Authorized Public Accountant

KEMPOWER

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