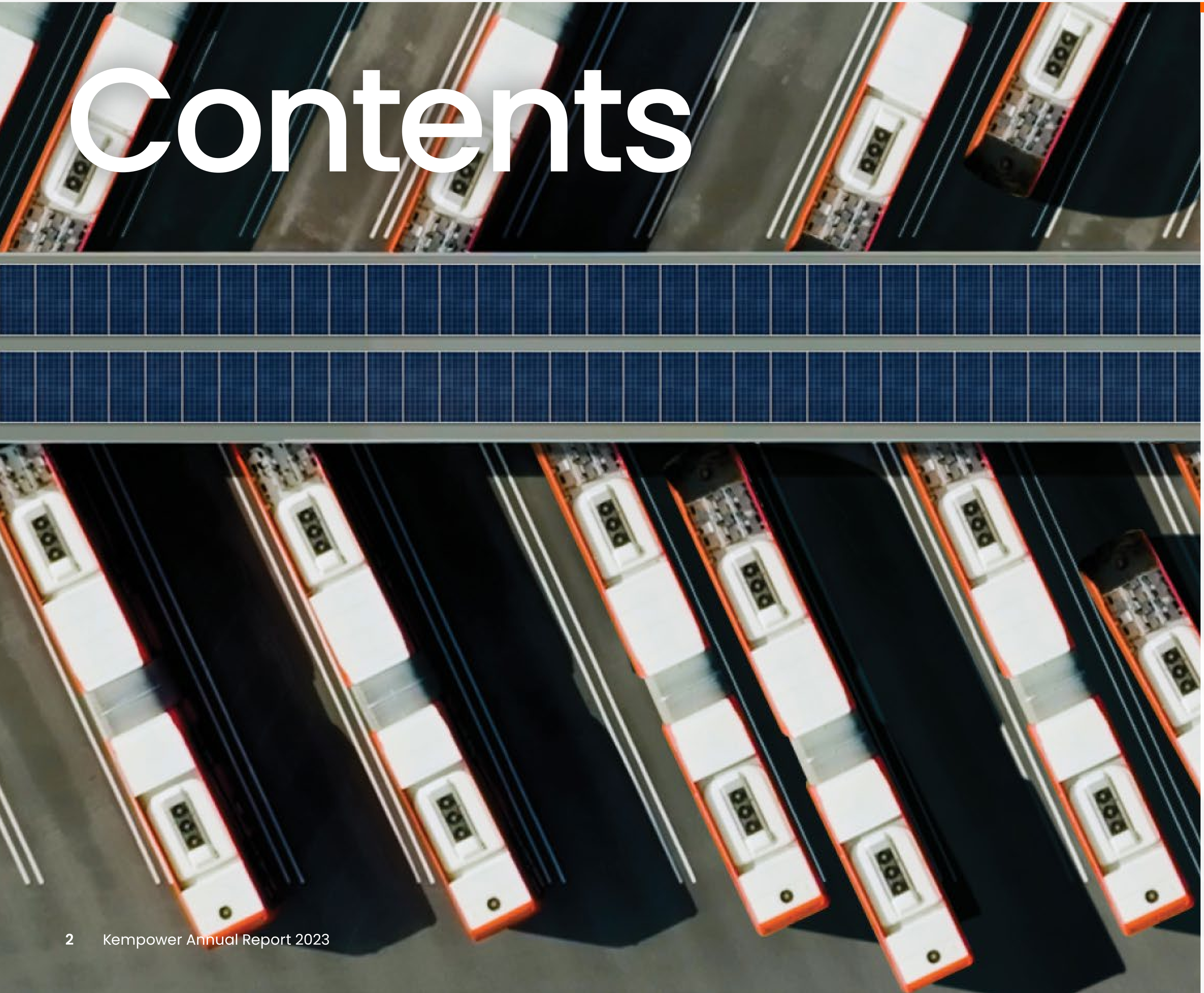
Annual Report 2023

KEMPOWER



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01
Powering planet cool

Kempower in brief

Kempower is an electric vehicle (EV) fast-charging solutions provider striving for rapid growth. We design and manufacture direct current (DC) fast-charging solutions for all types of electric vehicles.

In 2023, Kempower experienced significant growth. We achieved a strong market position in the Nordic countries and Europe, and at the same time, executed our growth strategy by establishing new production facilities in Durham, North Carolina in the United States, and in Lahti, Finland. Our production facility in North Carolina began operations at the end of 2023 and is ready to meet the growing demand for reliable EV DC fast-charging solutions in North America, while doubling our production capacity.

We also doubled the number of our staff during 2023. We successfully recruited staff globally, with particularly strong growth in the U.S., where we recruited almost 80 new employees. The rapid growth in our headcount indicates the progress of Kempower's expansion strategy, as well as its attractiveness as an employer.

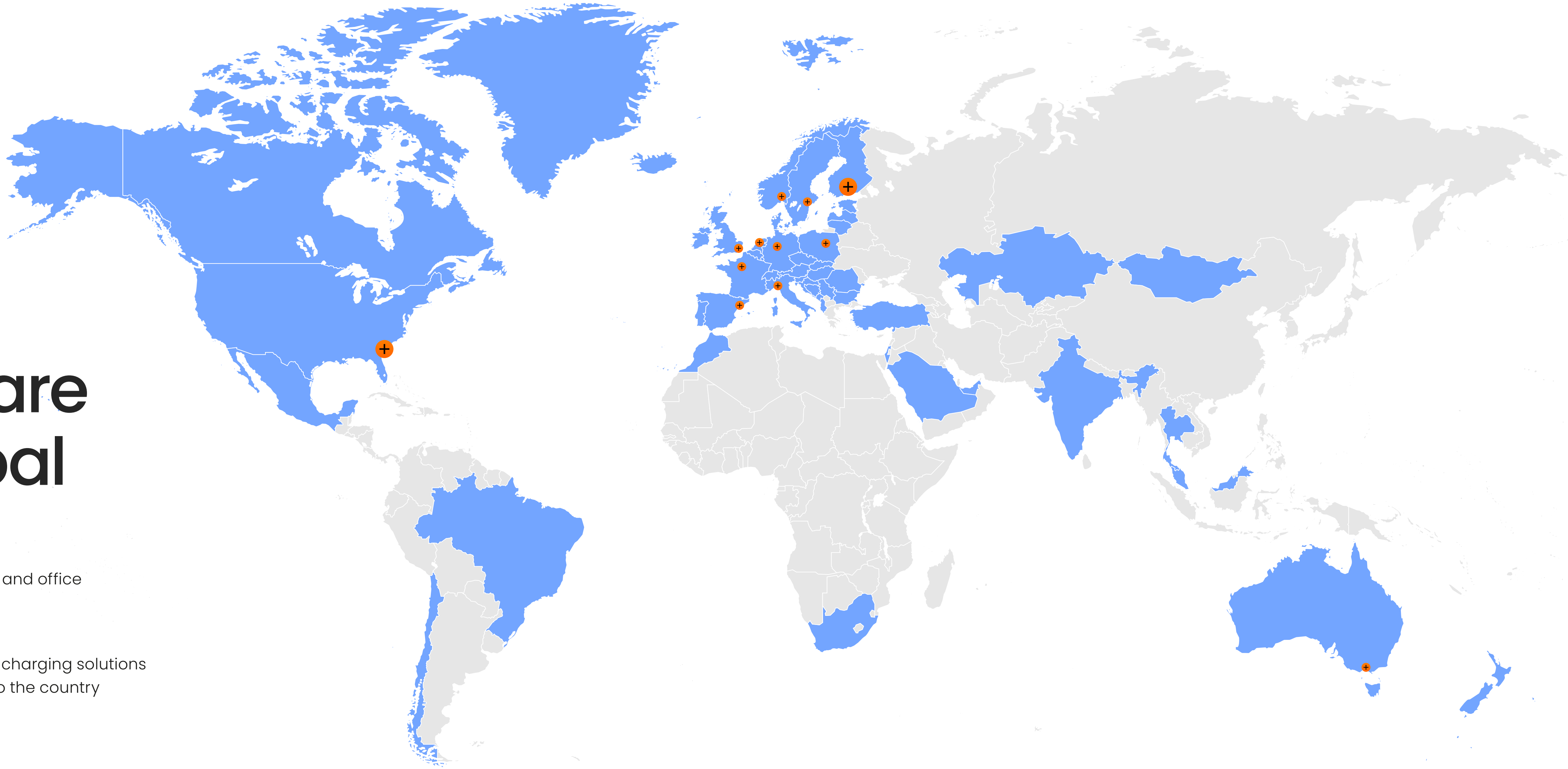
Our vision is to create the world's most desired EV fast-charging solutions for everyone, everywhere.

Our vision is to create the world's most desired EV fast-charging solutions for everyone, everywhere. At the heart of our design is an easy, reliable and user-friendly fast-charging experience. That's why our modular and scalable charging system is combined with our world-class software, Kempower ChargEye™, to provide the best all-around user experience. Our Kempower Satellite charging system is future-proof and can be scaled up by adding more power and plugs as demand grows. With ChargEye, Kempower chargers are always connected to the cloud, enabling remote real-time charger monitoring, maintenance and updates. This maximizes the uptime and availability of chargers and minimizes the need for service trips, as well as extending the lifecycle of our products.

Kempower's charging solutions have been delivered to all continents and nearly 50 countries. Our products and software are designed and manufactured in Finland and the United States with a local supply chain. Our headquarters, and RDI laboratories and facilities, are located in Finland. To further meet the growing demand, we are expanding our operations by opening a new production facility in Finland in 2024.

We are committed to achieving 100% carbon neutrality by 2035 and 100% recyclability in our own production by 2025.

We are global



Production and office

Office

Kempower charging solutions
delivered to the country

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.

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

Order intake 2023

275.3 MEUR

Operative EBIT margin 2023

14.3%

Kempower customer groups

01 Charge point operators (CPOs)

Charger location Publicly available charging network

02 Retail chains

Charger location Parking spaces by, e.g. department & grocery stores, hotels, restaurants etc.

03 Fleet operators

Charger location En-route & overnight charging

04 Original equipment manufacturers (OEMs)

Charger location Various locations

05 Distributor and installer networks

Charger location Business site parking lots, e.g. car dealers, car repairs and small stores

Solutions

Kempower Distributed Charging System

Kempower Distributed Charging System makes it possible to create a flexible and cost-effective charging solution for different applications.

The Kempower Power Unit simultaneously distributes charging power to up to eight dispensers of various types. Kempower's wide range of dispensers, including Kempower Satellites, Control Units and Pantographs, allow a multifunctional and flexible charging system for all kinds of vehicles and equipment.

The modular design of the Power Unit and the distributed charge point infrastructure ensure charging system reliability, even in the most demanding environments.

The unique, dynamic power management and load-sharing feature enable the utilization of the full potential of on-demand power routing, maximizing the return on investment for the customer.

Kempower Station Charger

The Kempower Station Charger is a true compact all-in-one solution that shares the benefits of the Kempower Distributed Charging System in requiring less installation infrastructure.

Kempower Movable Charger

The Kempower Movable Charger is a standalone, mobile solution, providing fast charging for 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 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. It helps a charging network operator to monitor, manage, and diagnose the day-to-day operations of chargers and vehicles. The ChargEye cloud service ensures that your fleet is ready for duty on time, and when needed, while optimizing energy costs and managing vehicles' battery health.

CEO's review

Outstanding year 2023

In 2023, we recorded a record high revenue of EUR 283.6 million. Order intake increased to EUR 275.3 million and operative EBIT increased to EUR 40.7 million, 14.3% of revenue. During the year we produced around 20,000 charging points and the electricity charged through Kempower chargers grew from around 67,000 MWh in 2022 to around 196,000 MWh in 2023.

Our core markets, Europe and North America, developed very differently towards the end of the year. At the end of 2023 we witnessed some European customers reducing their inventory levels and delaying orders driven by improved lead times and components availability. The component shortage during COVID-19 had led to some customers increasing their inventory levels in 2022 and early 2023. We also saw lower investment activity in some markets due to delays in grid connection availability which reflected on order intake in Q4 of 2023. Electric vehicle (EV) growth numbers continue to paint a clearly positive picture of the DC charging market development. In 2023, the share of EV's of all new car registrations were 16 percent in Europe and 8 percent in North America representing 28 percent and 18 percent growth in absolute terms respectively compared to 2022. The ever-growing amount of EVs and zero emission targets drives investments in DC charging infrastructure in both continents.

"In North America, we saw a significant increase in demand."

North American expansion is one of Kempower's growth strategy key initiatives. In the U.S., the channeling of National Electric Vehicle Infrastructure (NEVI) funding to customers was slower than anticipated in 2023. We expect more efficient allocation of NEVI funding to DC charging infrastructure in 2024, and the funding will further increase the growing demand in the U.S. I am very delighted that our operations and manufacturing in North Carolina successfully started in 2023 as planned. In the end of the year 2023, we received the Electrical Testing Laboratories (ETL) certification for the North American production, which was the last milestone needed before full operations could start. We also see the sales pipeline developing very positively in North America, representing growing trust towards Kempower brand.

We delivered the first wave of products from North Carolina production site to our customers in the end of 2023. I am proud to witness the tangible results of all the hard work done by the Kempowerians. The rapid establishment and efficient operations of our Durham production site during the year 2023 is a proof of our robust execution capabilities.

We have now successfully ramped up production facilities on two continents: in Finland, Europe and in North Carolina, the U.S. Our third production facility project in Europe, Lahti, Finland, is progressing very well and the new European factory will be opened during the second half of the year 2024.

In 2023, we took important milestones in RDI to keep Kempower at the forefront of the DC charging technology. We released our robust solution pipeline in 2023 as planned. In the second quarter of 2023, we launched the new Plug & Charge solution to simplify the EV charging experience. We also secured Eichrecht certification, enabling us the deploy chargers for public EV charging in Germany and in Austria. In North America, we saw all major car manufacturers announcing moving to the North American Charging Standard (NACS) in the near future. To answer the demand, Kempower will have all DC charging solutions for North American market available with the NACS during the first quarter 2024.

"The Megawatt Charging Program is an enabler for us in achieving our ambitious growth targets, especially in the commercial vehicle market."

In 2023, we also introduced Kempower Megawatt Charging Program for electric trucks and all the large vehicles with high battery capacity above 1 MW. To further boost the DC megawatt charging development, Business Finland granted in the beginning of 2024 EUR 10 million in funding to Kempower's Heavy Electric Traffic Ecosystem program, and has allocated 20 million euros to finance the program's ecosystem partners' projects. The funding for the program will accelerate especially the development of high-power charging solutions for electric trucks. In 2023 we also opened a new product development center focusing on heavy traffic charging solutions in Vaasa, Finland and, in collaboration with LUT University, established the EMRC research center focusing on electric mobility in Lahti. We now have excellent resources to stay at the forefront of DC fast charging for heavy traffic and to bring new solutions to our customers quickly.

In early 2024, Kempower released its next generation fast charging platform utilizing silicon carbide technology (SiC) that will benefit from lower power losses at high operating frequencies, leading to increased system efficiency.

In 2023, we continued to strengthen our position in all customer groups, focusing on the development of DC charging technology for private cars, commercial vehicles, off-highway vehicles, and for other growing DC charging segments, like ports and marine. Our charging solutions are flexible, and the company has the technology to serve all these charging applications.

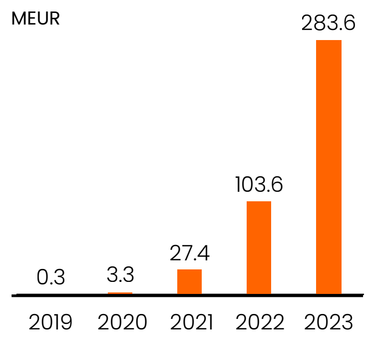
We execute our growth strategy with a keen eye on the long-term growth trajectory. DC charging industry is expected to grow from EUR 2 billion in 2023 to EUR 14 billion per year by 2030 both in Europe and North America. Our aim is to be the reliable and dedicated DC charging partner for our customers. We want to be the top 5 player in the DC charging market in Europe and in North America by 2030. In Nordics, we already have a top position, and we are increasing the market share in the rest of Europe very fast. In North America, we see that the DC charging market is growing very rapidly, and we have now successfully implemented the market entry in 2023.

The year 2023 was an incredible, fast-paced and also exciting for Kempower, as we almost tripled our revenue from the year 2022. The way Kempowerians repeatedly exceeded expectations makes me very proud of our people. The progress I witness in all functions of the company is truly amazing. Huge thanks to all Kempowerians for the outstanding results during the year. A big thanks goes also to our customers and everyone who has been involved in our journey. Everyone's contribution is valuable in making the planet a cleaner and quieter place for all of us. After successful year 2023, I am truly excited and confident about the future and all the opportunities we will have in front of us in this exciting and rapidly moving industry.

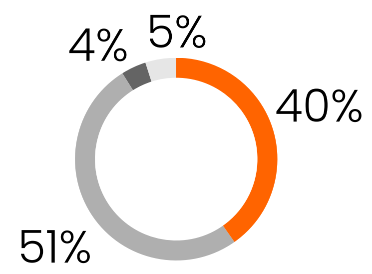
"It has been an incredible, fast-paced and also exciting year for Kempower, as we almost tripled our revenue from the previous year."

Highlights 2023

Revenue

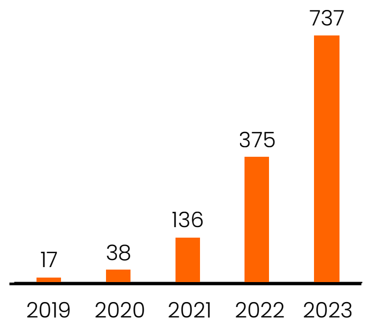


Revenue by geographic region 2023

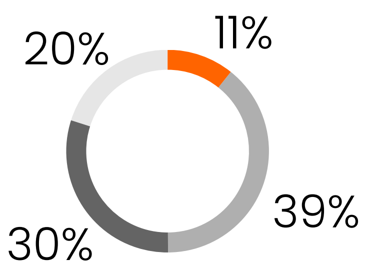


- Nordics 114.1 MEUR
- Rest of Europe 144.2 MEUR
- North America 11.3 MEUR
- Rest of the World 14.0 MEUR

Number of employees



Employees by function 2023



- Admin 79 people
- Operations 289 people
- Sales and marketing 221 people
- R&D 148 people

Revenue growth
174%

Gross profit margin
52.1%

Employees
737

Recyclability rate
>99%

Case: Powerdot

Creating the largest retail fast-charging network in Europe

Since its establishment in November 2018, Powerdot, a Portuguese charge point operator (CPO), has experienced booming growth throughout Europe. It is currently leading its home market and is also a significant player in Spain, Belgium, and Poland. In France, Powerdot is among the top three CPOs providing fast-charging above 100kW to EV drivers.

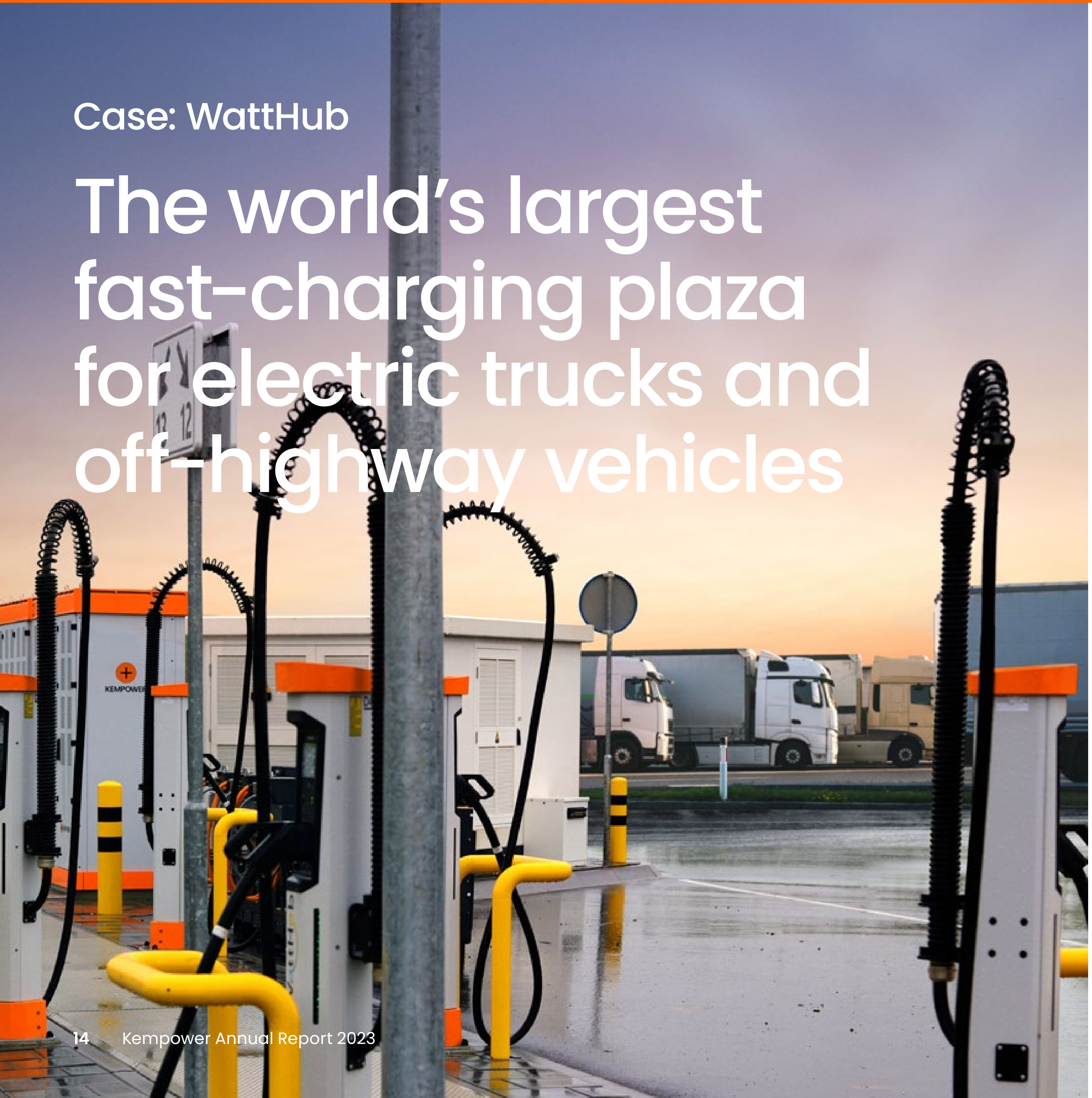
"The Kempower charging solutions perfectly fit Powerdot's destination charging principles."

Since the end of 2021, Kempower and Powerdot have partnered to build a reliable fast-charging network for retailers in Europe. Kempower has supplied Powerdot with innovative fast-charging solutions from AC charging to high-power charging with dynamic power distribution.

Over the years, the two companies have built a solid partnership – thanks to the perfect match between Kempower's reliable and user-friendly solutions and Powerdot's strategy to bring charging solutions to commercial and retail spaces, like supermarkets and shopping centers. By the end of 2023, Powerdot had opened around 1,200 fast-charging stations equipped with Kempower solutions in Europe.

"The Kempower charging solutions perfectly fit Powerdot's destination charging principles. They adhere to the highest standards of quality and reliability", explains João Seabra, Head of Central Operations at Powerdot, "and the small footprint of the satellites and the modular power setup are ideal for our partners' needs. These not only complement their retail experiences but expand them, bringing value to all EV users".

One of Powerdot's last stations to open in 2023 was a high-power EV charging hub in Cholet, France, featuring Kempower DC fast charging solutions. The hub is located at E.Leclerc, one of France's most well-known supermarket chains. An EV charging station at a bustling location like this gives EV drivers an opportunity to run errands while charging.



Case: WattHub

The world's largest fast-charging plaza for electric trucks and off-highway vehicles

WattHub, the world's largest fast-charging plaza for electric trucks and off-highway vehicles, was opened in Geldermalsen, the Netherlands in September 2023.

The Kempower charging system at WattHub offers a total capacity of 3.6MW, leveraging six 600kW Kempower Power Units and 36 Kempower Satellites. The satellites, operated in groups of six, offer charging speeds ranging between 25-400kW, making them the fastest available in the Netherlands.

Kempower's contribution extended beyond hardware, providing the Kempower ChargEye™ Depot Master charging management software. The cloud-based system ensures secure monitoring and management of charging processes, minimizing costs while dynamically distributing power to chargers to prevent overcapacity issues.

TSG Netherlands was in charge of the entire WattHub project, overseeing the supply and installation of Kempower chargers, transformer stations, and all associated electrical works. Notably, the site operates solely on wind and solar power, exemplifying a significant leap towards emission-free construction.

"The construction of the first WattHub location has been an amazing achievement that we've completed together with Kempower."

"The construction of the first WattHub location has been an amazing achievement that we've completed together with Kempower. We're very proud that we can use our decades of experience in (e-)mobility, to contribute to zero emission in construction projects and heavy equipment charging," said Tommy van der Sluijs, Business Development Manager EV at TSG Netherlands.

WattHub is not only a testament to the pioneering development in EV infrastructure but also a significant step towards sustainable energy solutions for heavy industry.

Case: Plug & Evoy

The Sound of Silence – Charging forward in maritime transport

The push for electrification in maritime transport has gained momentum as international organizations target a 50% emissions reduction by 2050 set by the International Maritime Organization. This effort encompasses larger ships and ferries but also recognizes the importance of electrifying smaller vessels.

Norway, a trailblazer in marine electrification, served as a starting point for Kempower's foray into e-boat charging solutions, partnering with local companies Plug and Evoy. Through Kempower's DC fast charging solutions, Plug is establishing a network of charging locations in Norway, featuring the Kempower Satellite charging system supported by Kempower ChargEye™.

Installations in towns like Florø, Rosendal, and Våge showcase Kempower's charging expertise, offering varying charging capacities tailored for both cars and boats. Våge boasts the world's most potent publicly available charging site for cars and boats, offering a total charging capacity of 600kW.

Kempower's charging solutions prove advantageous due to its small footprint, scalability, and durability in harsh maritime environments. The company's solutions, equipped with galvanically-isolated DC supply and enhanced protection, withstand challenging conditions, making it an ideal choice for marine use.

"This is something unique that Kempower has, and it fits very well for marine use."

"For Plug, it was important to choose a partner that could deliver systems, technology, and support. We have seen that not many providers have this satellite principle, where we have a centralized power unit and can have dynamic power sharing between the satellites. This is something unique that Kempower has, and it fits very well for marine use," says Bjørn Hønsi Følling, Head of Maritime Charging at Plug.

The collaborative trio, Kempower, Plug, and Evoy, envisions further expansion, identifying new locations in Norway and beyond.

Megatrends

1 Tightening emissions regulations

One important megatrend affecting our industry is the worldwide push for tighter emissions regulations. Governments and regulatory bodies globally are enacting stringent measures to address the escalating concerns surrounding air quality and climate change. These regulations, that can be divided into three categories: emission standards, credit programs, and limitations on the use of ICE vehicles, are compelling automotive manufacturers to reevaluate their product portfolios and invest heavily in cleaner, sustainable alternatives. 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.

For Kempower, these regulations represent an opportunity as the increasing stringency necessitates an accelerated adoption of electric vehicles, thereby driving demand for our charging infrastructure.

2 Need for supply chain's CO_2 footprint reduction leads to increased electrification of fleets

The quest for sustainability extends beyond the vehicle itself to encompass the entire lifecycle, including the supply chain. The CO_2 footprint of the supply chain must be addressed to achieve comprehensive sustainability goals. This has led to a remarkable shift towards the electrification of fleets, as companies across industries seek to reduce the environmental impact of their operations and align with global sustainability initiatives.

Kempower's DC charging systems play a pivotal role in supporting this megatrend by providing the necessary infrastructure for the electrification of fleets. We are actively engaging with fleet operators and logistics companies to understand their unique charging needs and contribute to the development of tailored solutions. 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.

3 Advancements in battery technology

The third megatrend shaping the DC fast-charging industry is the continuous evolution of battery technology. Breakthroughs in energy density, cost reduction, and charging efficiency are accelerating the adoption of electric vehicles. As battery ranges increase and charging becomes more energy-efficient, our charging solutions play an important role in supporting the seamless EV adaption.

4 Environmental and Social Sustainability

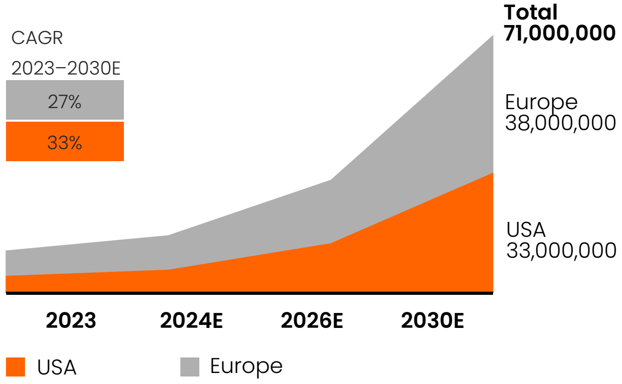
Consumers, investors, and regulatory bodies are increasingly focusing on companies' environmental practices and commitment to social sustainability. The megatrend of environmental and social sustainability is not only driving demand for electric vehicles but also influencing the entire value chain, from raw material sourcing to end-of-life disposal.

Our company recognizes the importance of sustainability and is committed to reducing the environmental impact of our products. We are actively exploring recyclable materials, energy-efficient manufacturing processes, and end-of-life solutions for our charging systems. By aligning our business practices with these values, we contribute to a cleaner and greener future, enhancing our brand reputation and appeal to our customers.

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

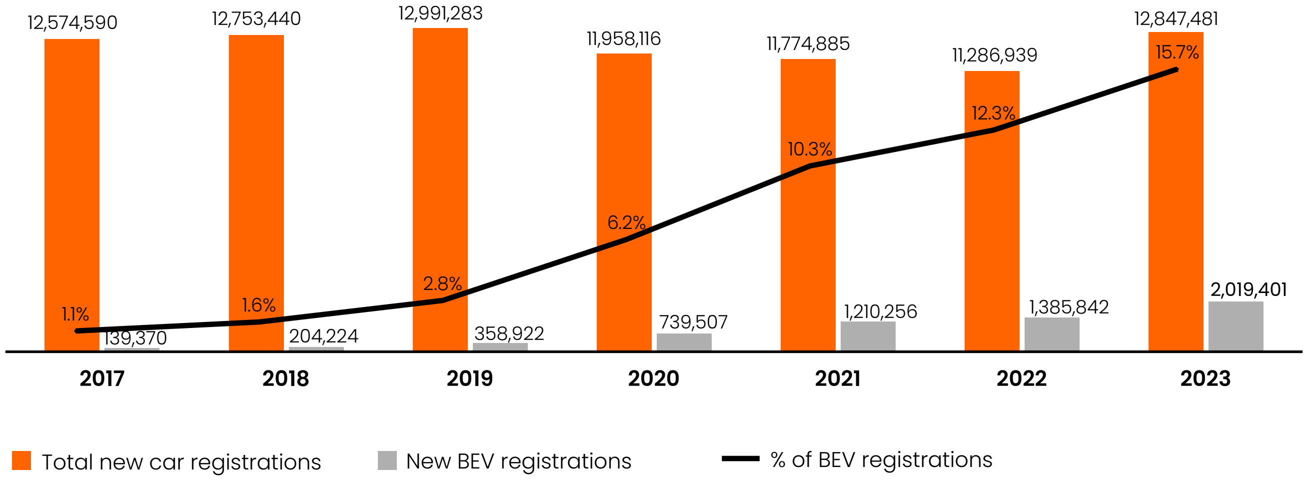
The megatrends mentioned on the previous page are expected to drive the increase of private and commercial EV stocks in both Europe and North America. According to the International Energy Agency (IEA) with their Announced Pledges Scenario (APS), the total EV stock in Europe and North America, including both private and commercial EVs, is expected to amount to approximately 78 million units (43 million in Europe and 35 million in North America) by the year 2030.

Private battery electric vehicles (BEV) in Europe and USA



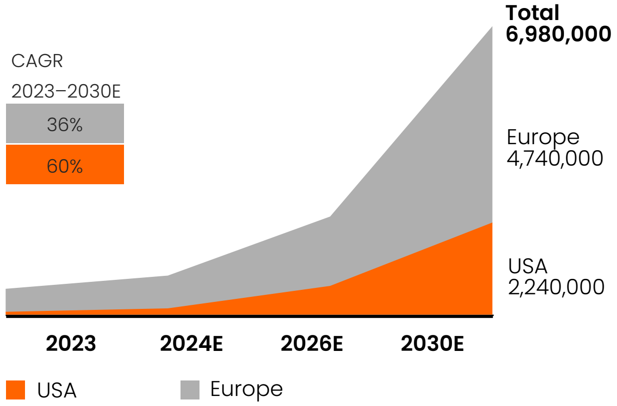
Source: International Energy Agency (IEA) – under Announced Pledges Scenario (APS)

Total new car registrations in Europe vs. % of BEVs (2017–2023)



Source: acea

Commercial battery electric vehicles (BEV) in Europe and USA



* Commercial EV stock – includes Trucks, Buses and Vans
Source: International Energy Agency (IEA) – under Announced Pledges Scenario (APS)

Kempower target market

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

Fast charging market

In 2024, we updated our market estimation model and considered the historic plug/BEV ratio and other metrics by vehicle segments and charging scenarios.

Using the updated market model, we estimate there will be a significant increase in the power (kW) per charging point across the vehicle segments and charging scenarios. For example, in the truck segment, the on-the-go charging scenario will require up to 1MW in 2030. The rise in charging points' power (kW) has led to a notable increase in the price per charging point, directly affecting the overall Total Market Value.

In 2023, our market estimation methodology for the DC charging points was based on a plug/BEV ratio of 1:10, which was a static ratio used through the years up to 2030.

The refined methodology with optimized segmentation, leads to lower plug numbers compared to the 2023 estimates. However, due to the increased power (kW) of DC charging points, the market estimation clearly yields an equivalent market value of EUR 14 billion in 2030.

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 its Kempower ChargEye™ cloud service. The Kempower ChargEye™, combined with artificial intelligence (AI) and new features developed for different EV management systems including energy management, 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.

Growth strategy

Kempower presented its updated growth strategy during its Capital Markets Day in 2023. The DC charging market is growing faster than expected and fast-charging of electric trucks is emerging as the most important charging application. According to the updated strategy, Kempower aims to become one of the top five companies in the European and North American DC charging market by 2030.

We estimate that by 2030, the European and North American DC charging market will grow to approximately EUR 14 billion. We have already achieved a strong market position in the Nordic countries as well as in Europe, and the conquest of the North American market has started during the past year. Manufacturing in our new production facility located in North Carolina started in December 2023 and is ready to meet the growing demand of the fastest growing DC market in the world. Kempower also carefully maps growing business opportunities throughout the rest of the world.

Kempower will continue to focus on the development of DC charging solutions and services for electric private cars, commercial vehicles such as trucks and buses, and off-highway vehicles. Among the different DC charging applications, we forecast that trucks will take off rapidly and become the most important DC charging application by 2030.

Kempower is a dedicated and reliable charging solutions provider. Our full solution offering and the active development of our software and service business ensure our approach meets the diverse needs of our customers worldwide.

Strategy in brief

1.

Kempower will continue to focus on the development of DC charging solutions and services for electric private cars, commercial vehicles such as trucks and buses, and off-highway vehicles.

2.

We aim to have a full solution integrated to customers' business processes, covering hardware, software, services and energy management.

3.

Kempower has a presence on every continent and has chosen Europe and North America as the core markets. We also see growing business opportunities in the Rest of the World.

4.

Our services offering is becoming an important part of the overall solution and enabler for generating recurring revenue.

5.

We need to find the right people and develop our whole personnel to enable our fast-paced growth and business success.

Outlook for 2024

Kempower remains committed to strive for rapid and profitable growth. In 2024, the company will intensify its efforts to expand within key markets. These efforts include strengthening our market activities and capacity increases in Europe. In addition, we continue growth strategy execution in North America and launch of a new, next generation fast-charging product portfolio.

In the short term, the fixed costs associated with these growth initiatives are expected to outpace revenue growth, thereby impacting profitability for the year 2024. Outlook for 2024 expects successful market launch of next generation product portfolio.

Kempower expects:

- 2024 revenue; between EUR 360 million and EUR 410 million, assuming no major impact from foreign currency exchange rates (revenue 2023: EUR 283.6 million),
- 2024 operative EBIT margin, %; between 5%–10%

Customers' high inventory levels and the launch of the next generation product portfolio impacted our order intake towards the end of 2023 and beginning of 2024 reflecting to Q1/2024 financials. The launch has delayed the purchasing decisions of some customers as they prefer the latest technology in their purchasing decisions:

- In Q1 of 2024 Kempower expects revenue to be between EUR 51 million and EUR 56 million and operative EBIT to be significantly below the Q1 of 2023.

Value Creation

Kempower business model

Our goal is to be 100% carbon neutral by 2035 by reducing our annual relative footprint. In addition, our goal is to reach our fossil free electricity target by 2025.

Our sustainability strategy is based on three key focus areas: Climate Impact; Responsible Products, and; The Best Workplace for the Professionals of the Future.

	Environmental	Social	Economic/Governance
Inputs	• We enable CO_2-free e-mobility, and improve local air quality, aligning with the global goals of the Paris Agreement for greenhouse gas emissions (GHG) • Life cycle thinking provides us with a systematic understanding of our impacts throughout our value chain	• Human Resources (HR) activities are guided by HR policy that is aligned with the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights • Similar business conduct and ethical principles are expected from suppliers	• We are dedicated to fostering a corporate culture where each Kempowerian contributes to growth and aligns with shareholder interests to be a forerunner in providing high quality and safe EV chargers
Outputs	• Overall CO_2 emissions reduced 39.4 % compared to 2021 levels • Life cycle assessment (LCA) of Satellite and Power Unit completed in order to increase our awareness of life cycle impacts • 100% ISO certified operations: ISO 14001:2015 • Recyclability rate of Kempower's Movable Chargers, Satellites and Power Units: >99%	• Workplace safety: LTIF 4.61 • Diversity and equal opportunities for 737 employees and 40 different nationalities • 100% ISO certified operations: ISO 45001:2018 • Personnel eNPS in 2023: 69 • New recruits in 2023: 362 • 81% completed CoC training • 99 traineeships and summer jobs provided	• Double Materiality Assessment of the identified impacts, risks, and opportunities was done following the ESRS standards • 100% ISO certified operations: ISO 9001:2015 • Developing quality throughout the value chain • Close collaboration with supply chain • Increased revenue • Strong corporate culture and whistleblowing channels (against anti-corruption and bribery)
Impacts	• 86% less emissions/100km from fully electric passenger cars in traffic compared to ICE passenger cars** • 560 MWh charging power to end customers daily • Ecodesign: Reusable components • Mitigating climate change	• Accessible, safe and remotely controllable charging units • Engaged and motivated employees • Better air quality • Tight collaboration with universities • Securing Human and Labor Rights	• Corporate income taxes • Creating new jobs • New business opportunities • Ethical business practices

* LTIF, lost time incident frequency.

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

02 Charging a better future

Sustainability highlights

Climate impact

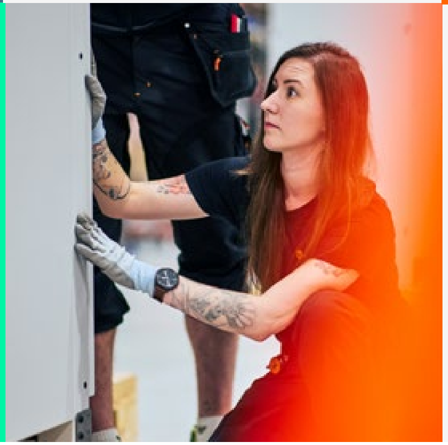
We have Green electricity

Carbon neutrality by 2035

CO_2 emission reduction

39.4%

compared to 2021 levels



Responsible products

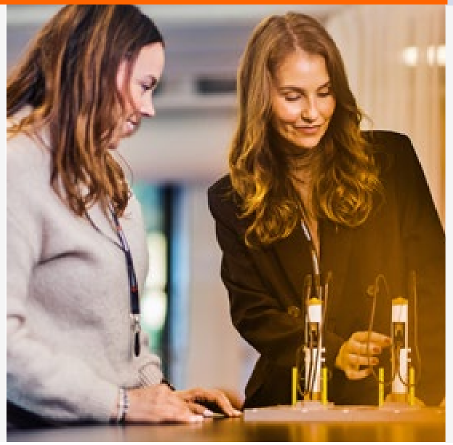
Recyclability rate for Power Unit 99.72% and Satellite

99.71%

LCA*

completed for Satellite and Power Unit

*Life-cycle assessment



The best workplace for the professionals of the future

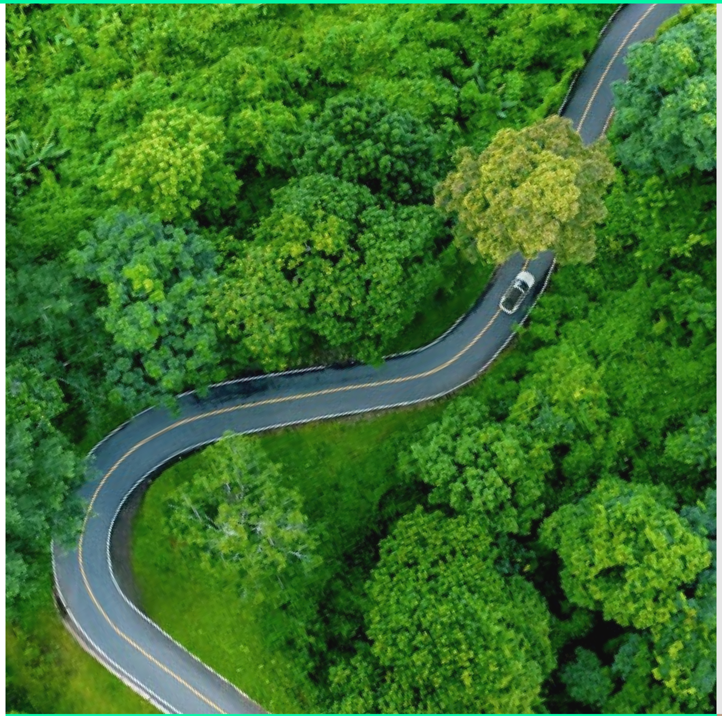
Joint research center established with LUT University, Kempower Electric Mobility Research Center (EMRC)

Sustainability strategy

At Kempower, sustainability is at the very heart of our business. We believe that our fast-charging technology delivers reliable and intuitive emissions-free mobility on the road towards a cleaner, safer and carbon neutral society. Our positive handprint exceeds the footprint of our products. We improve our ESG performance and develop our reporting accordingly with the latest ESRS standards to increase transparency of Kempower's impacts, risks and opportunities. Taking ESG seriously supports our rapid growth.

Our sustainability strategy is based on three key focus areas: Climate Impact, Responsible Products, and The Best Workplace for the Professionals of the Future. We have defined and set clear goals for each focus area, with similar commitments to six critically important United Nations Sustainable Development Goals, and we act accordingly to achieve ambitious progress in each of these areas.

At the same time, emissions regulations are tightening, megatrends and consumer preferences are accelerating market growth, and electric vehicle stock is rapidly increasing in Europe and North America. As a result, we have electrified our ambition by aligning our actions with national and international climate mitigation commitments, with the firm ambition of delivering a materially positive impact on the key sustainability and climate challenges the world faces.



Climate impact
100% carbon neutrality by 2035

Responsible products
Enabling 100% electric transportation sustainably

The year 2023 was marked by several achievements in our key focus areas. In our own operations, we progressed towards our goal of being carbon neutral by 2035, by reducing our annual relative footprint, and we are now further on the path towards reaching our fossil free electricity target by 2025. We expanded the charging power infrastructure delivered to our end customers, thus enabling increased transportation with low-emission electric vehicles and a lowering of the carbon burden in the private, commercial and off-highway vehicle sectors. With our rapid growth and planned expansion to new market areas, we updated our supplier and service provider classifications with sustainability ratings based on a survey, and we planned our actions accordingly. The vast majority of our first-tier suppliers are local.

We also conducted a Kempower Double Materiality Assessment for the first time in full, i.e., the process of identifying and assessing essential sustainability impacts, risks, and opportunities required by the European Sustainability Reporting Standards (ESRS).

In addition, there was commendable progress made towards our goal of becoming the best workplace for professionals. During 2023, we further trained our managers and our diverse workforce of colleagues, arranged traineeships with students, focused on workplace safety, and secured a high level of work satisfaction, with our employee Net Promoter Score (eNPS) above the 2023 target.

We also conducted a Kempower Double Materiality Assessment for the first time in full, i.e., the process of identifying and assessing essential sustainability impacts, risks, and opportunities required by the European Sustainability Reporting Standards (ESRS).

Going forward, our vision is to continue to enhance and expand electric mobility through our charging technology – the world's most desired EV charging solutions – while simultaneously powering us all towards a better, and greener future.

Sustainability goals and progress

Focus areas		Long-term targets	Short-term targets	2022	2023
Climate impact	**Relative CO_2 emissions**	Carbon neutrality	Reduce relative carbon footprint annually	2.5 g CO_2-eq/EUR	0.30 g CO_2-eq/EUR
	Fossil free energy	100% fossil free electricity by 2025	Increase green electricity annually	Heating 0.66 t CO_2-eq/MEUR Electricity 1.80 t CO_2-eq/MEUR	Heating 0.30 t CO_2-eq/MEUR Electricity 0 t CO_2-eq/MEUR
	Non-avoidable emissions	Business travel (flights) is compensated when it can't be avoided	Flights' emissions reported and compensated annually	1.20 t CO_2-eq/MEUR	3.09 t CO_2-eq/MEUR
	Waste	Reducing landfill waste to zero in 2025	Reduce landfill waste as % of total waste annually	0.05 ton/MEUR	0 ton/MEUR
Responsible products	**Enabling electric transportation**	Maximize the positive climate impact by increasing the charging power delivered to customers on a daily basis	Impact: 86% less emissions/100km in a passenger car (fully electric compared to ICE)	390 MWh charging power to end customers on a daily basis	560 MWh charging power to end customers on a daily basis
	Packaging	Reduce plastic packaging by -50% by 2025 (from 2021). Transfer to bioplastics and biodegradable when economically viable	Actions implemented to reduce the use of plastics annually	Not fully reported	Not fully reported
	Circularity	99% recyclability rate for Kempower chargers	More studies planned for 2023	99.61% for Kempower Movable Charger	99.61% for Kempower Movable Charger 99.71% for Kempower Satellite 99.72% for Kempower Power Unit
	Local supply chain	Majority of the factories' Tier 1 Suppliers are local and support Kempower's global ESG and carbon footprint reduction targets	Tier 1 Suppliers support Kempower factories' growth and comply with local sustainability legislation	100% of production in Finland, majority of first-tier suppliers local	Almost 100% of production in Finland, >50 % 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™
The best workplace	**Diversity**	Diversity and inclusion as part of the culture	Diversity in processes and decisions DEIB KPI in personal pulse survey	22 nationalities 81	40 nationalities 82
	Safety	Zero workplace accidents: Incident frequency reduction to zero	Decrease LTIF, increase proactive safety	LTIF 4.34 Proactive safety 67	LTIF 4.61 Proactive safety 96
	Engagement	Secure high work satisfaction	Maintaining high employee Net Promoter Score, above 50	80 eNPS	69 eNPS
	Training	Employees have the knowledge and skills necessary to contribute effectively to enhancing sustainability work and related targets First aid skills training	Mandatory training for every employee on basic company sustainability topics in 2024 Code of Conduct training, first aid training valid with every employee, measured as % of participants	72% Code of Conduct	81% Code of Conduct 60% First Aid
	Collaboration for education	Cooperation with universities	Kempower offers trainee positions and first jobs for the graduates	34 traineeships and summer jobs provided	99 traineeships and summer jobs provided Common research center established with LUT University, Kempower Electric Mobility Research Center (EMRC)

Kempower's commitment to the UN Sustainable Development Goals (SDGs)

Goal 3: Good health and well-being	Goal 4: Quality education	Goal 7: Affordable and Green Energy	Goal 11: Sustainable cities and communities	Goal 12: Responsible consumption and production	Goal 13: Climate action
A family-friendly working culture A good balance between work and free time	To attract the best talent available in the job market	Kempower using fossil-free electricity by 2025	To reduce CO_2 emissions in urban areas by providing DC charging	To invest in continuous technology development and innovations LCA of Kempower Single Power Unit and Kempower Satellite has been completed	Scope 2 CO_2 emission reduction in own operations by gradually using more green electricity and green heat Carbon off-setting of Scope 3 emissions reduction on business travel (flights) >99% recyclability in our own operations
Occupational healthcare system	Provide trainee positions every year	We encourage the use of public transport for commuting	ChargEye data can be used to support the planning of sustainable cities and communities	Through ChargEye, cloud service data can be collected to develop our setups RDI: Develop and innovate new and efficient products	Zero tons waste to landfill by 2025
Different and relevant trainings provided to employees	To cooperate with schools, universities. Kempower and LUT/LAB founded the EMRC (Electric Mobility Research Center	EVs are a more energy efficient transportation mode than ICE vehicles	Electrification of public transportation will reduce CO_2 emissions	>99% recyclability rate for all chargers	Tests started to reduce plastics as a packaging material
To improve occupational welfare (for ex. ergonomics)	Kempower Academy provides 47 courses for partners 7,826 training hours in 2023			ISO 9001, ISO 14001, ISO 45001 Abiding by directives, laws and regulations	Short transport distances for our supplies
				Old buildings are renovated into modern factory sites	

Climate impact

At Kempower, we are committed to delivering emission-free transportation, and a cleaner and quieter environment for us all, globally. Our world-leading range of fast-charging solutions for electric vehicles (EVs) contribute to the decarbonization of private and commercial vehicles, machines and ports, with the enhanced co-benefits of cleaner local air-quality, reduced noise pollution, and safer and more productive society. Also, Kempower's revenue, investments and operational expenditures were found to be 100% aligned with the EU Taxonomy Regulation 2020/852.

On our own path towards zero emissions, we have set a firm target to be 100% carbon neutral by 2035. To support this ambition, there are continuous actions and projects ongoing across all our operations. Notable steps in 2023 included the utilization of 100% renewable electricity in almost all of our offices and the greater usage of green electricity and green heat throughout our factories and offices.

In addition, circular economy actions, improving waste management processes and the implementation of renewable energy projects with quantifiable, real-world impacts, were further developed throughout the year.

In 2023, we enhanced our assessment of the value chain impacts. We continued to develop the reporting accuracy of the indirect Scope 3 emissions, and steps to reduce identified environmental impacts are now being implemented in all steps of the value chain, from inbound logistics to the careful sorting and clear reduction of packaging waste.

In the second quarter of 2023, we were honored to receive a 'Best Newcomer' Carnegie Sustainability Award for our climate mitigation contributions.

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

In 2023, we were honored to receive a 'Best Newcomer' Carnegie Sustainability Award for our climate mitigation contributions.

The Carnegie Sustainability Awards were established in 2019 to highlight examples of sustainable businesses to inspire other companies to decarbonize and capture investor interest. The winners of the three categories are chosen from among 420 listed companies representing approximately 95% of the stock market value in the Nordics.

In the third quarter of 2023, Kempower renewed its Green Equity Designation from Nasdaq. The Green Equity Designation is a voluntary designation granted to companies listed on Nasdaq Nordic markets that have over 50% of their revenue derived from activities considered green. The renewal is a clear endorsement of our progress toward our sustainability goals and our efforts to mitigate the impact of climate change.

United Nations
Global Compact

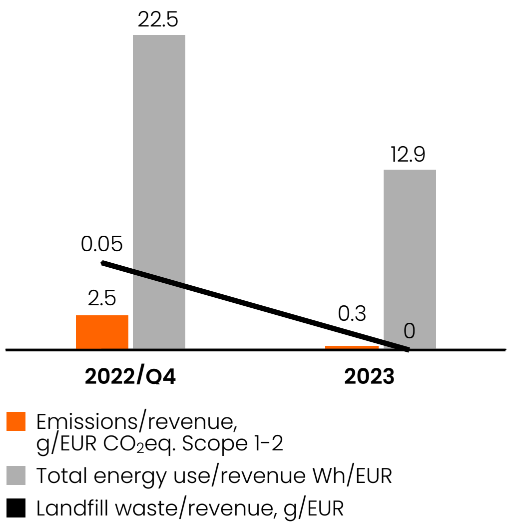
In October 2023, Kempower became a member of the United Nations Global Compact (UNGC), the world's largest voluntary corporate sustainability initiative. Joining the UNGC will allow us to further align our present and future strategies and operations with recognized universal principles on environment, labor and human rights actions for example, and to further develop our sustainability work on the road to 2035. We have already demonstrated our alignment with the principles through our sustainability targets. The company has announced plans to reduce its relative carbon footprint per EUR 1 million of sales annually.

Relative emissions were reduced in 2023, but the trend in the absolute amount of waste and emissions increased, partially due to our third factory currently under construction in Finland, the recently opened U.S. facility, plus the company's strong growth globally. Our two facilities in Finland are powered by electricity from the grid, where the emission factor of the grid is 0.087 t CO_2/MWh. The grid in Finland in 2023 (2022) was based on renewables 48% (52%), nuclear 43% (34%), and fossil fuels 9% (14%). In 2023, research and calculations were carried out in preparation for the future utilization of solar panels.

Kempower has published an environmental policy statement.

For further information on our environmental sustainability work in 2023, please see the Sustainability reporting section of this report.

Emissions and resource efficiency



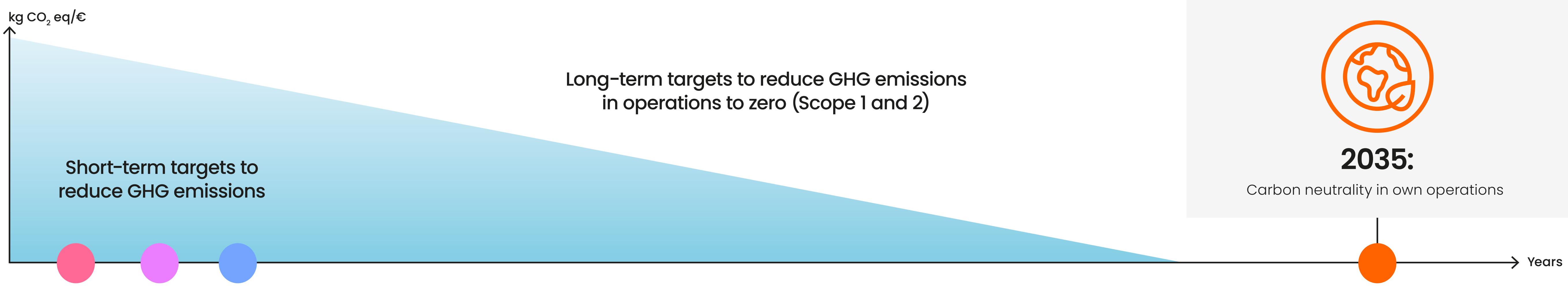
Kempower has announced to reduce its relative carbon footprint per EUR 1 million of revenue annually.

Offsetting indirect Scope 3 Emissions

Kempower aims to decrease the amount of carbon emissions from traffic by producing fast charging solutions for electric vehicles. Kempower also considers it important to reduce Scope 3 emissions, which are not directly produced by a company itself, and offset them when possible.

To reduce Scope 3 emissions, Kempower emphasizes both sorting waste, and reducing business travel when possible. In cases when it is not possible to directly reduce these emissions, Kempower has participated in certified offset projects and worked with an external firm that specializes in calculating, reducing, and offsetting a company's carbon footprint. Kempower has invested in a forest protection project in Cambodia and a solar power project in India through an emissions offset company and plans to continue these projects in the future.

Timeline for achieving sustainability goals



2023:

- The first Sustainability Report was published
- Kempower increased sustainability expertise by hiring a Sustainability Manager, Investor Relations Manager and VP People and Culture
- Preparation for the new regulatory requirements
- Kempower's own sustainability classification for suppliers
- Sustainability training for personnel
- Roadmap for sustainability goals was completed
- GHG reduction plan
- Member of UN Global Compact
- Securing CSRD compliance
- Participation in EcoVadis sustainability evaluation

2024:

- A new factory will be opened in Lahti
- Improve circularity
- Data collection and analyzing is improved
- Implementation of diversity, equity, inclusion, belonging policy
- Sustainability report audit by third party

2025:

- The use of green electricity in all our premises
- Reducing landfill waste to zero
- Upgrade guidelines
- More cloud-based applications
- Criteria for green procurement
- Used chargers are repaired not disposed

Responsible products

Kempower's modular and scalable fast-charging solutions and our class-leading software are designed by EV drivers for EV drivers, enabling excellent user experience for our customers around the world.

On the path towards our goal of reaching 100% carbon neutrality by 2035, and our work to accelerate e-mobility, we are committed to the ongoing development of our supply chain. In 2023, we engaged an increasing number of suppliers in climate action initiatives and sustainability-centric collaborations. One example of our progress was the ongoing initiative to reduce waste together with our suppliers.

In the future, we are determined to work with our valued suppliers to further explore and enhance the use of recycled materials throughout the entire value chain. In addition, we are working hard to consistently develop and improve the open and transparent reporting of the GHG emissions of our products utilizing the 'cradle to grave' methodology. Of note, following a life cycle assessment (LCA), our Kempower Satellite is 922 kg CO_2eq and our Kempower Power Unit is 27,047 kg CO_2eq. We have also begun taking the first steps to follow compliance and human rights due diligence with our supply network.

At Kempower, the social impacts of our global operations have been identified throughout the value chain, from supplier selection to service, modernization capabilities and circular economy thinking, including an extremely high end-of-life recyclability rate, which currently stands at 99.61% for our Kempower Movable Charger, 99.71% for the Kempower Satellite and 99.72% for the Kempower Power Unit in Finland, due to excellent waste management and high recycling percentage rates.

The Kempower team has also recognized the importance of extending the work related to responsibly manufactured products from the company's own operations to contractors and suppliers. To advance our progress in this area, in 2023, our supply chain management, circular economy actions, product safety, product quality and detailed product LCA (life cycle assessment) was in primary focus. In addition, a Supplier Code of Conduct, a first for the company, was developed and implemented in 2023. With the help of the products we manufacture, we are able to reduce CO_2 emissions and simultaneously enhance the positive impact on the climate of cities, through the reduction of fossil fuel-derived particles.

End-of-life recyclability rates

Kempower Satellite

99.71%

Kempower Power Unit

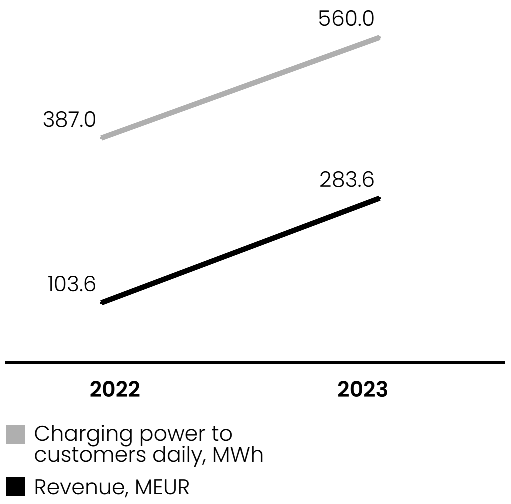
99.72%

From a software and satellite perspective, our service operations fully benefit from remote service technologies, enabling rapid utilization for the end user, while reducing maintenance visit emissions as well as the increased risks to the operators. As a result, our service team can diagnose a problem almost immediately and, using our stores of data, quickly offer a remote solution. Kempower ChargEye™, a comprehensive and easy-to-use cloud-based charging management system optimizes energy costs and manages the vehicles' battery health, among other benefits.

In 2023, Kempower and LUT/LAB founded the EMRC (Electric Mobility Research Center) based in Lahti, Finland. The aim of the research center is to offer a broad view of LUT/LAB research and enable new openings and innovations around e-mobility. The center has rapidly started its operations and the collaboration between Kempower and LUT is developing fast. EMRC's mission is to act as a social influencer and an enabler of electric transport. In order to achieve this goal, the recruitment of the first key personnel has started, and the goal is to hire strategic research enablers already during spring 2024. The first graduate student funded by EMRC will start in January 2024 under the professorship of Electric Transport in Lahti.

For more information about Kempower's responsible products, please see the Sustainability reporting section of this report.

Electrifying transport



Reducing the environmental impact of Kempower's products

A life cycle assessment (LCA) is a standardized (ISO 14040 and 14044) method to uncover the environmental impacts of a company's actions, such as its products and processes. At Kempower, LCAs coupled with transparent reporting, are essential tools to meet the expectations of environmentally aware stakeholders, to enhance Kempower's resource and operational efficiency, to identify opportunities to improve the environmental performance of products' life cycles, and to further prioritize actions towards a more sustainable future. Specifically targeting climate change impact, Kempower has recently detailed the carbon footprints of its main products, the Kempower Satellite and Kempower Power Unit.

The best workplace for the professionals of the future

Kempower's mission is to become the very best workplace for the professionals of the future. We are a rapidly growing company in the electric vehicle charging infrastructure sector, and a larger workforce is required to help us successfully fulfil our strategic and growth ambitions.

In 2023, amidst the many new hires, a dedicated Sustainability Manager, Investor Relations Manager and Vice President of People and Culture joined the company. These were all first-time positions for Kempower.

Our clear focus during 2023 was on research, development and innovation (RDI), education, employee engagement, safety, diversity, inclusion and competence development. Our employee engagement is measured through regular work satisfaction scores and the eNPS metric (employee Net Promoter Score). Having a team comprising more than 700 professionals across 40 nationalities highlights our commitment to diversity and inclusion.

At Kempower, we believe that people should be treated fairly and equitably in their work environment and be able to achieve sustained progress in their careers regardless of their personal background. In 2023, amongst many other actions, significant focus was given to enhancing the onboarding process for our many new employees, and we also offered an increasing number of traineeships to students in local universities.

We are determined to take a more proactive approach to safety: with many new employees joining the company in 2023, there was an increased focus on engagement and improvement actions to help us achieve our long-term target of zero accidents in the workplace. First aid training is also mandatory for all employees.

Code of Conduct (CoC) training was introduced for all employees at the end of 2021. In 2022, the CoC was integrated into the onboarding process and the content was updated. In 2023, 81% of our employees undertook the e-learning course in CoC training. In addition, a comprehensive Supplier Code of Conduct (SCoC), a first for the company, was developed and implemented in 2023.

During the year, we made strong progress in advancing RDI and education more generally. The inauguration of our Electric Mobility Research Center (EMRC) in November 2023, and the ramping up of Kempower Academy, an online portal of insightful webinars from our experts for our global customers and partners, were notable milestones for the company. In addition, we enhanced the digital learning offering in our e-learning platform Kempower College, providing our employees with a wide range of possibilities to build their expertise further.

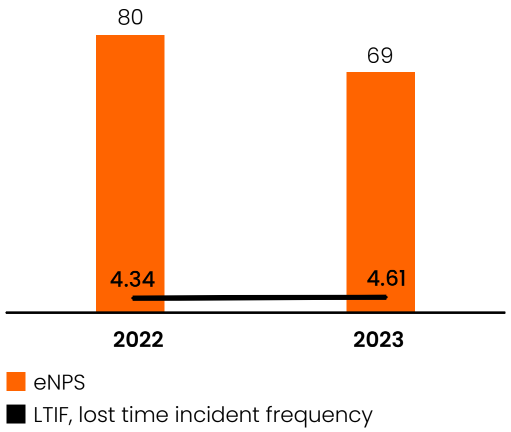
Increased focus actions towards Kempower's long-term target of zero accidents in the workplace.

In 2023, we had three Kempower Leadership Forums for the management team and middle-management in our organization to discuss strategy and strategy implementation, to create collaboration and for networking with colleagues.

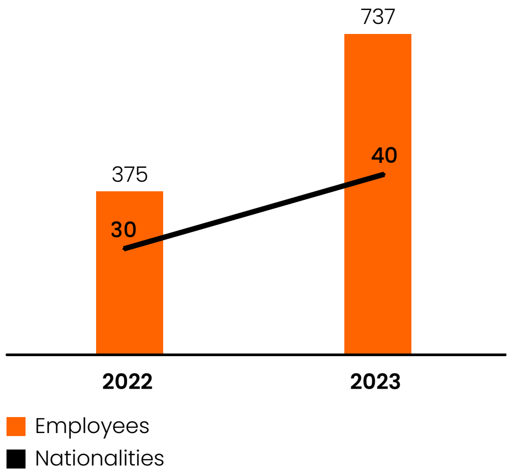
Knowledge, education and innovation are the critical elements driving the present and future success of Kempower. Kempowerians are our most valuable resource. To that end, our workplace actions are designed to comprehensively futureproof our company, retain and nurture the finest caliber of professionals in the charging infrastructure sector, and set new benchmarks in product development for the benefit of all our global partners, customers and end-users.

For further information on our social sustainability work in 2023, please see the Sustainability reporting section of this report.

Committed and safe



Growing and diverse team



A smooth transition into a new career with Kempower

Modern facilities and a working culture of professional growth and well-being have impressed Juho Härkönen and Paula Hämäläinen. They work in testing and production at the Kempower factory in Lahti, Finland, which manufactures fast charging solutions for electric vehicles. Both have successfully changed careers, Juho from bus manufacturing, and Paula from bakery work, to a growing company in a forward moving industry.

The transition to production has been smooth because old stereotypes about production line work don't apply at Kempower. Juho and Paula praise the comprehensive onboarding process with a focus on product knowledge, a modern and friendly workplace with a low-hierarchy and diverse personnel, and support in balancing work and family life. They also appreciate the opportunities for learning and career development at Kempower.

03 Sustainability reporting

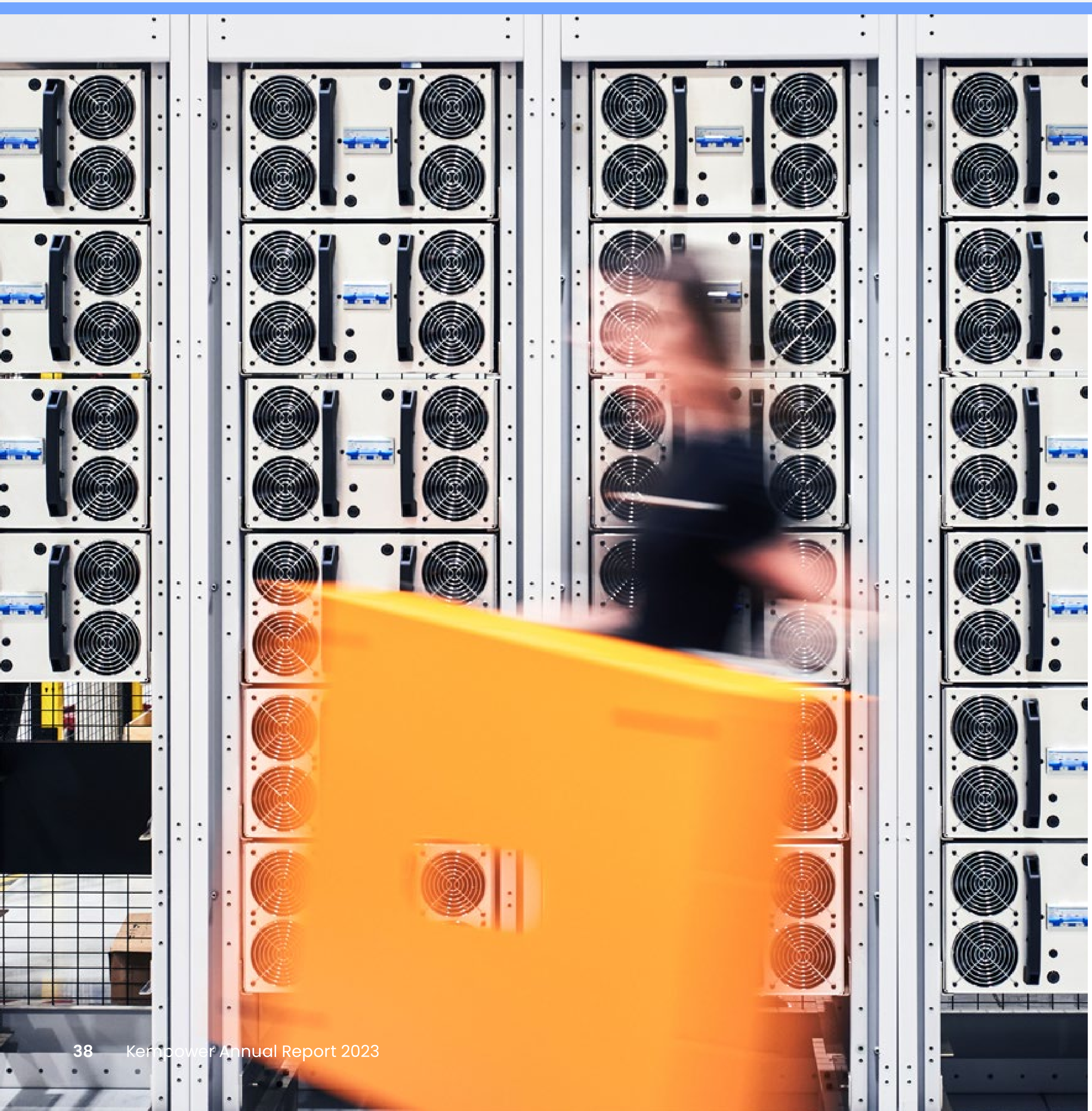
Double materiality assessment

The process of identifying and assessing essential sustainability impacts, risks, and opportunities considering different time-horizons required by the European Sustainability Reporting Standards (ESRS) was published in full for the first time at Kempower in 2023, and will be further developed and assessed continuously.

Kempower carried out the assessment independently, using a method that combined studies based on public and specific internal sources, a survey sent to stakeholders and stakeholder interviews, and working group meetings. Kempower's management team validated the process in joint workshops. During the process, the principles of internal control and risk management established by Kempower's Board were followed.

Background analysis

For the evaluated impacts, risks, and opportunities, the starting assumption was based on sustainability topics related to Kempower's business model and strategy, previously identified and reported, and the materiality assessment conducted in 2022. The most significant sustainability topics in the industry, according to the background analysis, were related to mitigating and adapting to climate change, transitioning to a circular economy through sustainable products, and issues related to the working conditions and terms of the workforce.



Identification of sustainability-related impacts, risks, and opportunities

Kempower's management team selected 17 ESG topics for the stakeholder survey based on Kempower's business model and strategy, and the materiality assessment conducted in 2022. The survey's response rate was very positive, with 396 stakeholders answering the survey. The survey was followed by voluntary in-depth interviews with over 70 stakeholder representatives who had expressed an interest in being interviewed during the survey process. In this way, a group of positive and negative impacts on people, climate, and environment, in which Kempower might or actually does participate through its operations or business relationships, was identified.

Assessment and materiality determination of identified impacts, risks, and opportunities

The materiality of the identified impacts, risks, and opportunities was assessed following the standards' principles. The severity of positive and negative impacts (scale, scope, and, in the case of negative impacts, also irremediable character of the impact), the magnitude of the economic impacts of risks and opportunities (on a scale of 1-5), and their likelihood (on a scale of 1-3) were each evaluated.

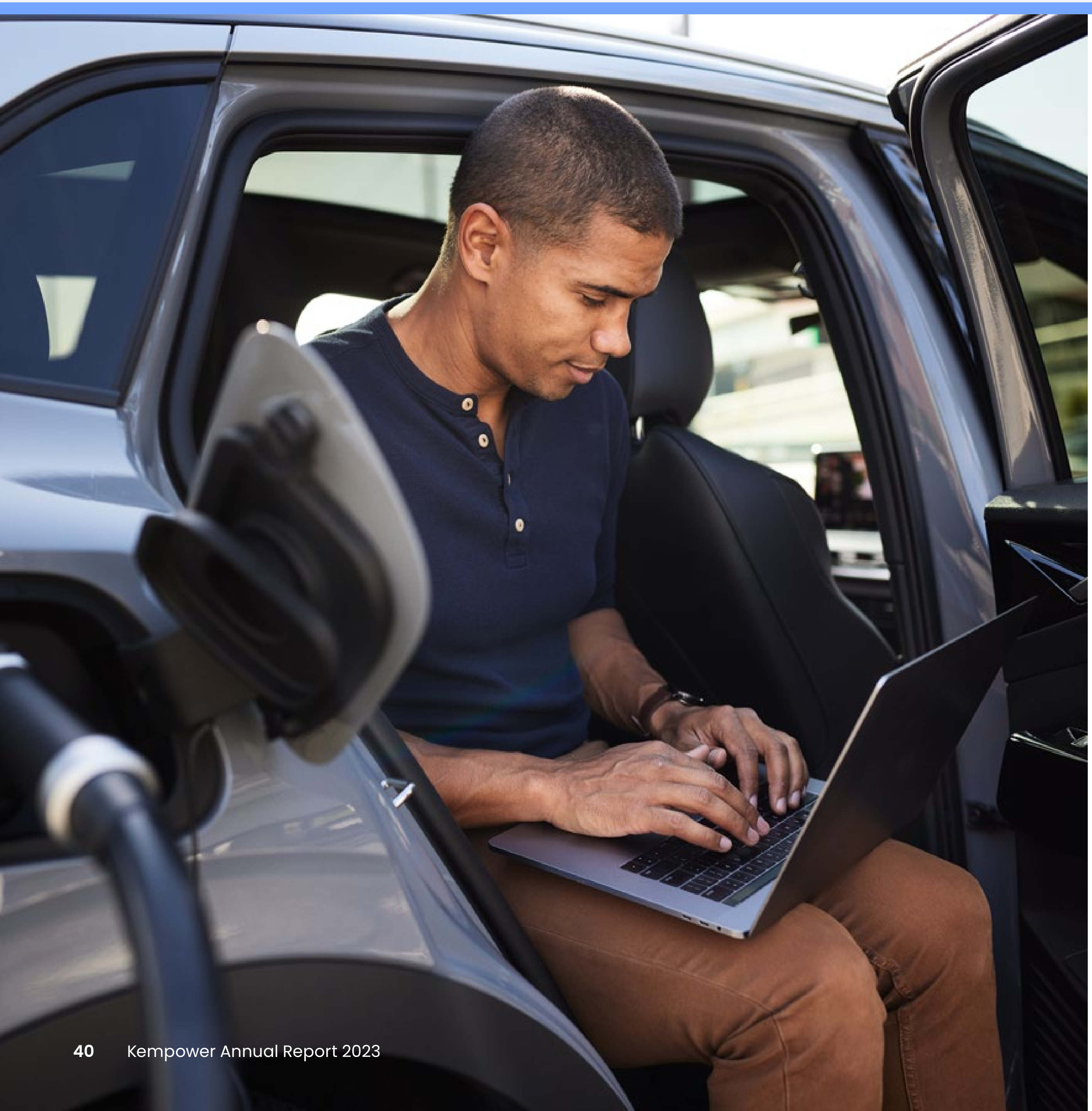
The materiality of the impacts was determined by the product of the average values of separate severity and probability assessments (the financial materiality of risks and opportunities, respectively, by the magnitude and probability assessments of their economic impacts). The results were additionally also qualitatively assessed with the Management Team, leading to minor clarifications based on stakeholder views, as well as in cases where the assessed topics were deemed quantitatively weighted unrealistically towards each other from the perspective of Kempower's overall sustainability profile.

The sustainability topics deemed material to be reported from 2024 onwards are Quality, Growth Mindset, Electrification of Transportation, Supply Chain Management, Being a Forerunner and Business Ethics.

The sustainability issues relevant for reporting were determined based on the impacts, risks, and opportunities deemed material within their respective groups. The sustainability topics deemed material to be reported from 2024 onwards are Quality, Growth Mindset, Electrification of Transportation, Supply Chain Management, Being a Forerunner and Business Ethics.

Summary of Double Materiality Assessment

		Impact materiality			Financial materiality		
Kempower material themes from double materiality assessment	**European sustainability reporting standards**	**Material impacts affecting people and the environment (Scoring 1–3)** *scoring criteria = likelihood, scale, scope, remediability	**If yes, type of material impacts identified (Positive and/or negative)**	**If yes, impact time horizon(s) Short: 1 year Mid: 2–3 years Long: >5 years**	**Financial impacts (Scoring 1–3)** *scoring criteria = likelihood, scale, scope	**If yes, type on material financial effect (Risk and/or opportunity)**	**If yes, impact time horizon(s) Short: 1 year Mid: 2–3 years Long: >5 years**
Electrification of transportation	ESRS E1: Climate change	3	Positive and negative	Short, Mid, Long	3	Risk, Opportunity	Short, Mid, Long
Quality	ESRS E5: Resource and circular economy	2	Positive and negative	Short, Mid, Long	3	Opportunity	Short, Mid, Long
Business ethics	ESRS S1: Own workforce ESRS G1: Business conduct	3	Positive and negative	Short, Mid, Long	3	Opportunity	Short, Mid, Long
Growth mindset	ESRS G1 Business conduct ESRS S1: Own workforce	2	Positive and negative	Short, Mid	3	Risk, Opportunity	Short, Mid
Supply chain management	ESRS S2: Workers in the value chain	3	Positive and negative	Short, Mid, Long	3	Risk, Opportunity	Short, Mid, Long
Being a forerunner	ESRS G1: Business conduct	2	Positive and negative	Short, Mid, Long	3	Risk, Opportunity	Short, Mid, Long



Stakeholders

Kempower creates value for its stakeholders by developing the world's most desired electric vehicle charging solutions for everyone, everywhere.

Kempower strives to execute its mission by building and maintaining long-lasting, close and cooperative relationships with its key stakeholders, including employees, customers, investors, and suppliers.

Kempower operates in close cooperation with its suppliers to meet the customer expectations on climate impact and responsible, sustainable products. Employees highlight the meaningfulness of work at Kempower, while investors expect solid performance, growth, and an increase in shareholder value with a concurrent positive societal impact.

Kempower has a strong presence in the Nordics, and is expanding fast in Europe, the U.S. and other selected markets. The company keeps track of stakeholder expectations by engaging with them regularly through a number of traditional and online channels, including meetings, events, surveys, website, media and social media, releases and regulatory reporting. As a recently listed and fast-growing company, Kempower is seeking to uphold a continuous dialogue and enhanced investor communications with investors, both domestically and internationally.

Kempower strives to execute its mission by building and maintaining long-lasting, close and cooperative relationships with its key stakeholders.

Key stakeholders	Stakeholder expectations	Kempower actions in 2023
Customers	The expectations of customers highlight the priorities for positive climate impact, low-carbon societies, and responsible, sustainable products with low maintenance costs and high recyclability and quality.	Kempower reduces its customers' carbon footprint by being at the forefront of the developing electric vehicle charging solutions. Sustainability is an inherent component in Kempower's products. Kempower ChargEye™, a cutting edge cloud-based charging management system for CPOs, retailers and fleet operators, optimizes energy costs and manages the vehicles' battery health among other benefits. Kempower's products exhibit extremely high end-of-life recyclability rates, with the Kempower Movable Charger at 99.61%, the Kempower Satellite at 99.71% and the Kempower Power Unit at 99.72%.
Employees	The expectations of employees highlight the meaningfulness of work and engagement levels at Kempower.	Kempower's focus is on employee engagement, safety, diversity, inclusion, and competence development. Employee engagement and loyalty, measured by the employee Net Promoter Score (eNPS), exceeded the target in 2023. Kempower adheres to a proactive approach to safety, with a focus on engagement and improvement actions. Kempower is committed to diversity, equality and inclusion (DEI), highlighted by a team comprising more than 40 nationalities, and fair treatment and career progress regardless of personal background. The Code of Conduct (CoC) is integrated into the onboarding process, while present and future employees are offered development opportunities, with comprehensive training programs for managers and the diverse workforce of colleagues, as well as traineeships for students in local universities.
Investors	Investors and owners expect solid performance, growth, and an increase in shareholder value with a clearly aligned positive societal impact.	Kempower seeks to reach its targets by executing its chosen strategy set by the Board and adheres to good Corporate Governance by following clear guidelines and policies. Kempower has engaged investors through reporting and enhanced investor communications, including meetings, site visits, roadshows inside and outside Finland and the Capital Markets Day in April 2023.
Suppliers	Kempower operates in close cooperation with its suppliers to align supplier expectations and business interests with positive climate and societal impacts.	Kempower is committed to developing its supply chain as part of its daily work to enhance its sustainability progress, as well as improving production and logistics efficiencies with its suppliers. Kempower has strengthened its cooperation with suppliers, securing a better availability of components and longer commitments. The company has initiated green procurement criteria for suppliers and service providers, including an initiative to reduce waste together with suppliers, for example by optimizing and recycling the packaging. Kempower audits its suppliers for quality processes, ESG compliance and social due diligence and demands all suppliers comply with the Supplier Code of Conduct (SCoC) since 2023. Kempower arranged sustainability related training for selected suppliers with the help of third-party project finance, to further enhance sustainability maturity in its supply chain.

Environmental sustainability

Kempower designs and manufactures industry-leading EV charging solutions that enable CO_2-free e-mobility, and improve local air quality, aligning with the global goals of the Paris Agreement for greenhouse gas emissions (GHG). We are dedicated to minimizing the negative impact on the world around us, and as the company expands, the positive environmental impact of our charging solutions will continue to grow.

Our progress to mitigate climate change

In 2023, we continued to make solid progress in our sustainability work, improving our emissions accounting and establishing targets for emissions reductions that follow the GHG protocol for emissions Scopes 1-3. As part of the assessment of our emissions, we have identified the following emission types: purchased goods (raw material, components, capital expenditure towards our second factory in Lahti due to open in 2024), logistics and business travel, electricity and heating of facilities, waste, and employee commuting. At the end of the reporting period, Scope 3 emissions relating to waste, and business travel (for which we purchase carbon offsets when business travel can't be avoided) have been quantified.

Our travel emissions are reported and compensated annually. In 2023, the total was 3.09t CO_2-eq/MEUR (1.20).

During 2023, we took a deeper dive into our baseline calculations, and we upgraded and refined our data quality and calculation methods. This progress ensures that our emissions information can be both clearly and transparently reported. This work was also done in preparation for our future climate target setting, as Kempower has committed to join the Science Based Targets initiative in the first half of 2024.

In October 2023, Kempower became a member of the United Nations Global Compact (UNGC), the world's largest voluntary corporate sustainability initiative. Joining the UNGC will allow us to further align our present and future strategies and operations with recognized universal principles on environment, labor and human rights actions for example, and to further develop our sustainability work on the road to 2035. We have already demonstrated our alignment with the principles through our sustainability targets. Kempower has announced plans to reduce its relative carbon footprint per EUR 1 million of sales annually.

Kempower has set a 100% carbon neutrality target for 2035 in our own operations. This goal is compatible with limiting global warming to 1.5°C in line with the Paris Agreement and its objective of achieving carbon neutrality by 2050.

In terms of GHG emission reduction targets and the climate change mitigation actions in our own operations, in 2023, our own vehicle fleet was fully electric. We have committed to using 100% fossil-free electricity in our own operations by 2025, and we have set a target to reduce landfill waste to zero in 2025. Of note, we reached our waste to zero goal already in 2023, when none of our waste fractions ended up in a landfill.

In 2023, Kempower's revenue, investments and operational expenditures were found to be 100% aligned with the EU Taxonomy Regulation, indicating Kempower's activities substantially contribute to climate change mitigation. Kempower's activities qualify as being 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's 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.

In 2022, we carried out a long-term climate risk and opportunity assessment of our business model, including scenario analysis as per TCFD guidance, for which we used two climate scenarios: IPCC SSP1-2.6 (global temperature increase well below 2°C), and IPCC SSP4-8.5 (global temperature increase up to 4°C). The top risks identified were physical, especially in the 4°C scenario, including local damage due to extreme weather, disruptions in the global supply chain and negative regional impacts on the workforce. These risks were estimated to have a small or small-to-medium sized financial impact.

We have also committed to achieving continuous short-term targets on the road to fulfilling these long-term targets. For our 2035 carbon neutrality goal, the short-term target is to reduce our relative footprint annually. In 2023, the total was 0.3 g CO_2-eq/EUR (2.5). For these two benchmarks, we also report our emissions per revenue related to the carbon neutrality target, and the emissions from heating and electricity use related to the fossil free energy target.

In 2023, Kempower reported a 39.4% (60.6% in 2022) decrease in its total CO_2 emissions compared to our 2021 benchmark. At our factories, our assembly process primarily involves piecing together the various pre-assembled components, as well as performing quality control and testing of finished products. These processes are done manually and mostly by hand, without the use of heavy machinery. Therefore, for Scope 1 emissions, Kempower's facilities do not currently emit measurable process emissions from its production lines.

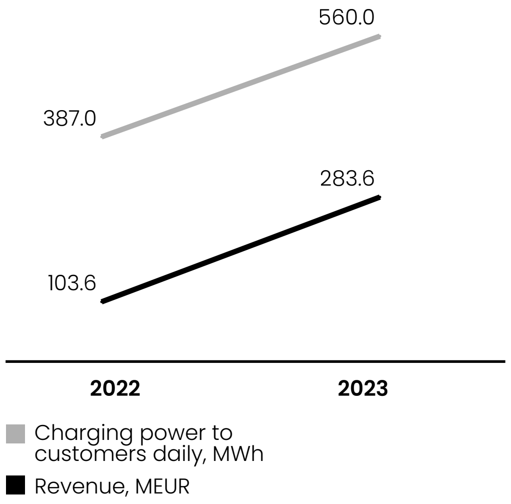
Kempower's Scope 2 emissions decreased by 63.6% (70.9% in 2022) in comparison to the 2021 base year, through the purchase of renewable energy credits (RECs), which is consistent with the company's goal to source 100% renewable electricity by 2025 in its production and operations. Scope 3 emissions saw an increase in 2023 as a result of facility expansions and strong revenue growth. With carbon offsets being utilized for business travel (flights) emissions, only waste management is included in Scope 3 reporting. Scope 3 reporting will be developed based on the double materiality analysis and together with the value network in accordance with the regulation.

Kempower's relative Scope 1 and 2 emissions were 0.30 g (0.66g) CO_2-eq/EUR in 2023, reflecting a 0.36 g (7.92 g) CO_2-eq/EUR reduction in relative emissions intensity compared to 2022. Reductions in relative emissions intensity (Scope 1 and 2) can be attributed to Kempower's renewable energy procurement to offset Scope 2 emissions and a significant increase in revenue in the 2023 reporting period. However, in comparison to a physical intensity measure, a revenue-based intensity measure has limitations in terms of how well it reflects Kempower's improvements in carbon efficiency, as it is also affected by changes in pricing.

EU taxonomy alignment

	Eligible	Eligibility	Objective: Climate change mitigation. Taxonomy category	Do No Significant Harm, DNSH criteria	Minimum Social Safeguards	Alignment to taxonomy
Revenue	283.6 MEUR	100 %	Section 6.15. Infrastructure enabling low-carbon road transport and public transport	Aligned	Aligned	100 %
Opex	244.3 MEUR	100 %		Aligned	Aligned	100 %
Capex	9.6 MEUR	100 %		Aligned	Aligned	100 %

Electrifying transport



Our offices and other facilities are heated primarily with local district heating. In 2023, the share of energy sources was natural gas, 37% (38%) and district heating, 63% (62%). The goal is to replace heating based on natural gas with green heating. We estimate that this will further decrease our Scope 2 emissions. The main source of district heat is biomass. In 2022, the distribution of district heat produced in Lahti Energia's district heating core network was: renewable energy sources, 86.5% and fossil energy sources, 13.5%. The specific emissions of carbon dioxide, or the emission factor, in Lahti Energia's district heating core network in 2023 was 61.69 g CO_2/kWh. The core network refers to the network of the Lahti and Hollola area in Finland. The emission factor of green heat is 0 g CO_2/kWh. It is produced with renewable energy sources and certified with guarantees of origin from July 1, 2022. Since 2021, we have decreased our use of natural gas by 11% (12%) with further plans to ramp down our use of natural gas in all of our facilities. At Kempower's Lahti Site 3, there currently remains a need to continue to use natural gas only when the external temperature drops significantly, otherwise this site is heated using air heat pumps that run on electricity. Lahti Site 1 utilizes green heating, produced from renewable sources.

Kempower's new factory in Lahti, Finland will utilize both green heat and green electricity. The facility will double Kempower's production capacity in Europe and will be flanked by the Kempower Electric Mobility Research Center at LUT in Lahti. Kempower has signed a lease of premises spanning approximately 10,000 square meters, with an option for future expansion. The new factory, set to open gradually throughout 2024, will also accommodate research, development, and office space alongside production. The decision to choose Lahti was further influenced by the city's commitment to climate goals and the suitability of the premises for future expansion. The new factory will reuse an old factory property. In 2023, research and calculations were carried out in preparation for the possible utilization of solar panels.

We have also partnered with the City of Lahti in their sustainability and emissions reduction targets, by committing to Climate Neutrality Commitments which aims to achieve climate neutrality in the city by 2030. Lahti has a long history of collaboration with different partners in both environmental and climate work and Kempower is proud to join the initiative. One concrete action in 2023 was the participation in Lahti's Sustainable Commuting pilot project.

Kempower's energy consumption grew in 2023, due to the company's rapid growth. At Lahti Site 1 between January – December 2023, green heat totaled 742.2 MWh, and green electricity 1,646.1 MWh. At Lahti Site 3 between January – December 2023, heat produced by natural gas totaled 429.0 MWh, and green electricity 830.7 MWh. Concerning the data collection methodology: the heat and electricity consumption was calculated from company invoices received from the power companies and then based on emission factors.

The energy consumption in 2023 can be summarized thus: heating 0.30 t CO_2-eq/MEUR (0.66) and electricity 0 t CO_2-eq/MEUR (1.80).

In addition to Kempower's facilities in Finland, the company started discussion about demands related to green heat and electricity at the new factory opened in December 2023 in North Carolina, U.S.

Kempower participated in the EcoVadis Corporate Social Responsibility Rating in 2023 and received a Bronze level, putting Kempower in the top 35% of companies assessed.

Suppliers

In 2023, we began the process of working more closely with our suppliers to reduce emissions and other negative environmental impacts in the supply chain. As part of this project, a pre-questionnaire (an audit criteria collaboration) was sent to our first tier suppliers during the summer of 2023 asking what kind of data we could receive from them. The collecting of emissions-related data and other critical environmental data collection and performance information from our suppliers will help us to further enhance our Scope 3 reporting in 2024 and beyond. The survey result provided valuable insights into the maturity of the supplier's sustainability work. Based on the survey results, Kempower conducted several audits during the last two quarters of 2023.

In addition, Kempower has a number of other sustainability-related requirements its supplier and partners must comply with. These include abiding by the Restriction of Hazardous Substances Directive 2002/95/EC (RoHS 1), stringent EU rules restricting the use of hazardous substances in electrical and electronic equipment to protect the environment and public health. In addition, partners and suppliers have an obligation to abide by the Regulation on the registration, evaluation, authorization and restriction of chemicals (REACH), the main EU law to protect human health and the environment from the risks that can be posed by chemicals. The Conflict Minerals Regulation requires EU-based importers of tin, tantalum, tungsten and gold (also referred to as "3TG") to ensure their minerals are sourced responsibly and that their supply chains do not help to fund armed conflict or other illegal practices. Kempower also has a critical raw materials statement that is required to be adhered to by suppliers. Finally, suppliers are encouraged to publish an ESG (environmental, social and governance) report as part of their supplier obligations.

Our handprint impact, which measures the reduction of emissions from vehicles using Kempower chargers compared to the carbon footprint of its operations and supply chain, has revealed that Kempower's business activities have a significant net positive effect on the environment. The handprint impact via the reduction of GHG emissions of transport by Kempower chargers far exceeds the GHG footprint of Kempower's operations and supply chain.

Managing pollution

Wastewaters must be appropriately managed because they can, in some circumstances, represent an environmental risk. We want to ensure that the wastewaters from our own operations do not negatively impact the environment.

Our wastewater is handled and monitored by the local municipal water company. The water does not contain any harmful impurities. No incidences of any negative environmental impact were reported in 2023.

Managing water and marine resources

We measure and report our water consumption and manage the related risks to our environmental footprint. The different characteristics of our facilities and operations cause differences in the volumes of water consumed between our units and locations. The water we consume is taken from local municipal water supply systems. The water use at our Finnish sites is calculated either from direct measurement from water meters or is estimated based on pump usage hours.

We do not use water in the production of our products at our factories in Finland and the U.S., but our personnel do use the local municipal waste and wastewater infrastructure. We are aware that in our supply chain, as part of the manufacturing process, the production of some components for our products might require the utilization of water, for example. To help further understand the water usage requirements of our supply chain, a detailed questionnaire will be sent to selected suppliers at the beginning of 2024, which requests varying data related to this topic. We will continue to both monitor and assess our own water consumption in Finland and the U.S.

Kempower's own operations resulted in a negligible negative impact on water and marine resources in 2023 and are therefore deemed 'not relevant' for Kempower in a reporting context.

Managing biodiversity and ecosystems

Biodiversity refers to the variety of different life forms, of animals, plants and micro-organisms that make up the natural world around us. The loss of biodiversity is, alongside climate change, a global challenge that impacts us all and a challenge that needs urgently confronting. Kempower is committed to ensuring that no biodiversity loss is caused by our business or our value chain in the future.

Kempower will send a questionnaire to its suppliers and partners in early 2024, requesting further information and data related to the biodiversity impacts from its supply chain and operations.

Kempower's production sites and offices in Finland are located in pre-used, renovated buildings. The company announced in June 2023 that a new factory will start operations in Lahti, Finland during 2024. The new facility, plus the establishment of the Kempower Electric Mobility Research Center, which started operations in November 2023, takes into account the circular economy and the supporting of biodiversity in the local region. The expansion and renovations will be located as part of a property alongside Kempower's existing facilities. The expansion and renovation work does not increase CO_2 emissions or reduce biodiversity in the area due to the fact that new land is not required for the construction of a new building. In the new expansion and renovations, attention is being paid to the energy efficiency of the building and the comprehensive utilization of renewable energy to power the facilities.

Kempower's own operations resulted in a negligible negative impact on biodiversity and ecosystems in 2023 and are therefore deemed 'not relevant' for Kempower in a reporting context.

Managing our resources and circular economy

Sustainability at Kempower means balancing environmental, social and economic factors, and is a principle built into both our company strategy and our common values. We consider these critical factors over the entire lifecycle of our products, from RDI through to manufacturing, daily use, and product end-of-life disposal. Kempower has set targets for efficiency improvements in areas including waste, packaging and circularity.

It is essential that we utilize our materials as efficiently as possible, and that we prevent both energy and material losses throughout our entire operations. In 2023, we made further progress in this area, for example by understanding the flow of materials throughout our production processes to help us identify opportunities for improvements. In addition, during 2023, we also worked more closely with our partners to identify opportunities to reuse or recycle our materials.

Packaging
Kempower's product packaging is designed to deliver a low environmental impact while ensuring other functional and commercial considerations are fulfilled. Sustainability aspects are carefully considered in the packaging development, and we optimize raw

materials, costs, performance and energy use by harmonizing carton sizes and reducing the space used for transport and warehousing.

As an example of our progress, in 2022, Kempower's NPI (New Product Introduction) team researched and developed a solution to make the Kempower Satellite charger packaging three times smaller than previously, allowing three packaged units of the charger to occupy the same space as one previously packaged unit. Along with optimizing warehouse space, this new packaging solution brings additional benefits including the reduction in emissions by increasing units per shipment, leading to less deliveries, savings in transport costs, and the cutting of work time by around 50% for the packaging of Kempower Satellite chargers. In 2023, the new packaging solution was used in every Kempower Satellite shipment.

In terms of our packaging needs, we primarily use a plywood box for our Satellite charger, plastic around our Power Units, and various types of cardboard and wood pallets which are used for both storage requirements and for transportation. During 2023, we continued to look for the most reasonable solution for packaging materials. Varying tests were undertaken with cardboard and plastics as part of this process.

Our long-term target is to reduce plastic packaging by 50% compared to our 2021 base year and to transfer to bioplastics and biodegradable plastic packaging products when economically viable.

LCA and life cycle thinking

Life cycle thinking is a particularly important tool and approach for us at Kempower, as it provides us with a systematic understanding of our impact throughout our value chain. Life cycle thinking also moves us in the right direction concerning our environmental management and all environmental sustainability actions. Additionally, it will also help us to identify where in our value chain the largest environmental impact lies and where we should further focus our actions in order to create the most positive impact.

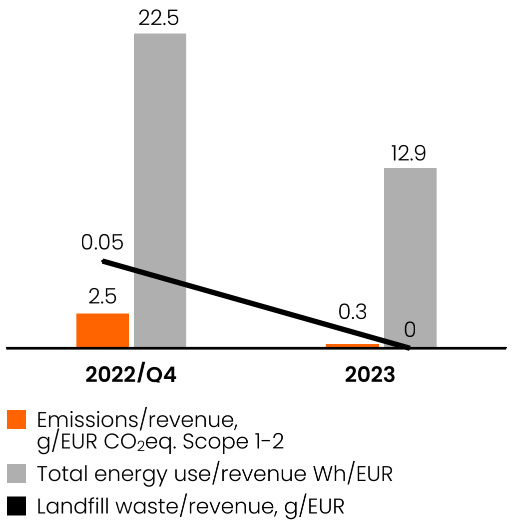
At Kempower, we also understand that product longevity is one of the key concepts of circular economy, and optimizing our products' lifespan is of particular importance to ensure that all the resources needed in manufacturing, packaging and transportation are not wasted. In our commitment to transparency and continuous improvement, in 2023 we conducted a life cycle assessment (LCA) on our Kempower Satellite and Kempower Power Unit. This comprehensive analysis provides us with critical insights into the environmental impact of these products, from sourcing, production to disposal. We recorded a result of 922kg CO_2 eq for our Kempower Satellite and 27,047kg CO_2 eq for our Kempower Power Unit using this 'cradle-to-grave' approach. The results from the LCA will enhance our efforts to further reduce our environmental impacts and increase the sustainability of our charging product range, including evaluating alternative packaging materials if they are more optimal.

According to a 2022 report made by the Finnish industrial recycling company Kuusakoski Oy, the recyclability rate of our Kempower Movable Chargers (taking metals, precious metals, cars, batteries, tires, electric equipment, plastics, construction waste, energy waste and wood into account), is 99.61%. During 2023, a recyclability rate of 99.71% for the Kempower Satellite and 99.72% for the Kempower Power Unit was measured. Our target is to achieve a 99% end-of-lifetime recyclability rate in all our product groups.

Efforts were made in 2023 to improve our waste management to increase our utilization rate throughout our operations. In accordance with the EU's WEEE (Waste from Electrical and Electronic Equipment) directive, to aid compliance, we started to join various producer organizations during the reporting period. In addition, a tendering process for an external waste management companies were initiated in 2023.

Waste management is a critical part of our efforts to reduce our environmental impact. Our goals are aligned with the priority targets in the EU's waste strategy, which are incorporated in the Finnish Waste Act. These priorities include reducing the amount of waste generated and increasing the amount of waste recycled. Waste that cannot be reused in our operations is delivered to a trusted third party who finds an alternative use for the waste, including energy recovery whenever possible. The amount of waste sent to landfill is kept to a minimum. Our target is to reduce landfill waste to zero by 2025. Our short-term target in 2023 was to reduce landfill waste as a percentage of total waste annually. In 2023, the total was 0 ton/MEUR (0.050) that went to a landfill site.

Emissions and resource efficiency



In 2023, we furthered our efforts to increase the utilization rates of our waste side streams, enhanced our waste management training, began the process of selecting a waste manager for every site, increased the recycling of our packaging materials, implemented new instructions for sorting waste and focused on source separating. Our short and long-term goal is that all our materials can be efficiently reutilized as a new raw material.

Kempower charging technology is modular and scalable and designed for a long lifespan. By 2025, our target is that our used chargers, where viable, will be repaired rather than recycled, thus prolonging their lifespan. During 2023, we took our first steps in this area and refurbished a small number of power modules that customers had returned to us. The power modules were refurbished and taken into new use.

In 2023, the material composition of Kempower's Power Unit was metals 57.9%, aluminum 20.7%, printed circuit boards 11.5%, plastics 5.8%, Cu cables 3.6%, and others 0.6%. The material composition of Kempower's Satellite was metals 48.0%, aluminum 18.0%, printed circuit boards 0.7%, plastics 13.4%, Cu cables 20.4% and others 1.5%. The material composition was determined using a part list and defining the materials of every individual component.

The total amount of waste generated in Kempower's operations in 2023, was recycled 69.5%, incinerated 30.5% (with or without energy recovery) and zero percent to landfill.

Policies

Kempower has certification for the ISO 14001 policy, an international standard for designing and implementing an environmental management system (EMS). ISO 14001 requirements provides a framework and guidelines for creating an environmental management system.

The ISO 14001 standard contains the following key elements:

- Environmental policy
- Planning
- Implementation and Operation
- Checking and Corrective Action
- Management review

Kempower also has the ISO 9001 certification. ISO 9001 is a globally recognized standard for quality management. It helps organizations of all sizes and sectors to improve their performance, meet customer expectations and demonstrate their commitment to quality. Its requirements define how to establish, implement, maintain, and continually improve a quality management system (QMS). Implementing ISO 9001 means that Kempower has put in place effective processes and trained staff to deliver high-quality products and services.

Our ISO 45001 certification is detailed in the 'Social sustainability' section of this report.

Key metrics

	Unit	Measuring frequence	2023	2022	2021	
Fuel consumption from natural gas	MWh	quarterly	429	94.8	719.4	
Fuel consumption from district heating (renewable sources 86.5% and fossil fuels 13.5%)	MWh	quarterly	742*	1,075	N/A	* Produced with renewable energy sources and certified with guarantees of origin
Consumption of purchased electricity	MWh	quarterly	2,477*	1,179*	N/A	* Produced with renewable energy sources and certified with guarantees of origin
Scope 1 GHG emission	t CO_2 -eq/MEUR	annual	0	N/A	N/A	
Scope 2 GHG emission of electricity (location based)	t CO_2 -eq/MEUR	annual	0.35*	N/A	N/A	* Grid electricity mission factor 40 kg CO_2 eq/MWh)
Scope 2 GHG emission of electricity (market based)	t CO_2 -eq/MEUR	annual	0*	N/A	N/A	* Produced with renewable energy sources and certified with guarantees of origin
Scope 2 GHG emission, heat	t CO_2 -eq/MEUR	quarterly	0.30	0.66	N/A	
Scope 3 waste management	t CO_2 -eq/MEUR	quarterly	0.24	0.24	N/A	
Scope 3 business travels (flights)	t CO_2 -eq/MEUR	quarterly	3.09*	1.20*	N/A	* carbon offset
Total GHG emission reduction compared to base year 2021	%	annual	39.4	60.6		
Water usage	m^3	annual	1,806	N/A	N/A	
CapEx			9.6	6.2	1.6	
OpEx			244.3	97.9	28.4	

Social sustainability

Kempower's Human Resources (HR) activities are guided by HR policy that is aligned with the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights. Kempower's business success and the implementation of its strategy depend on the company's ability to recruit and engage motivated and skilled individuals. The availability and loss of key personnel could have a materially adverse effect on Kempower's business. As a result, we view all Kempowerians as our most valuable company resource.

Managing our own workforce

Our HR policy addresses the identification, assessment, management and/or remediation of material impacts on Kempower's own workforce specifically, as well as policies that cover material impacts, risks and opportunities related to its own workforce.

At year end 2023, the number of Kempowerians totaled 737 professionals. Our goal is to offer meaningful work in a well-managed and safe working environment where people are treated equally and fairly. Throughout 2023, our employees were encouraged to advance their personal development. Our view is that optimal well-being at work results from having highly motivated employees, clear targets and a positive workplace environment.

Employees

We are facing the challenges of continuous growth by recruiting in the fast-growing phase of the company, and our emphasis on competence development is via the recruitment process. In 2023, we doubled the number of employees compared to the total number of employees at the end of 2022, and these talented people will help us to build and enable the company's growth and innovations.

Of note amongst these many hires, in 2023, Kempower gained a dedicated Sustainability Manager, Investor Relations Manager and Vice President of People and Culture, all first-time positions for the company.

In 2023, we continued to enhance and further develop our company onboarding process to ensure that every new employee has a smooth start and is aligned with our values, culture, and targets from day one. All new office employees participated in a 'First Steps at Kempower' session on their first day at work as well as a three-day Bootcamp onboarding in Lahti, Finland during the first three months of their employment. In addition, there are local role and team level onboarding plans. By investing in the start of the employment at the level required for future tasks we also support the new employee's success in their job and employee engagement in the future.

At Kempower, our collective bargaining agreements define both the health and safety, and the working conditions to be met during employment. As an employer, Kempower is responsible for the health and safety of our personnel's working conditions in the ways required by law, helping create the conditions for management that promote well-being at work, and promoting activities that maintain work ability. The most important working-related agreements concern employment and working hours. Our collective bargaining agreements contain several provisions which are followed, and they have primacy with respect to laws.

We have been building our performance management cycle in recent years, learning from the practical implementations and the feedback. This work has involved the conducting of a performance and achievement review at the beginning of each year, as well as a target setting and development action planning mid-year review undertaken in August – September each year. The working performance management cycle contributes to employee engagement, motivation, and overall organizational success. It also helps to identify high-performing individuals who may be candidates for further roles, whilst additionally ensuring that employees are aligned with the company's strategic direction.

We realize that we must continuously invest in the development of personnel competence to support the rapid growth of the company and employee satisfaction. The constant learning is part of Kempower´s values and way of doing business. In 2023, we continued to create a workplace and organizational learning culture according to the Kempower Learning Policy guidelines. Kempower´s Learning Policy outlines the company's main principles in learning and people development.

In addition, Kempower has comprehensive labor rights policies in place. These policies deal with working conditions, labor relations, career management, the provision of protective equipment, mandatory health checkups, family friendly programs, flexible organization of work, healthcare coverage, an employee satisfaction survey, an employee share savings plan, a bonus scheme related to company performance, a collective agreement on working conditions, and more.

Health, safety, and well-being

Safety in operations

Kempower's occupational safety is governed by the Occupational Safety and Health Action Plan. The central principle of occupational health and safety is anticipation. Therefore, the employer must draw up an occupational health and safety action plan for the workplace. The action plan helps the employer to enhance proactive occupational safety and systematically develop working conditions according to the workplace's own needs.

At Kempower, we have a general safety rules document, which specifies the safety rules for everyone working on the company's premises (our own employees as well as external workers).

It is each person's responsibility to know and follow the safety rules and procedures for both the factory environment and their own area of operation. Each employee is responsible for their own safety and for the safety of those around them. Visitors and contractors must also follow the established safety rules, the implementation of which is the responsibility of the designated contact person.

Employees are encouraged to question and develop operations as part of their own continuous improvement and also to take care of their environment and create an atmosphere where 'deviations' can be reported openly.

Risk assessment

Kempower has the ISO 45001 health and safety management standard in place. ISO 45001 provides an internationally recognized framework for managing occupational health and safety risks. It enables us to systematically assess hazards and implement risk control measures, leading to reduced workplace injuries, illnesses and incidents. Adopting the standard shows our employees and external stakeholders that we are committed to employees health, safety and well-being.

All departments must identify work-related risks, evaluate them and establish processes to eliminate, mitigate or control them so that accidents and incidents are prevented.

Management is accountable for ensuring that each task follows a risk assessment process and that its results are used to generate mitigation actions where appropriate. It is also ensured that the information resulting from this process is readily available to all employees involved in those tasks.

The risk matrix (template) can be used to assess workplace hazards and score risks as part of the risk assessment process. Other equivalent high reputation and industry proven methods are also acceptable for the process. The risk assessment process is coordinated by HSEQ responsible. The HSEQ application, which will help compile the risk management process has been acquired.

Every accident or incident at work is investigated and the causes of the event are thoroughly analyzed. Based on any new and important insights following an event, if necessary, the risk assessment, induction and/or work instructions are updated.

Near misses and hazards

Near miss cases refer to situations where an accident at work has "almost" occurred or there was a risk of an accident, but personal or material damage was nevertheless avoided. Near miss situations - as well as dangerous situations - are always reported, for example to the nearest supervisor. All situations that lead to an accident are always preceded by a dangerous situation.

At Kempower, we believe that foresight is paramount in preventing accidents. Corrective actions should be able to be taken before anything has actually happened. The purpose of reporting near-miss situations is to develop the workplace and improve safety. Every report of a near miss is investigated and the root causes are determined. The necessary corrective measures will then be taken to prevent a similar incident from happening in the future.

It is important to communicate in the workplace about the near misses or the hazards and investigations related to those incidents, so that everyone has equal information about the risks of work and how to protect themselves from them.

Safety data

Kempower has the following Safety KPI's in use:

- LTI (lost time incident)
- TRI (total recordable injuries)
- LTIF (lost time incident frequency)
- TRIF (total recordable injuries frequency)
- Sickness absence (%)
- Accident absence (%)
- Number of Safety Observations

Kempower calculates the safety-related metrics based on 1,000,000 hours worked. Currently, we follow partner-based accidents only in internal metrics. Our primary goal in OHS year-on-year targets is to reduce accidents at work, and our goal is that by 2030 we will achieve zero absences (LTIF) due to accidents at work (LTIF = 0). Our long-term target is to reduce our incident frequency reduction to zero. Our 2023 target was to decrease LTIF and TRIF and increase proactive safety. Our LTIF at 4.61 (4.34) increased in 2023 compared to our 2022 reporting period. Our proactive safety increased to 99 reports (66) in 2023.

The main types of work-related accidents during 2023 involved accidents including stumbling or finger traumas. Total accidents (TRI) in 2023 throughout Kempower's operations was five. Most accidents occur at our factories and are relatively minor. One accident occurred during working hours but not as part of work duties. One of the accidents did not result in an absence from work. The total number of days absent from work time accidents was 88 days. Sickness absence rate (all sickness absences, including those not due to accidents) were 1.5 % in 2023. Many absences were due to infections.

To further improve the safety levels throughout Kempower's operations, during 2023, a number of regular safety walks were implemented. Kempower also has an Occupational Safety Group who is responsible for taking a holistic view of the company's overall safety operations and recommending and initiating new policies and guidelines if required. First aid training is mandatory for all employees. It is valid for three years and then must be renewed.

Kempower offers its personnel occupational health services that are more comprehensive than those required by law.

There were no fatal work-related accidents in 2023 (0) across Kempower's entire operations, Kempower has never had a fatality occur at the workplace throughout the company's entire history.

To further enhance our 2030 target and to develop an ever more solid safety culture, our ambition is to increase the number of safety observations we collect from our employees. The baseline for 2022 was a total of 48 observations, but in 2023 we collected a total of 80 observations which equates to approximately 0.14 observations per person. The goal for 2024 is to record one observation per person across all operations. In 2023, 50 near misses were also reported by Kempowerians.

Kempower also operates the 6S system (also known as 5S + Safety), a set of processes that aims to promote and sustain a high level of productivity and safety throughout the workspace. While adhering to the 5S principle of Sort, Set in order, Shine, Standardize, and Sustain, the 6S method additionally adds the concept of Safety. 6S lean not only helps us promote efficient working environments but also helps further establish a sustainable culture of safety.

Occupational health care

Kempower offers its personnel occupational health services that are more comprehensive than those required by law. The satisfaction and work well-being of office workers is surveyed with a monthly pulse survey, and a similar survey for production workers is carried out four times a year.

The working capacity support model seeks to promote and support the working and functional capacity of Kempower's employees at every stage of their careers. The intention is to intervene at the earliest possible stage before any issues manifest themselves into more significant problems.

The well-being and safety of our personnel are very important to Kempower. In 2023, we further strengthened our expertise in the area of occupational safety and well-being by hiring a full-time OHS Manager.

We have organized healthcare services for our employees. Although there are country-specific differences in these healthcare services, the basic principle is common to all employees. Occupational healthcare is an activity that is both organized and paid for by Kempower. Occupational healthcare aims to promote and advance a healthy working environment and safe working conditions. The goal is to support the employee's ability to work throughout the entire working career.

The Occupational Health Care Act in Finland obliges employers to arrange occupational healthcare for their employees, which includes identifying and anticipating work-related hazards. The main task is to promote, in cooperation with the workplace, the health and working capacity of employees, safe working conditions, the functioning of the work community and the prevention of work-related illnesses and accidents.

Kempower's personnel are provided free of charge with preventive healthcare and general practitioner-level medical care, as well as the most common laboratory and X-ray examinations related to it. If necessary, the occupational health center will refer the patient for further treatment.

Well-being

Managing well-being at work is part of everyday management at Kempower. Consequently, we collect information from various sources about employee well-being, for example the pulse survey and measures of occupational health cooperation. With the help of the accumulated information, various measures are planned to develop and promote occupational well-being.

Employees are offered versatile services to support their well-being, for example:

- Mental well-being services are a low-threshold online mental well-being service that supports people in coping at work and in private life before issues escalate into bigger problems.
- The Recovery Room in Lahti, Finland, is a space for employees to wind down and recover. The room is equipped with multiple recovery devices which help both mental and physical recovery.
- The Kempower Pulse Survey is the entire company's pulse survey to monitor, for example, our company´s employee´s well-being, and DEIB-perspectives (diversity, equity, inclusion and belonging) engagement at regular intervals.
- Employees in Finland have an annual ePassi Flex budget, which includes sports, culture and wellness benefits. One example of the benefit is the possibility for employees to utilize an e-bike to advance their wellness. The employee can decide for themselves how to use this benefit.

DEIB strategy work and implementation will be completed by the first quarter of 2024 and systematic DEIB work will start during the first half of 2024.

Employee satisfaction survey

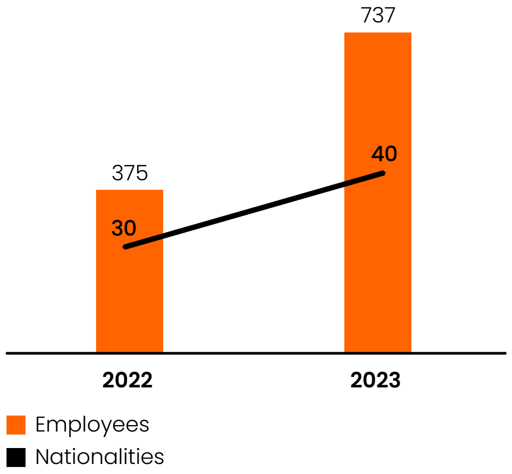
The Kempower Pulse Survey is our company's short questionnaire to monitor issues related to well-being, engagement and DEIB. In addition, a quarterly survey is carried out on changing themes. The eNPS (employee Net promoter score) is measured once a quarter.

Through the Kempower Pulse Survey, employees can anonymously communicate information to their managers and company management in real time about how they are doing, and how their work is progressing, by answering short questions. They can also use the survey to send open-ended comments to management on the survey topics. The results of the pulse survey and other forms of communication used by the employees can be used to help inform Kempower's strategy and business model.

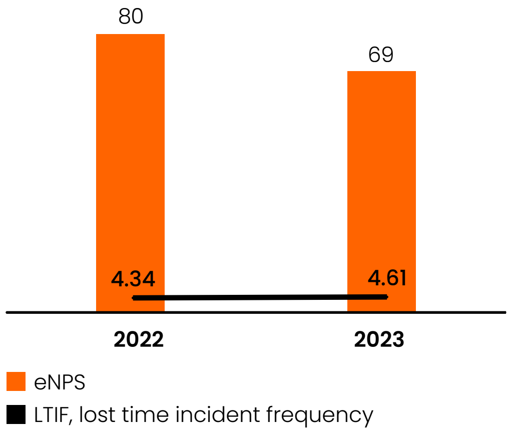
Managing well-being at work is based on good people management and statutory requirements. Work well-being measures have added skills to manage resilience, information and safety of service personnel to support work ability and build a service network and operating models where work ability is threatened.

The Kempower Pulse Survey results are reported to the management team on the Company-wide level. The line managers can find their own teams' results from the app and use them in their team's development.

Growing and diverse team



Committed and safe



Diversity, equity, inclusion and belonging (DEIB)

The overall diversity at Kempower was naturally expanded in 2023 with the recruitment of many new employees. Our DEIB is measured and followed as a KPI in the personal pulse survey and has been at a good level, totaling 85-95/100, when set against the survey benchmarks of other organizations that use the same survey, with an average total of 85.

DEIB strategy work and implementation will be completed by the first quarter of 2024 and systematic DEIB work will start during the first half of 2024. More metrics will be defined during the strategy work and new questions related to the topic will be added to the pulse survey in 2024.

Kempower's real-world and quantifiable target is to become the best workplace for both current and future professionals, and is well on track as evidenced by an excellent eNPS (employee Net Promoter Score) of 69 in 2023 along with the recruitment of 221 new employees in the first half of 2023 and 362 throughout the entire year, suggesting very high employee satisfaction and loyalty within the organization.

Harassment

Kempower does not allow any inappropriate treatment or harassment of another person. The employee must comply with the regulations and instructions issued by the employer in accordance with their competence. In addition, the employee must follow the order and cleanness required to maintain safety and healthiness, as well as care and caution, necessary for maintaining safety and health conditions.

In accordance with their experience, the teaching and guidance received from the employer and their professional skills, the employee must also take care of the safety and health of their own and other employees by the means at their disposal.

The employee shall avoid harassment and other inappropriate treatment of other workers at Kempower's workplaces which causes harm or danger to their safety or health.

Kempower uses whistleblowing procedures which are designed to encourage employees to report or raise concerns or complaints regarding any actual, potential, or perceived wrongdoings relating to or involving the business and operations of a company. Such wrongdoing may include any decision, act or omission concerning, for example, a violation of any law or regulation; the misuse of company funds or assets; the mistreatment of a fellow employee; or a violation of any company policy ("Wrongdoing").

Kempower has adopted a Whistleblower Policy to provide the means for all employees, including employees of Kempower's subsidiaries and affiliates, to report to the Company any issues, concerns, or complaints of actual, potential, or perceived wrongdoings. The procedures contained in this policy are available to any employee of Kempower or any of its subsidiaries and affiliates who wishes to submit a question, concern or complaint regarding Kempower or any entity within the corporate Group.

To encourage employees to raise their concerns or complaints in good faith and with the knowledge that they will not suffer any retaliation for having raised a concern or complaint in good faith, Kempower has engaged with an external service provider. The external service provider collects and processes any concern or complaint that is raised. This service, which is available to all Kempower employees globally, enables Kempowerians to provide information anonymously, confidentially, and accurately, so that each concern or complaint can be quickly and efficiently assessed, investigated as appropriate, addressed, and resolved.

Kempower has a procedure for investigating harassment and inappropriate behavior. First the employee points out the person(s) involved in inappropriate behavior/bullying/harassment. If the inappropriate behavior continues, the employer gives a new notice to the person(s). If the behavior continues, the employee reports this to the line manager. A clearly defined internal procedure between the parties involved begins. Before the discussion, the person in charge hears the views of the parties. The process can be supported by HR and/or an Occupational Health and Safety Representative.

Competence

Competence is a critical company asset, and it consists of the potential and existing abilities of current and future employees, both individual and employee groups, and their capability to help the company's current basic mission and future goals. Ensuring and strengthening the right kind of competence is important for Kempower in the constantly changing operating environment, but also from the perspective of the company's future goals and needs.

Further to the continuous development of our sector-specific professional competence, special attention to the development of competence in 2023 was also implemented throughout the entire organization regarding the following themes and perspectives (based on the goals set for 2023 in the Workplace development plan):

- Internationalization, global work: Online Kempower Global Cafés organized to enforce employee networking globally.
- Strengthening diversity, equity, inclusion and belonging (DEIB): Diversity at Kempower naturally expands with the recruitment of new employees. DEIB is measured and followed as a KPI in the Kempower Pulse Survey and was at a good level in 2023 (see the section DEIB).
- Strengthening English language skills: Piloting English training groups and individual English training processes. All company meetings and events are held, and materials are produced, in English or in English and Finnish.
- Strengthening cooperation between educational institutions, including research collaboration with our new Kempower Electric Mobility Research Center (EMRC), as well as acquiring expertise through internships (trainees), diploma and thesis works.

These actions in 2023 have strengthened and clarified our cooperation with educational institutions and student organizations. As part of this process, we have been developing our Kempower Future Talents –concept, that covers the basic principles of our relationship with these stakeholders. The work on this concept has been implemented at least partly in 2022 and 2023 and will be further advanced in 2024.

Training

The digital learning offering in our e-learning platform, Kempower College, was reinforced in 2023, providing employees with a wide range of possibilities to build their expertise further, even when primarily working remotely.

Certain mandatory training is required at Kempower. In 2023, we had a set of five digital training courses that are obligatory for all our employees: Code of Conduct, Disclosure policy, Insiders guidelines, Cybersecurity Awareness and an Emergency First Aid course (4h). Our Code of Conduct training includes harassment-related issues. On a related note, our Supplier Code of Conduct focuses on the same issues for our suppliers.

To ensure that production employees also have a good opportunity to complete the training, half a day of work time was dedicated to the training in 2023.

Newly hired employees also complete the onboarding learning pathways of Kempower's mandatory training within a few weeks of their first day of employment.

We offer our personnel a variety of other digital training modules that cover different company specific content. For general learning content, we piloted the LinkedIn Learning platform 1-6/2023 and investigated a number of other readymade content platforms during the second half of 2023.

Online and onsite training sessions were organized by the target group on current topics. To ensure the needed obligatory competencies and certifications on certain roles are in order, the following training was organized in 2023:

- SFS 6002 training. A general training in electrical work safety is mandatory for all participants in electrical work. The training must be renewed every five years or sooner if needed. Electrical Safety Card training is a thorough entity of electrical work safety. The course covers the main regulations and laws concerning electrical work and the Electrical Work Safety SFS 6002 standard. The course teaches electrical hazards, correct working methods and operating measures and maintenance practices:
- First Aid training (in person, 8 h)
- Laboratory rules e-learning (for employees in the laboratory)
- Static electricity training (for module factory employees)
- Training program: Geometric product specifications (GPS) for mechanical engineers (RDI) with LAB University
- Apprenticeships training for an examiner role in production for our employees with Salpaus, a regional provider of vocational education and training (VET) for the Lahti region. The apprenticeship training is for the examiner position for our employees in production.

Our ambition at Kempower is to strengthen and support the continuous learning of our personnel, so we can ensure that we are able to respond to changes in the operating environment proactively. Line managers hold regular target and development discussions with all employees, in which Kempower's strategy, business development prospects, and the content of the job itself are mirrored to the employee's current skills.

Employees in different life situations and at different stages of their working career may have different and special competence needs and the need for competence development support. We strive to offer versatile and flexible skills development opportunities, taking into account all employee groups.

In 2023, 80% (72%) of our employees undertook our Code of Conduct training. Competition law training was also provided to a select number of employees. In 2023, 99 (34) traineeships and summer jobs were provided. The Kempower education and training plans will be updated and enhanced annually.

The continuous development of our leadership competence and support to our line managers in their strategic and leadership work is highly important for our company's success and employee satisfaction. In 2023, we had three of our regular Kempower Leadership Forum meetings for the management team, middle-management and key role holders in our organization to discuss strategy and strategy implementation, to create collaboration and for networking with colleagues.

The Kempower Extended Management team attended a half-year-long executive training program managed by Hanken-SSE with several topics on leadership, strategy, communications and company culture. One of the key results of the program was Kempower Leadership Behaviors describing our company's value-based behaviors. Kempower Leadership Behaviors will be embedded in the company culture framework widely in 2024.

Kempower also organized a leadership training program for all line managers at the beginning of the year. Training of the company's people processes was organized regularly, and new line manager role introductions were set up more systematically than before. As the organization is expanding, and the number of line managers naturally has grown during 2023 and will expand forward, we are committed to continue supporting our leaders in the future to develop their leadership skills and potential.

Kempower Talent Acquisition

Kempower's Talent Acquisition team leads the recruitment process and provides acquisition support for the hiring managers. The team covers all Kempower talent acquisition needs, globally. The team also ensures and fortifies the Kempower employer brand by utilizing a high-quality recruitment process, quality candidate experience and sourcing candidates from various channels.

The Talent Acquisition team works closely with educational institutes to attract future talents. The cooperation includes actions such as recruitment fairs, marketing of the Kempower brand and open positions, offering thesis possibilities and interacting with the students about the aspects of applying and work life as a whole.

Kempower's business and its objectives define the skills needed at Kempower. The aim is that Kempower has the right people in the right places, at the right time. The situation and needs are constantly reviewed as new needs arise and the business grows. Kempower supports diversity in all applicant positions and applications and does not ask, as mandatory information, for other personal details in the recruitment phase (such as age and gender, for example). Photographs can be added to the application, but it is not mandatory to do so.

Kempower is an equal opportunity employer and prohibits discrimination and harassment of any kind. We are committed to the principle of equal employment opportunity for all employees and to providing employees with a work environment free of discrimination and harassment. Our employment decisions are based on business needs, job requirements, and individual qualifications, without regard to race, color, religion or belief, gender, or any other status protected by laws and regulations. We do not tolerate discrimination or harassment based on any of these characteristics, and we encourage applicants of all ages.

By having the company language as English, Kempower offers various positions and possibilities also for the English-speaking candidates.

Delivering a responsible value chain

At Kempower, our suppliers are a critical part of our value chain as a major share of our Scope 3 emissions are created at our suppliers operations. When choosing our suppliers, new suppliers criteria include, for example, social and environmental responsibility, product safety, reliable long-term deliveries and product and service quality. We are strongly committed to responsible sourcing practices as laid out in our Code of Conduct (CoC).

In addition, the minimum requirements for our suppliers are clearly defined in our Supplier Code of Conduct (SCoC).

As stated in our SCoC, from 2024 and onwards, we expect our suppliers to demonstrate their own commitment to human rights as well as sustainable and ethical good practices. We also encourage our suppliers to promote the same requirements in their own supply chains. On our journey to our 2035 carbon neutrality goal, our ambition is to purchase our materials from suppliers whose qualifications we have confirmed. Our target is also to consistently optimize our global sustainable procurement process, through which we manage and monitor our suppliers' strict compliance on issues related to business ethics, human rights, governance and management, health and safety, and environment processes.

Supplier audits represent an important and comprehensive tool to evaluate our suppliers' performance, manage and analyze supplier risk, as well as provide guarantees that responsible operations are being undertaken in our supply chain. Between 2024-2026, Kempower will continue the process of carrying out selected supplier audits as part of its comprehensive focus on supply chain management.

Contributing to society

Our taxes paid help contribute to society on a local, regional, national and international level. Based on the standards of our Code of Conduct, our taxes are paid in accordance with local tax laws and regulations that apply to both Finland, the U.S., and the other applicable countries. At Kempower, we pay corporate income taxes in Finland, the U.S., and the countries where added value is created, and profit is generated. At Kempower, we are strongly committed to continuously improving our environmental, economic and social performance. Our company also plays an essential role in contributing to societal development in the surrounding communities through the tax revenue we generate.

Our sites, predominantly in Lahti, Finland and from late 2023 onwards, the U.S., contribute to local employment, income tax and purchasing power, as well as engaging in projects with communities.

One example of our work in 2023 was the many visits and presentations in schools and universities in the region surrounding Kempower's main facilities in Lahti, related to the company's sustainability work and progress, and the EV charging infrastructure sector.

Kempower acts as a responsible company in society. Our income taxes in 2023 amounted to EUR 11.9 million (0.5), of which EUR 9.6 million (0.0) were recognized in Finland. Our salaries and other indirect employer costs amounted to a total of EUR 48.9 million (21.9), and our purchases of raw materials, goods and services to EUR 129.4 million (52.4). We recognized a total of EUR 283.6 million (103.6) in revenue and made investments of EUR 9.6 million (6.2) to develop our business.

At the end of 2023, our employees and the company made a Christmas donation to UNICEF. We also provide sponsorship for high-quality events to help develop the emission-free mobility sector and promote our fast-charging EV ambitions. Through our sponsorship program, we support the work of local sports clubs with children and young people. Kempower supports the Finnish national ski jumping team and the ice hockey club Pelicans Lahti.

Benefiting our customers and end-users

Kempower is the market-leading electric vehicle (EV) fast-charging technology provider. We design and manufacture industry-leading direct current (DC) fast-charging solutions for electric vehicles. The reliability and sustainability of our charging products are of critical importance to our customers, partners and end-users.

Research, development and innovation
During 2023, significant progress was made in the advancement of Kempower's RDI (research, development and innovation). This enhanced RDI work was both initiated and implemented to further develop Kempower's products and services for the enhanced benefit of our global customers and end-users.

In June 2023, Kempower and LUT (Lappeenranta-Lahti University of Technology) announced an extensive collaboration in the field of electric mobility. As a result, the new Kempower Electric Mobility Research Center (EMRC) has now been opened on LUT's campus in Lahti, Southern Finland. The launch of the EMRC took place at the New Trends of Electrification event, held in Lahti on 28 November 2023.

The EMRC is deemed highly important for Kempower's continuous product development and research, and it strongly supports the company's growth strategy to meet the accelerating demand for reliable EV fast charging solutions.

RDI has been at the heart of Kempower since the company was established in 2018, and the new research center marks a significant milestone in the company's determination to accelerate technological advancement for the benefit of our customers and end-users. The center signifies Kempower's commitment to staying at the forefront of our industry. With the unique data from the field and LUT University's resources, the company will be able to envision EV drivers' future needs and continue to offer reliable and user-friendly EV charging solutions for everyone, everywhere.

The EMRC cuts across the boundaries of almost all of LUT's fields of specialization – from technology and business to social and communication sciences. The LAB University of Applied Sciences (a higher education institution in Lahti focusing on innovation, business and technology) is also strongly involved in the collaboration. For Kempower, the research center represents an entirely new way of collaborating with companies. In addition to our agile and rapidly growing company, LUT and LAB are also dedicated to helping other companies in the region to build future success.

The new research center is a central part of Lahti GEM (Green Electrification of Mobility Cluster). Lahti GEM is a platform for companies, research and education organizations, and cities. The EMRC will play an important role in developing electric transportation research in Lahti. The recently opened EMRC is a good example of collaboration where the cluster's actors, Kempower and LUT University, have found each other and boldly started to build something new. Initiatives like this help Lahti to set an example in municipal electric transportation and deliver enhanced benefits for Kempower's global customers and end-users.

In November, Kempower opened a new office at Tampere University's Hervanta campus. The office is sized for the needs of 100 people and there are currently more than 50 of us there. The proximity of the university and Tampere's research community enables solid cooperation in the field of education and research.

Kempower Academy

As part of Kempower's commitment to boost the benefits for our global end users, Kempower Academy is an online e-learning platform where our partners and customers can receive industry-leading knowledge and expertise on how to install, commission, and service their Kempower charging solutions. As part of the Kempower Academy, there are a comprehensive collection of webinar courses that teach all interested parties how to master key service tasks step by step to ensure that they are equipped for the future of EV charging. At the end of 2023, there were 47 courses available, with 5,425 course completions, and with the cumulative time spent on the courses since the academy was founded in 2022 totaling 2 years, 342 days.

RDI has been at the heart of Kempower since the company was established in 2018, and the new research center marks a significant milestone in the company's determination to accelerate technological advancement for the benefit of our customers and end-users.

Key metrics

Diversity, equity and inclusion

Employees	Unit	Measuring frequence	2023	2022	2021	
Change in the number of personnel	absolute	annual	+362	+239	+107	
Permanent employees						
Finland	absolute	annual	439	N/A	N/A	men
			134	N/A	N/A	women
			1	N/A	N/A	non-binary
USA	absolute	annual	52	N/A	N/A	men
			19	N/A	N/A	women
Europe	absolute	annual	72	N/A	N/A	men
			12	N/A	N/A	women
Other countries	absolute	annual	7	N/A	N/A	men
			1	N/A	N/A	women
Temporary employees						
Finland	absolute	annual	4	N/A	N/A	men
			2	N/A	N/A	women
Non-guaranteed hours employees						
Finland	absolute	annual	26	9	3	men
			3	1	10	women
Australia	absolute	annual	0	N/A	N/A	men
			1	N/A	N/A	women
Part-time employees						
Finland	absolute	annual	32	10	3	men
			7	2	0	women
Australia	absolute	annual	0	N/A	N/A	men
			1	N/A	N/A	women

Gender	Unit	Measuring frequence	2023	2022	2021	
Split of gender						
Split of gender in the management team	absolute	annual	8	7	9	men
			4	3	2	women
Split of gender in the management team	%	annual	67	N/A	N/A	men
			33	N/A	N/A	women
Split of gender on Board of Directors	absolute	annual	5	5	5	men
			3	2	2	women
Split of gender at Kempower, office employees	%	annual	75	75	78	men
			25	25	22	women
Split of gender at Kempower, production employees	%	annual	85	86	84	men
			15	14	16	women
Split of gender in total of employees	%	annual	77.2	N/A	N/A	men
			22.7	N/A	N/A	women
			0.1	N/A	N/A	non-binary
Incidents of discrimination	absolute	annual				
Use of parental leave	days/year	annual	659	N/A	N/A	men
			365	N/A	N/A	women

The distribution of employees by age group	Unit	Measuring frequence	2023	2022	2021	
18–29	absolut		138	67	31	men
			32	13	3	women
30–39	absolut		194	93	32	men
			70	31	7	women
40–49	absolut		139	64	27	men
			40	22	9	women
50–59	absolut		78	40	15	men
			20	11	5	women
60–	absolut		8	5	0	men
			3	2	2	women
blank	absolut		11	12	2	men
			3	15	3	women

Salary development	Unit	Measuring frequence	2023	2022	2021
Employee net turnover	%	annual	3.4	N/A	N/A

Health and safety	Unit	Measuring frequence	2023	2022	2021
LTIF	*	monthly	4.61	4.34	N/A
Number of workplace accidents with at least one day of absence	no.	monthly	4	2	3
Safety hazard reports	no.	monthly	30	11	0
Near-miss reports	no.	monthly	50	37	0
Sickness absence rate	%	annual	1.5	0.5	N/A
Sick leaves of over 30 days	no. of people	annual	12	2	N/A
Employee satisfaction	eNPS	quarterly	69	80	85

* ([Number of lost time injuries in the reporting period]) x 1,000,000) / (Total hours worked in the reporting period)

Training	Unit	Measuring frequence	2023	2022	2021
Training hours - company total	hours	annual	7,826	1,062	N/A
The average number of training hours per employee	average hours	annual	11	4.2	N/A
Code of Conduct (completed by employees)	%	annual	81	72	N/A
First aid training (completed by employees)	%	annual	60	N/A	N/A
Kempower Academy: courses completed	pcs	annual	5,425	N/A	N/A
Leadership forum attendees (3 events)	no. people	annual	166	77	N/A
Performance and competence review	no. people	annual	334	N/A	N/A
Personal development plan	no. people	annual	119	N/A	N/A

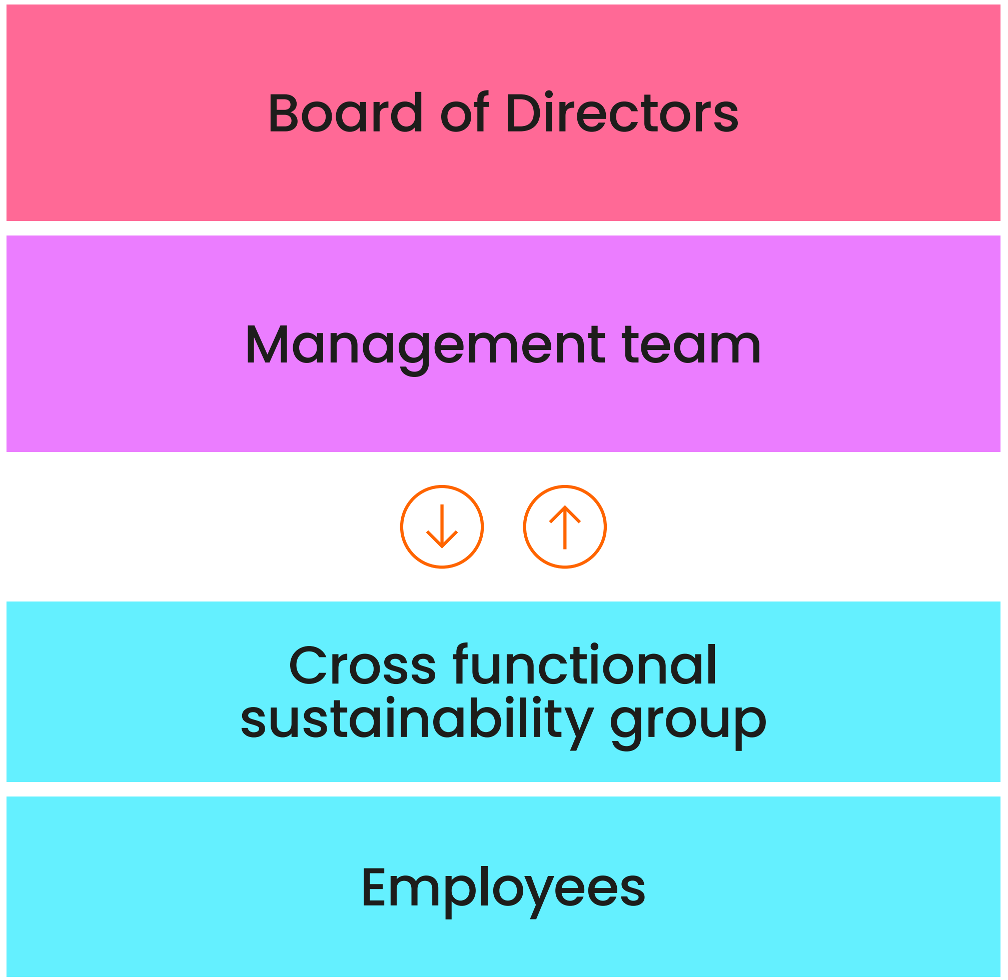
Sustainability governance

Governance & Corporate Culture
At Kempower, 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 and CEO, with the support of the Audit Committee and the Remuneration and Nomination Committee, are charged with the company's management. The Management Team assists the CEO in steering the company and the Group.

We are dedicated to fostering a corporate culture where each Kempowerian contributes to growth and aligns with shareholder interests, notably through our employee share savings plan, steered by the Remuneration and Nomination Committee. To mitigate personnel turnover risks and attract qualified professionals, we invest in competitive incentives, career development, and the reinforcement of the Kempower corporate culture. We regard RDI (research, development and innovation) as essential to Kempower's identity and culture. We emphasize employee engagement, safety, diversity, inclusion, and competence development, consistently measuring engagement through work satisfaction scores and eNPS. Our team's diversity is our strength, encompassing over 40 nationalities and many different backgrounds.

Sustainability management
Our sustainability strategy, articulated by the Board, CEO, and Management Team, is owned by every employee. Our essential policies include the Code of Conduct, and HR and Procurement policies, aligning with the OECD Guidelines for Multinational Enterprises and the UN Business and Human Rights principles. ESG factors, while directly incentivizing only a selected group of employees, are part of remuneration due to our commitment to accelerate e-mobility. Our management systems, certified to ISO 90001:2015, ISO 45001:2018, and ISO 14001:2015, encompass quality, occupational health, safety, and environmental management.

Sustainability governance



Risk management process

Kempower's systematic approach towards risks facing its business is an integral element of the management of the company. It includes risk identification, assessment, mitigation, follow-up, and reporting. Risks and the development of risks are followed up frequently by the management team. In addition, Kempower has implemented a risk management process which is aligned with the governance annual cycle. In 2023, the risk management process was reviewed and updated more frequently.

We have conducted a climate risk and opportunity assessment to underscore our business model's resilience, using the TCFD methodology and climate scenarios. Our strategy is climate-resilient, with regulation and financing favoring our solutions. Despite fewer financial impacts from climate risks, we remain vigilant, especially regarding physical risks in higher temperature scenarios.

All our manufacturing units identify work-related risks. We evaluate them and establish processes to eliminate, mitigate or control the work-related risks so that accidents and incidents are prevented, complying with the industry's work health best practices and with the laws applicable in each country where we operate.

Our risk assessment process is designed to deal with the risks in order of importance, to encourage our people to be intolerant of even moderate or low risks. Our aim is to eradicate all risks in the workplace as far as possible, and to take a big step towards zero accidents and incidents. The criteria chosen to deal with the risks which exist are:

- Risks considered in conditions which are affected by Occupational Health and Safety legislation. The assessment is based on ensuring that the technical requisites demanded by the corresponding specific legislation are fulfilled
- Risks considered in conditions which are affected by industrial legislation. An assessment is made focused on verifying that the administrative requisites established in the applicable legislation are fulfilled
- Risks considered in the company's internal standards

Risk assessments are carried out by a multi-specialist team with adequate knowledge and experience. The team will clearly identify those risks associated with the task assessed that may be a significant risk, as well as certain past incidents and the damage that might occur, if there would be a failure in the prevention and control measures. Line Managers maintain an up-to-date list of all the tasks and work activities that they are responsible for, and which have been assessed. This ensures that the assessments will always be valid and that the Standard Operations Procedures are regularly reviewed.

Management is accountable for ensuring that each task follows a risk assessment process and that its results are used to generate mitigation actions where appropriate. The management also makes sure that the information resulting from this process is readily available to all employees involved in those tasks.

Ethical business practices, anti-corruption, whistleblowing channel

We believe that every Kempowerian is responsible for carrying out our sustainability strategy in daily work life. Our Code of Conduct (CoC), available on our website, sets out Kempower's operating principles and helps guide our daily work. Our CoC is centered on three general themes: integrity, responsibility, and compliance with laws and regulations. A Code of Conduct e-learning course is mandatory for all employees. In 2023, 80% (72%) of the workforce completed the CoC e-learning course.

We believe that every Kempowerian is responsible for carrying out our sustainability strategy in daily work life.

The principles concerning anti-corruption are included in our CoC and our Anti-Corruption Policy, which clearly instructs our employees to neither offer nor take a bribe. Our employees are educated and trained regularly to understand the purpose and importance of our anti-corruption principles.

Identifying and assessing risks of corruption is a part of Kempower's risk management. Training and increasing awareness are the most critical actions to reduce these risks. Assessing bribery risks is also a standard part of preparing for all collaboration agreements, among other things. Additionally, we have defined specific guidelines concerning competition law that our employees are expected to follow. We initiate training on competitive legislation and agreements for all the specified employees.

Whistleblowing

Our company strives to maintain a transparent business climate and high business ethics. We value the safety and respect of everyone affected by our business. For this reason, whistleblowing training is organized at Kempower's College.

Our whistleblowing function provides an opportunity to report suspicions of misconduct; anything that is not in line with our values and policies. Our whistleblowing service is an early warning system to reduce risks. It is an important tool to foster high ethical standards and maintain customer and public confidence in us.

Kempower employees may also report violations of MAR (market abuse regulation) and other related regulations and guidelines through the whistleblowing service. In the first instance, we encourage employees who suspect a violation to contact a manager at Kempower. If the employee feels that they cannot be open with their information, we offer the option of reporting the concern anonymously through the whistleblowing channel.

Whistleblowing can be used to report a concern about something that is not in line with our values and ethical code, and that may seriously affect our organization or a person's life or health. An employee does not need to prove their suspicions, but all messages must be made in good faith.

The whistleblowing service is provided by an external partner WhistleB, Whistleblowing Centre, to ensure anonymity. The communication channel is encrypted, and password protected. All messages are processed in confidence.

Key metrics

Whistle blowing	**Unit**	**Measuring frequence**	**2023**
Whistleblowing, cases	pcs	annual	1
Supplier Code of Conduct in place	yes/no	annual	yes
Confirmed incidents of corruption	yes/no	annual	0
Occupational health and safety audits have been conducted	yes/no	annual	yes
Environmental audits have been conducted	yes/no	annual	yes
Safety walks have been conducted	yes/no	annual	yes
External audit process in place	yes/no	annual	yes
Governance policies in place	yes/no	annual	yes
Profit development, EBITDA MEUR	meet expectations	monthly	47.1
Payment delays	day	annual	2.9

GRI content index

Statement of use	Kempower has reported the information cited in this GRI content index for the period 1.1.2023-31.12.2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION	COMMENT	ESRS
GRI 2: General disclosures (2021)	**Organizational profile**			
	2-1 Organizational details	Kempower in brief, p. 4–6; Corporate Governance Statement, p. 69; Report of the Board of Directors, p. 87		ESRS 2 PB-1
	2-2 Entities included in the organization's sustainability reporting	CEO's review, p. 10; Kempower in brief, p. 4–6; Report of the Board of Directors, p. 87		ESRS 1; ESRS 2 BP-1
	2-3 Reporting period, frequency and contact point		Sustainability reporting period is annual and the period of this report is 1.1.–31.12.2023, same as the financial reporting period. Contact person: Sustainability Manager Johanna Kilpi-Koski. Publication date 6.3.2024.	ESRS 1
	2-4 Restatements of information		The amount of provided information has increased but no major corrections.	ESRS 2 BP-2
	2-5 External assurance		Kempower's sustainability reporting has not been externally assured.	
	Activities and workers			
	2-6 Activities, value chain and other business relationships	CEO's review, p. 10; Kempower in brief, p. 4–6; Business overview, p. 7–8		ESRS 2 SBM-1
	2-7 Employees	Highlights 2023, p. 12; Charging a better future - The best workplace for the professionals of the future, p. 35; Social sustainability, p. 57; Report of the Board of Directors, p. 89		ESRS 2 SBM-; ESRS S1 S1-6
	2-8 Workers who are not employees	Social sustainability, p. 57	In addition to employees, Kempower had in 2023 some workers who were not employees. Agency workers represented a minor amount of full time workforce in operative roles and as contracted temporary staff.	ESRS S1 S1-7
	Governance			
	2-9 Governance structure and composition	Corporate Governance Statement, p. 69–79		ESRS 2 GOV-1; ESRS G1
	2-10 Nomination and selection of the highest governance body	Corporate Governance Statement, p. 70, 71		This topic is not covered by the list of sustainability matters in ESRS 1.

GRI STANDARD	DISCLOSURE	LOCATION	COMMENT	ESRS
	2-11 Chair of the highest governance body	Corporate Governance Statement, p. 72		This topic is not covered by the list of sustainability matters in ESRS 1.
	2-12 Role of the highest governance body in overseeing the management of impacts	Sustainability governance, p. 59–61		ESRS 2 GOV-1; ESRS G1
	2-13 Delegation of responsibility for managing impacts	Sustainability governance, p. 59; Social sustainability, p. 48–49; Corporate Governance Statement, p. 75–77		ESRS 2 GOV-1; ESRS G1
	2-14 Role of the highest governance body in sustainability reporting	Double materiality assessment, p. 37–39; Sustainability governance, p. 59	The highest governance body (Board of Directors) is responsible for reviewing and approving the reported information including the material topics.	ESRS 2 GOV-5
	2-15 Conflicts of interest	Corporate Governance Statement, p. 74		This topic is not covered by the list of sustainability matters in ESRS 1.
	2-16 Communication of critical concerns		Management team communicates critical concerns to the Board of Directors. Zero number of critical concerns during the reporting period reported.	ESRS 2 GOV-2; ESRS G1
	2-17 Collective knowledge of the highest governance body	Sustainability governance, p. 59		ESRS 2 GOV-1
	2-18 Evaluation of the performance of the highest governance body	Governance - Corporate Governance Statement, p. 69–71	Annual General Meeting and Board of Directors self assessment.	This topic is not covered by the list of sustainability matters in ESRS 1.
	2-19 Remuneration policies	Governance - Remuneration report, p. 81–84		ESRS 2 GOV-3; ESRS E1
	2-20 Process to determine remuneration	Governance - Remuneration report, p. 81–84		ESRS 2 GOV-3
	2-21 Annual total compensation ratio	Governance - Remuneration report, p. 82–84		ESRS S1 S
	Strategy, policies and practices			
	2-22 Statement on sustainable development strategy	Sustainability strategy, p. 25, 27–28; Climate impact, p. 29–31, Responsible products, p. 32–33; The best workplace for the professionals of the future, p. 34–35		ESRS 2 SBM-1
	2-23 Policy commitments	Environmental sustainability, p. 43; Social sustainability, p. 48; Sustainability Governance, p. 59		ESRS 2 GOV-4; ESRS G1
	2-24 Embedding policy commitments	Outlook 2024, p. 22; The best workplace for the professionals on the future, p. 35; Social Sustainability, p. 53; Sustainable governance, p. 60–61; Sustainability strategy, p. 25–26		ESRS 2 GOV-2; ESRS G1
	2-25 Processes to remediate negative impacts	Sustainability governance, p. 60–61; Governance - Corporate Governance Statement, p. 78		ESRS S1; ESRS S2; ESRS S3, ESRS S4
	2-26 Mechanisms for seeking advice and raising concerns	Sustainability governance, p. 60–61; Governance - Corporate Governance Statement, p. 78		ESRS S1; ESRS S2; ESRS S3, ESRS S4; ESRS G1
	2-27 Compliance with laws and regulations		No instances of non-compliance with laws and regulations.	ESRS 2 SMB-3; ESRS G1

GRI STANDARD	DISCLOSURE	LOCATION	COMMENT	ESRS
	2-28 Membership associations		No major roles in industry associations, other membership associations, and national or international advocacy organizations.	ESRS G1
	Stakeholder engagement			
	2-29 Approach to stakeholder engagement	Stakeholders, p. 40–41		ESRS 2 SMB-2
	2-30 Collective bargaining agreements	Social sustainability, p. 49	No data available.	ESRS S1
GRI 3: Material Topics (2021)	**3-1** Process to determine material topics	Double materiality assessment, p. 37–38		ESRS 2 BP-1
	3-2 List of material topics	Double materiality assessment, p. 37–39		ESRS 2 SBM-3
	3-3 Management of material topics	Double materiality assessment, p. 37–39; Sustainability governance, p. 59–60		ESRS 2 SBM-1, SBM-3 , MDR-P, MDR-A, MDR-M, MDR-T
ECONOMIC STANDARDS				
GRI 201: Economic performance (2016)	**201-1** Direct economic value generated and distributed	Highlights, p. 12; Report of the Board of Directors, p. 86–87, 89, 99–100; Consolidated financial statements, p. 103, 109		This topic is not covered by the list of sustainability matters in ESRS 1.
	201-2 Financial implications and other risks and opportunities due to climate change	Solutions, p. 9; Megatrends, p. 16; Climate impact, p. 29–30, Report of the Board of Directors, p. 96, 107		ESRS 2 SBM-3; ESRS E1
	201-3 Defined benefit plan obligations and other retirement plans	Consolidated financial statements, p. 109, 132; Remuneration Report, p. 84		This topic is not covered by the list of sustainability matters in ESRS 1.
	201-4 Financial assistance received from government		Involvement in national and international R&D project supported by R&D funding from the government.	This topic is not covered by the list of sustainability matters in ESRS 1.
GRI 203: Indirect economic impacts (2016)	**203-1** Infrastructure investments and services supported	Social sustainability, p. 56		ESRS 1
	203-2 Significant indirect economic impacts	Social sustainability, p. 55		ESRS S1, S2, S3
GRI 204: Procurement practices (2016)	**204-1** Proportion of spending on local suppliers	Kempower in brief, p. 5; Sustainability strategy, p. 26–27	Majority of first-tier suppliers are local.	ESRS 1
GRI 205: Anti-corruption (2016)	**205-1** Operations assessed for risks related to corruption	Sustainability governance, p. 60		ESRS G1
	205-2 Communication and training about anti-corruption policies and procedures	Sustainability governance, p. 60–61		ESRS G1
	205-3 Confirmed incidents of corruption and actions taken	Sustainability governance, p. 61		ESRS G1
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.	This topic is not covered by the list of sustainability matters in ESRS 1.
GRI 207: Tax (2019)	**207-1** Approach to tax	Social sustainability, p. 55; Board of Directors Report, p. 102, 107, 111–113		This topic is not covered by the list of sustainability matters in ESRS 1.
	207-2 Tax governance, control, and risk management	Corporate Governance Statement, p. 74		This topic is not covered by the list of sustainability matters in ESRS 1.
	207-3 Stakeholder engagement and management of concerns related to tax	Board of Directors Report, p. 94, 127–129, 140		This topic is not covered by the list of sustainability matters in ESRS 1.

GRI STANDARD	DISCLOSURE	LOCATION	COMMENT	ESRS
ENVIRONMENTAL STANDARDS				
GRI 301: Materials (2016)	301-1 Materials used by weight or volume	Environmental sustainability, p. 47		ESRS E5
GRI 302: Energy (2016)	302-1 Energy consumption within the organization	Climate impact, p. 30; Environmental sustainability, p. 42–44, 47	Total energy consumption in 2023 was 3,648 MWh.	ESRS E1
	302-2 Energy consumption outside of the organization	Climate impact, p. 30; Environmental sustainability, p. 42–44, 47	We will continue to develop the reporting of the value chain energy use in the coming years.	ESRS 1
	302-3 Energy intensity	Environmental sustainability, p. 43		ESRS E1
	302-4 Reduction of energy consumption	Environmental sustainability, p. 44		ESRS 1
GRI 303: Water and Effluents (2018)	303-1 Interactions with water as a shared resource	Environmental sustainability, p. 45		ESRS 2 SBM-3; ESRS E3
	303-2 Management of water discharge-related impacts	Environmental sustainability, p. 45		ESRS E3
	303-5 Water consumption	Environmental sustainability, p. 47		ESRS E3
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	Environmental sustainability, p. 45	No sites in protected areas or areas of high biodiversity value.	ESRS E4
	304-2 Significant impacts of activities, products, and services on biodiversity	Environmental sustainability, p. 45	No significant impacts on biodiversity.	ESRS E4
GRI 305: Emissions (2016)	305-1 Direct (Scope 1) GHG emissions	Environmental sustainability, p. 43	Scope 1 emissions 0 tCO_2 eq/MEUR.	ESRS E1
	305-2 Energy indirect (Scope 2) GHG emissions	Environmental sustainability, p. 43, 47	Scope 2 emissions 0.30 t CO_2 eq/MEUR.	ESRS E1
	305-3 Other indirect (Scope 3) GHG emissions	Climate impact, p. 29–30; Environmental sustainability, p. 42–43, 47	We continue to develop the reporting of the indirect emissions in the coming years.	ESRS E1
	305-4 GHG emissions intensity	Environmental sustainability, p. 43		ESRS E1
	305-5 Reduction of GHG emissions	Climate impact, p. 31		ESRS E1
GRI 306: Waste (2020)	306-1 Waste generation and significant waste-related impacts	Responsible products, p. 32; Environmental sustainability, p. 43, 45–47		ESRS 2 SBM-3; ESRS E5
	306-2 Management of significant waste- related impacts	Responsible products, p. 32; Environmental sustainability, p. 43, 45–47		ESRS E5
	306-3 Waste generated	Environmental sustainability, p. 47		ESRS E5
	306-4 Waste diverted from disposal	Environmental sustainability, p. 46		ESRS E5
	306-5 Waste directed to disposal	Environmental sustainability, p. 47		ESRS E5
GRI 308: Supplier environmental assessment	308-1 New suppliers that were screened using environmental criteria	Responsible products, p. 32		ESRS G1
	308-2 Negative environmental impacts in the supply chain and actions taken	Responsible products, p. 32; Environmental sustainability, p. 44		ESRS 2 SBM-3

GRI STANDARD	DISCLOSURE	LOCATION	COMMENT	ESRS
SOCIAL STANDARDS				
GRI 401: Employment (2016)	**401-1** New employee hires and employee turnover	Highlights, p. 12; The best workplace for the professionals of the future, p. 35; Social sustainability, p. 58		ESRS S1
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Governance - Remuneration report, p. 83–84		ESRS S1
	401-3 Parental leave	Social sustainability, p. 57		ESRS S1
GRI 402: Labor/ management relations (2016)	**402-1** Minimum notice periods regarding operational changes	Governance - Remuneration report, p. 84		ESRS S1
GRI 403: Occupational health and safety (2018)	**403-1** Occupational health and safety management system	Value creation, p. 22; Sustainability strategy, p. 28; Social sustainability, p. 48–49; Sustainability governance, p. 59		ESRS S1
	403-2 Hazard identification, risk assessment, and incident investigation	Social sustainability, p. 49–50, Sustainability governance, p. 60–61		ESRS S1
	403-3 Occupational health services	Social sustainability, p. 48–49, 50–51		ESRS 1
	403-4 Worker participation, consultation, and communication on occupational health and safety	Social sustainability, p. 49, 50; Sustainability governance, p. 60		ESRS 1
	403-5 Worker training on occupational health and safety	Sustainability strategy, p. 27; The best workplace for professionals of the future, p. 34; Social sustainability, p. 49–50, 53		ESRS 1
	403-6 Promotion of worker health	Social sustainability, p. 49–51		ESRS 1
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Social sustainability, p. 49		ESRS S2
	403-8 Workers covered by an occupational health and safety management system	Social sustainability, p. 49, 51		ESRS S1
	403-9 Work-related injuries	Value creation, p. 22; Sustainability strategy, p. 27; Social sustainability, p. 58		ESRS S1
	403-10 Work-related ill health	Social sustainability, p. 58		ESRS S1
GRI 404: Training and education (2016)	**404-1** Average hours of training per year per employee	Social sustainability, p. 58		ESRS S1
	404-2 Programs for upgrading employee skills and transition assistance programs	Social sustainability, p. 53–54		ESRS S1
	404-3 Percentage of employees receiving regular performance and career development reviews	Social sustainability, p. 54, 58	334 employees received performance and competence review in 2023.	ESRS S1
GRI 405: Diversity and equal opportunity (2016)	**405-1** Diversity of governance bodies and employees	Sustainability strategy, p. 27; Stakeholders, p. 41; Social sustainability, p. 52, 57		ESRS S1
	405-2 Ratio of basic salary and remuneration of women to men	Social sustainability, p. 58; Remuneration report, p. 81		ESRS S1
GRI 406: Non-discrimination (2016)	**406-1** Incidents of discrimination and corrective actions taken	Social sustainability, p. 57		ESRS S1
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	Social sustainability, p. 49		ESRS 1

GRI STANDARD	DISCLOSURE	LOCATION	COMMENT	ESRS
GRI 413: Local communities (2016)	413-1 Operations with local community engagement, impact assessments, and development programs	Social sustainability, p. 55–56		ESRS S3
GRI 414: Supplier social assessment (2016)	414-1 New suppliers that were screened using social criteria	Social sustainability, p. 55	Minimum requirements for suppliers are defined in Supplier Code of Conduct.	ESRS G1
	414-2 Negative social impacts in the supply chain and actions taken	Social sustainability, p. 55; Sustainability governance, p. 60–61		ESRS 2 SBM-3
GRI 416: Customer health and safety (2016)	416-1 Assessment of the health and safety impacts of product and service categories	Value creation, p. 22; Climate impact, p. 29; Environmental sustainability, p. 42; Social sustainability, p. 47		ESRS 1

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	Total energy consumption 12.86 Wh/EUR
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, EUR 0
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	Sustainability strategy, p. 25; Responsible products, p. 32; Environmental sustainability, p. 44
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	Sustainability governance, p. 60–61
	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	Reporting currency	RT-EE-510a.2	None, EUR 0
	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	Reporting currency	RT-EE-510a.3	None, EUR 0

04 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 January 1 to December 31, 2023. 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. Kempower's auditor, the auditing firm Ernst & Young Oy, has certified that the report has been issued and that the description presented in it of the main features of the internal control and risk management system related to the company's financial reporting process is consistent with the description included in the Company's financial statements.

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 managing the company. 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. General Meeting of the Shareholders

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. 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 release 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 2023

The Annual General Meeting 2023 was held on March 30, 2023.

Extraordinary General Meeting 2023

The Extraordinary General Meeting 2023 was held on August 28, 2023.

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 Chair and Vice Chair of the Board, whose term of office is the same as that of the 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 all of its 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 deciding 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 of 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 Chair 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 2023.

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 Chair 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 2023

Prior to the Annual General Meeting held on March 30, 2023, the Board had the following seven members: Chair of the Board Antti Kemppi, Vice Chair of the Board Teresa Kemppi-Vasama, Juha-Pekka Helminen, Tero Era, Kimmo Kemppi, Vesa Laisi and Eriikka Söderström. Juha-Pekka Helminen had announced that he is no longer available as a member of the Board.

At the 2023 Annual General Meeting Tero Era, Antti Kemppi, Kimmo Kemppi, Teresa Kemppi-Vasama, Vesa Laisi and Erikka Söderström were re-elected as Board members, and Olli Laurén was elected as a new Board member. According to Article 6 of the Articles of Association of the company, Antti Kemppi was elected as the Chair of the Board of Directors, and Vesa Laisi as the Vice Chair of the Board.

At the Extraordinary General Meeting held on August 28, 2023, the number of members of the Board of Directors was resolved to be eight, and Tuula Rytilä was elected as a new Board member.

Board of Directors as per December 31, 2023

In addition to the Chair of the Board the Company's Board of Directors comprised of eight members as of December 31, 2023:

Antti Kemppi

Chair of the Board

Master of Science (Economics and Business Administration)

b. 1978

Finnish citizen

Chair of the Board since 2018

Independent of the Company, not independent of the Company's significant shareholders

Holding on December 31, 2023: 17,501 shares

Indirect ownership on December 31, 2023: 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.

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 significant shareholders

Holding on December 31, 2023: 8,710 shares

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 significant shareholders

Holding on December 31, 2023: 56,620 shares

Indirect ownership on December 31, 2023: 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, MBA

b. 1970

Finnish citizen

Member of the Board since 2018

Independent of the Company, not independent of the Company's significant shareholders

Holding on December 31, 2023: 17,501 shares

Indirect ownership on December 31, 2023: Majority owner of Bellator Oy and Montia Oy. Bellator Oy owns 24,390 shares and Montia Oy 24,390 shares. Auro Invest Oy split into Bellator Oy and Montia Oy on December 31, 2022.

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

Vesa Laisi

Member of the Board and Vice Chair of the Board

Master of Science in Technology,
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 significant shareholders

Holding on December 31, 2023: 31,097 shares

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 significant shareholders

Holding on December 31, 2023: 29,181 shares

Olli Laurén

Member of the Board

MBA - INSEAD

b. 1959

Finnish and American citizen

Member of the Board since 2023

Independent of the Company and
the Company's significant shareholders

Holding on December 31, 2023: 2,050 shares

Tuula Rytilä

Member of the Board

Master of Science (Economics)

b. 1967

Finnish citizen

Member of the Board since 2023

Independent of the Company and
the Company's significant shareholders

Holding on December 31, 2023: 0 shares

In 2023, the Board held a total of 23 meetings. The average attendance rate at Board meetings was 99 percent.

Board Member	Presence	Attendance rate
Antti Kemppi	23/23	100%
Tero Era	23/23	100%
Juha-Pekka Helminen	6/6	100%
Kimmo Kemppi	21/23	91%
Teresa Kemppi-Vasama	23/23	100%
Vesa Laisi	23/23	100%
Eriikka Söderström	23/23	100%
Olli Laurén	18/18	100%
Tuula Rytilä	8/8	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 2023, the members of the Board of Directors Antti Kemppi, Teresa Kemppi-Vasama, Kimmo Kemppi, Eriikka Söderström, Vesa Laisi, Olli Laurén and Tero Era were considered independent of the Company. Tuula Rytilä, the new Board member elected at Kempower's Extraordinary General Meeting, has been considered to be 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 Chair of each committee. Each 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.

Audit Committee in 2023

In 2023 until the Annual General Meeting held on March 30, 2023, the Audit Committee consisted of Chair Eriikka Söderström, Antti Kemppi, Teresa Kemppi-Vasama and Juha-Pekka Helminen. In the Board meeting Eriikka Söderström, Antti Kemppi and Teresa Kemppi-Vasama were re-elected and Tero Era was elected as a new member of the Audit Committee. All members are independent of the Company. All members are independent of significant shareholders except for Antti Kemppi and Teresa Kemppi-Vasama.

In 2023, the Audit Committee convened 5 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;
- the 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.

Remuneration and Nomination Committee in 2023

In 2023 until the Annual General Meeting held on March 30, 2023, the Remuneration and Nomination Committee consisted of Chair Vesa Laisi, Tero Era, Antti Kemppi, Kimmo Kemppi, and Teresa Kemppi-Vasama. In the Board meeting Vesa Laisi, Antti Kemppi, Kimmo Kemppi, and Teresa Kemppi-Vasama were re-elected and Olli Laurén was elected as a new member of the Remuneration and Nomination Committee. In addition, after the Extraordinary General Meeting held on August 28, 2023, Tuula Rytilä has been a member of the Remuneration and Nomination Committee. All members are independent of significant shareholders except for Antti Kemppi, Kimmo Kemppi and Teresa Kemppi-Vasama.

In 2023 the Remuneration and Nomination Committee convened 7 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 Chair 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.

The 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 of the members of the Management Team.

Kempower Corporation’s extended Management Team operated in the following composition at the end of 2023:

Tomi Ristimäki

Chief Executive Officer

Member of the Management Team since 2019

b. 1975, Master of Science in Electrical Engineering

Finnish citizen

Holding on December 31, 2022: 24,520 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: 9,591 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: 19,334 shares

Jussi Vanhanen

Chief Markets Officer

Member of the Management Team since 2021

b. 1972, Master of Science in Electrical Engineering

Finnish citizen

Holding on December 31, 2022: 2,391 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: 18,968 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: 17,978 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 in Electrical Engineering

Finnish citizen

Holding on December 31, 2022: 3,246 shares

Tim Joyce

President, North America

Member of the Management Team since 2023

b. 1965, B.A., Economics

American citizen

Holding on December 31, 2022: 0 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: 7,763 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: 9,475 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: 112 shares

Hanne Peltola

Vice President, People and Culture

Member of the Extended Management Team since 2023

b. 1969, Executive Master of Business Administration (eMBA), Master of Social Sciences

Finnish citizen

Holding on December 31, 2022: 5 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 Company's internal control system and risk management 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 internal audit is responsible for independent assessment and verification activities, the main task of which is to support the management and the Board in their supervisory role. 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.

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. Kempower's Board decides on significant transactions with the Company's management and related parties. 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 2023. 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, for example, that persons who are required to process insider 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 and companies.

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 deputy member of the Board Aaro Vasama.

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 2023. 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 2023:

Auditor's fees	Kempower Group (EUR)	Kempower Corporation(EUR)
Audit	187,137	187,137
Tax consulting	58,635	58,635
Other services	87,069	87,069
Total	**332,841**	**332,841**

Remuneration Report

Letter from the Chair of the Remuneration and Nomination Committee

Dear shareholders,

As Chair of the Remuneration and Nomination Committee, I am pleased to present Kempower's Remuneration Report for 2023. The report has been reviewed by the Remuneration and Nomination Committee and approved by the Board of Directors. Shareholders will make an advisory decision on the adoption of the remuneration report at the company's Annual General Meeting in 2024.

Remuneration at Kempower is based on the remuneration policy, which was presented for an advisory decision at the Annual General Meeting on April 13, 2022. The company's remuneration is guided by fairness, competitiveness and the implementation of the company's growth strategy. The aim is to offer all Kempowerians an inspiring workplace and give everyone the opportunity to develop their competences and do meaningful work in promoting the green transition.

The main tasks of the Remuneration and Nomination Committee in 2023 were market benchmarking of the company's overall remuneration, remuneration for the Management Team, setting the targets and remuneration levels for short- and long-term incentive schemes for 2024, Board and Management Team appointments and succession planning, and the design of the employee share savings plan. The Committee also started the planning of the organization's diversity, equity, inclusion and belonging (DEIB) together with the management and continued the corporate culture program launched two years ago as part of the company's growth strategy. We hope that each Kempowerian will contribute to building a corporate culture that supports growth and needs of the growing company. We also want to combine the interests of shareholders and staff in the long-term development of the company.
In December 2023, we announced plans to launch a new period 2024–2027 for the share savings plan established in 2023. The aim of the employee share savings plan is to encourage Kempowerians to acquire and own shares in the company.

Kempower continued its profitable growth in 2023. The short-term incentive scheme's return to staff for 2023 was very good, as the scheme's performance metrics focused on profitable growth. In 2023, the company recorded a revenue of EUR 284 million, an increase of 174 percent on the previous year. The operative EBIT margin grew to EUR 40.7 million, compared to EUR 6.7 million in the previous year. Kempower has strengthened its market position as a leading player in the Nordic DC charging market and has rapidly increased its market share in the rest of Europe, where year-on-year revenue growth was 354 percent. Our North American operations in North Carolina were started on schedule. In 2024, the company will continue to expand its business in Europe and North America and support the growth of sales partners in other regions.

Our rapidly growing and increasingly international operations place new demands on the company's remuneration. Our aim is to ensure Kempower's attractiveness as an employer in the international market. We need the best resources in the sector to implement our growth strategy. We will also consider environmental, social and governance (ESG) issues in the new long-term incentive scheme.

I want to thank all Kempowerians for the excellent results and the implementation of our growth strategy in 2023. We are at the forefront of the green transition in e-mobility.

Vesa Laisi
Chair of the Remuneration and Nomination Committee

1. Introduction

This remuneration report for 2023 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 2023 and due on the basis of the financial year 2023. 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 final 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 final 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 remuneration of the CEO and the members of the Management Team consists of a monthly salary, benefits, a yearly bonus and long-term share-based incentive program. In addition, all Kempower employees are included in a yearly bonus program (short-term incentive) that includes company-level targets as well as personal targets. In addition, both the management and all employees can participate in Kempower's long-term share savings program.

Remuneration principles 2023

In accordance with its remuneration policy, Kempower strives to reward its management in a way that provides an incentive and engages them in executing 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 2023, 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 2023, which was however based on the 2022 financial period, the terms of the previous bonus system based on the achievement of 2022 goals were 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 2019–2023

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 Company's financial development is expressed by presenting the development of the Kempower Group's revenue and order intake between the financial years 2019–2023. Kempower was listed on the First North Growth Market Finland in December 2021.

In the beginning of the review period the number of Board members was seven (7) and the Board was supplemented by one Board member in August making the number eight (8) at the end of the year. The Board has two committees, the Audit Committee and the Remuneration and Nomination Committee. The number of members of the committees was four (4) in the Audit Committee and at the beginning of the review period five (5) in the Remuneration and Nomination Committee. After a new Board member joined the Remuneration and Nomination Committee in September-August, the number of committee members at the end of the period was six (6).

	2023	2022	2021	2020	2019
Board fees EUR	327,674	245,375	217,792	12,000	0
CEO fees EUR	493,456	361,085	192,792	135,384	86,105
Remuneration of employees (average)* EUR	70,845	68,196	74,431	64,758	68,724
Revenue TEUR	283,614	103,644	27,400	3,252	327
Order intake TEUR	275,305	208,891	37,388	7,092	483

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

2. Board remuneration during the financial year 2023

Kempower Corporation's Annual General Meeting decided on March 30, 2023 that the Chair of the Board will be paid EUR 45,000 per year, the Deputy Chair 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, a separate meeting fee is paid to the members of the Board of Directors for attending a meeting as follows:

- the meeting fee is EUR 500 per meeting if the meeting is held in the home country of the member of the Board of Directors or if the meeting is a virtual meeting,
- the meeting fee is EUR 1,000 per meeting if the meeting is held on the same continent as where the home country of the member of the Board of Directors is located but not in his or her home country, and
- the meeting fee is EUR 1,500 per meeting if the meeting is held on a different continent from where the home country of the member of the Board of Directors is located.

Travel expenses are reimbursed in accordance with Kempower's travel policy.

Remuneration paid to members of the Board of Directors during the financial year January 1–December 31, 2023

Board Member	Annual fees (EUR)	Other financial benefits	Total annual fees (EUR)
Antti Kemppi, Chair of the Board	51,500	0	51,500
Tero Era, Board member	41,500	0	41,500
Juha-Pekka Helminen*, Board member	11,750	0	11,750
Kimmo Kemppi, Board member	41,000	0	41,000
Teresa Kemppi-Vasama, Board member	41,500	0	41,500
Vesa Laisi, Board member	44,000	0	44,000
Eriikka Söderström, Board member	46,500	0	35,750
Olli Laurén, Board member	35,750	0	46,500
Tuula Rytilä, Board member	14,174	0	14,174
Total	**327,674**	**0**	**327,674**

* Member of the Board until March 2023.

In addition, the Chair of the Audit Committee is paid EUR 5,000 per year in addition to the Board fee and the Chair 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.

3. Remuneration of the CEO during the financial year 2023

Fees paid during the financial year 2023

The remuneration of Kempower Corporation's CEO Tomi Ristimäki in the financial year January 1, 2023–December 31, 2023 consisted of a base salary, fringe benefits and a yearly bonus related to the fulfillment of business objectives.

The CEO is part of Kempower's general annual bonus program. In the financial year 2023, the CEO was paid a performance bonus based on the achievement of the targets under the 2022 bonus program, in accordance with the Board's assessment and decision.

The targets of the yearly bonus paid to the CEO on the basis of the financial year 2022 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. Achieving company-level financial targets had a weight of 70% and personal targets a weight of 30%. The performance bonus of EUR 118,068 paid to the CEO during 2023, tied to the achievement of the 2022 targets, corresponded to 5.3 months' basic salary.

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 the above bonus, the Board decided to grant an additional performance bonus to the CEO and the whole Kempower personnel for 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 aditional bonus of EUR 93,387 was based on company-level targets and was paid in spring 2023 in Kempower shares trough the Employee Share Savings Plan. When combining both the 2022 bonus program and the additional performance bonus for the year 2022 a total amount of EUR 211,455 was paid in spring 2023 which corresponded to a fixed base salary of 9.4 months in 2023.

Remuneration and benefits paid to the CEO during the financial year January 1–December 31 ,2023

	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 2022	Share savings plan additional bonus	Total
267,675	14,086	240	118,068	93,387	493,456

The fixed annual salary and fringe benefits paid to the CEO in 2023 accounted for 57% of the total remuneration, the short-term incentive bonuses paid accounted for 24% and the share savings plan additional bonus accounted for 19%.

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

The CEO's annual fixed basic salary for 2024 is EUR 325,380. 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 2024 based on the financial year 2023

The CEO was part of Kempower's short-term incentive (STI) plan, under which the performance bonus will be paid in April 2024. Based on the 2023 bonus program, a total amount of approximately EUR 163,260 will be paid to the CEO as a bonus, which corresponds to a fixed base salary of 6 months.

The targets of the performance bonus to be paid to the CEO on the basis of the financial year 2023 were partly based on the Kempower Group's revenue, order backlog (total 70% of total targets) and gross profit margin (total 30% of total targets).

The performance bonus to be paid to the CEO for the financial year 2023 is based on the Board's assessment and decision on the achievement of targets.

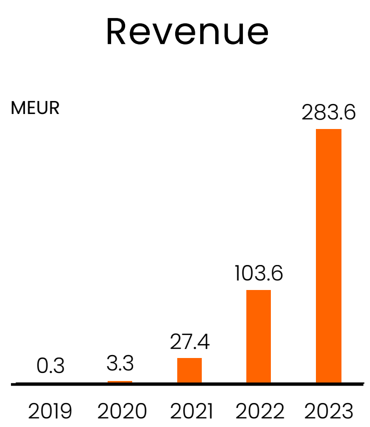
Other benefits

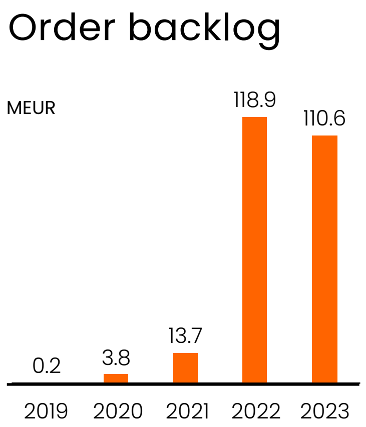
Personnel offering

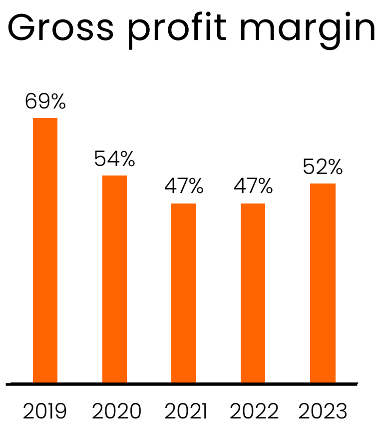
In October 2021, the company carried out a directed share issue made in deviation from the shareholders' pre-emptive subscription rights to engage personnel of Kempower by issuing 5,789 new shares in a Personnel Offering. The subscription price in the personnel offering was EUR 100.00 per share before the share issue without consideration registered on 26 November, 2021, in which for each existing share, 53 new shares were given. The number of shares to which the CEO subscribed, after the share issue without consideration, was 15,768. The members of Kempower's personnel including the CEO who participated in the personnel offering have signed a shareholder agreement in which they have, among other things, 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 plan (2022–2024)

In 2022 the Board of Directors of Kempower decided to establish a new share-based incentive plan for the Group's key employees including the 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 working 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 2022–2024.

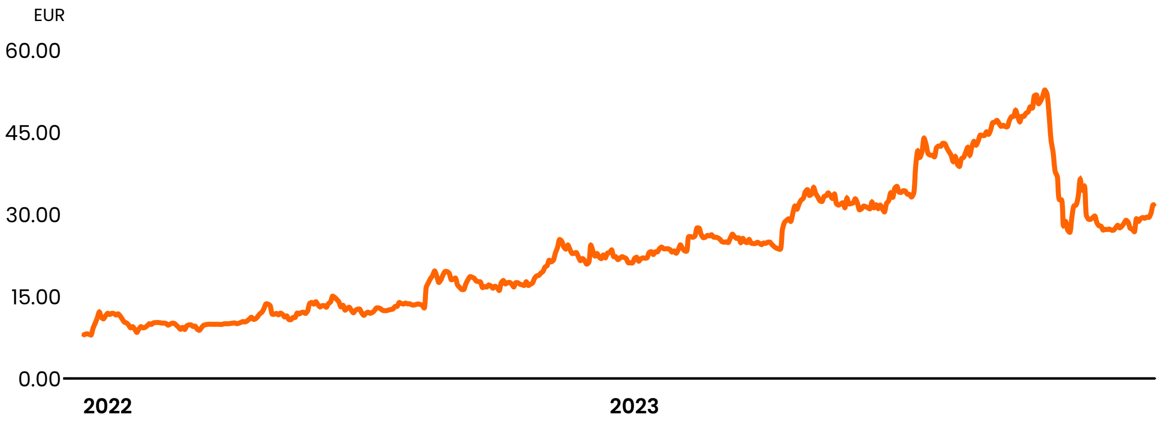
During the performance period 2022–2024, the rewards are based on the Total Shareholder Return of the Kempower share in 2022–2024 and Group Revenue in 2024. The value of the maximum rewards to be paid to the CEO will correspond to a total of approximately 14,000 Kempower's shares including also the cash 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.

Share-based incentive plan (2023–2025)

In 2023 the Board of Directors of Kempower decided continue the share-based incentive plan with new three-year period in 2023–2025. 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 program is for Companys management and key employees.

Share price development



The Performance Share Plan 2023–2025 consists of a three (3) year performance period, covering the financial years 2023–2025. During the performance period, the rewards are based on the Total Shareholder Return of the Kempower share in 2023–2025 and Group Revenue in 2023–2025. The value of the maximum rewards to be paid to the CEO will correspond to a total of approximately 12,400 Kempower's shares including also the cash proportion.

Employee Share Savings Plan

In 2023 the Board of Directors of Kempower decided to establish an Employee Share Savings Plan for all Kempower and its subsidiaries' employees. 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 Employee Share Savings Plan consists of annually commencing plan periods, each one comprising of a 12-month savings period and a holding period following the savings period. The ESSP is offered to all Kempower employees and management in countries where there are no legal or administrative constraints for participation. The employees will have an opportunity to save a proportion of their salaries consistently and invest those savings in Kempower shares. After a three-year savings period the Company rewards for the commitment by granting the participating employees a gross award of one matching share for every two (2) savings shares acquired with their savings.

Termination, severance pay and pension

The CEO has been elected until further notice. The period of mutual notice of 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 CEO's retirement age is determined by the Pensions Act. No special supplementary pension benefits have been agreed with the CEO.

05
Financial review

Report of the Board of Directors 2023

Highlights

Financial year 2023 highlights, IFRS
(comparison figures in parenthesis financial year 2022)

- Order intake increased to EUR 275.3 million (EUR 208.9 million)
- Revenue increased by 174% to EUR 283.6 million (EUR 103.6 million)
- Gross profit margin was 52.1% (46.5%)
- Operative EBIT increased to EUR 40.7 million (EUR 6.7 million), 14.3% of revenue (6.4%)
- Profit for the period increased to EUR 33.7 million (EUR 3.6 million)
- Cash flow from operating activities was EUR 39.7 million (EUR -5.4 million)

Kempower Group key figures

MEUR	2023 IFRS	2022 IFRS	2021 IFRS
Order backlog	110.6	118.9	13.7
Order intake	275.3	208.9	37.4
Revenue	283.6	103.6	27.4
Revenue growth, %	174%	279%	741%
Gross profit	147.7	48.2	12.9
Gross profit margin, %	52.1%	46.5%	47.1%
EBITDA	47.1	9.5	0.5
EBITDA margin, %	16.6%	9.2%	1.7%
Operating profit (EBIT)	40.6	6.1	-0.7
EBIT margin, %	14.3%	5.9%	-2.5%
Operative EBIT	40.7	6.7	1.0
Operative EBIT margin, %	14.3%	6.4%	3.6%
Profit for the period	33.7	3.6	0.3
Equity ratio, %	58.3%	67.5%	90.5%
Cash flow from operating activities	39.7	-5.4	-2.6
Investments	9.6	6.2	1.6
Net debt	-74.6	-58.4	-89.3
Items affecting comparability	0.1	0.6	1.7
Earnings per share, basic, EUR	0.61	0.06	0.01
Earnings per share, diluted, EUR	0.61	0.06	0.01
Headcount end of period	737	375	136

Outlook for 2024

Kempower remains committed to strive for rapid and profitable growth. In the year 2024, the company will intensify its efforts to expand within key markets. These efforts include strengthening our market activities and capacity increase in Europe. In addition, we continue growth strategy execution in North America and launch of a new, next generation fast-charging product portfolio.

In the short term, the fixed costs associated with these growth initiatives are expected to outpace revenue growth, thereby impacting profitability for the year 2024. Outlook for 2024 expects successful market launch of next generation product portfolio.

Kempower expects:

- 2024 revenue; between EUR 360 million and EUR 410 million, assuming no major impact from foreign currency exchange rates (revenue 2023: EUR 283.6 million),
- 2024 operative EBIT margin, %; between 5% - 10%

Customers' high inventory levels and the launch of the next generation product portfolio impacted our order intake towards the end of 2023 and beginning of 2024 reflecting to Q1/2024 financials. The launch has delayed the purchasing decisions of some customers as they prefer the latest technology in their purchasing decisions:

- In Q1 of 2024 Kempower expects revenue to be between EUR 51 million and EUR 56 million and operative EBIT to be significantly below the Q1 of 2023.

Financial targets

The Board of Directors resolved on Kempower's financial targets on 19 April 2023.

- Growth: revenue of EUR 750 million in the medium term (years 2026-2028)
- Profitability: operative EBIT margin of 10 percent to 15 percent reached in the medium term (years 2026-2028) and operative EBIT margin of at least 15 percent in the long term
- Dividends: No dividends in the short term

Sustainability

Sustainability is at the core of Kempower's strategy. In the fourth quarter of 2023 we further committed to sustainable business practices by officially joining the United Nations (UN) Global Compact initiative. Global Compact initiative is a voluntary leadership platform for developing, implementing and disclosing responsible business practices that invites companies to align their operations and strategies with 10 universally accepted human rights, labour, environment and anti-corruption principles and to take action supporting UN goals and issues embodied by the Sustainable Development Goals.

During the last quarter of 2023 Kempower has refined its ESG strategy based on double materiality assessment as well as carried out gap analysis and preparations for the official CSRD reporting for 2024 are ongoing.

We recruited heavily during the year 2023 almost doubling our headcount and maintained excellent eNPS (employee Net Promoter Score). Our average eNPS (employee Net Promoter Score) for the year 2023 was 69 (80). Employee satisfaction is crucial for Kempower in order to attract and maintain current and future professionals.

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.

Order intake

Kempower's order intake was EUR 275.3 million (EUR 208.9 million) in 2023.

Kempower reports revenue according to geographical regions below:

- Nordics
- Rest of Europe
- North America
- Rest of the World

Revenue

REVENUE BY GEOGRAPHICAL REGIONS

MEUR	2023	2022	Change	Change %
Nordics*	114.1	57.8	56.2	97%
Rest of Europe	144.2	40.7	103.5	254%
North America	11.3	1.6	9.7	612%
Rest of the World	14.0	3.5	10.5	303%
Total	**283.6**	**103.6**	**180.0**	**174%**

*Nordics include Finland, Sweden, Norway, Denmark and Iceland

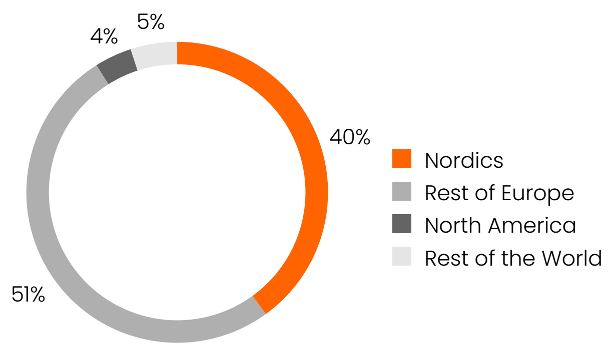
Kempower's revenue mainly consists of deliveries of electric vehicle chargers and charging stations the company manufactures and charger maintenance services. Kempower also provides its customers with the ChargEye SaaS service, a cloud-based charging management system (CMS). Kempower's customers are mainly public charging operators, commercial vehicle fleet operators, vehicle and equipment manufacturers and distributor and installer partners.

Kempower's revenue for 2023 amounted to EUR 283.6 million (EUR 103.6 million), an increase of 174 percent compared to the previous year.

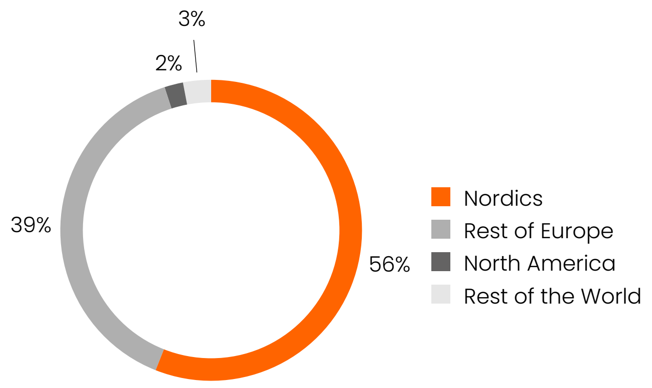
Kempower's charging solutions have been delivered to almost 50 countries globally. Kempower's geographical markets include the Nordics, Rest of Europe, North America and Rest of the World. In 2023 the revenue generated from the Nordics accounted for 40 (56) and Rest of Europe 51 (39) percent of Kempower's revenue. The revenue generated from North America accounted for 4 (2) and Rest of the World 5 (3) percent of Kempower's revenue in 2023.

Kempower's revenue growth during 2023 was most significant, in absolute terms, in Rest of Europe and in Nordics. Kempower's revenue growth in relative terms was most rapid outside of Europe during the financial year 2023.

Revenue 2023



Revenue 2022



Profitability

Kempower's operating profit (EBIT) for 2023 increased by EUR 34.5 million to EUR 40.6 million (EUR 6.1 million). Kempower's operative EBIT for 2023 amounted to EUR 40.7 million (EUR 6.7 million). The increase was mainly due to strong demand in Nordics and Rest of Europe, successful increase in the production capacity, improved sales mix and strong profitability in customer deliveries despite of continued efforts in North America entry and expansion in Europe. North America expansion costs started to accelerate in Q4 of 2023. Items affecting comparability in 2023 amounted to EUR 0.1 million (EUR 0.6 million) and related to expenses of establishing operations in the USA.

Kempower's other operating income for 2023 amounted to EUR 1.3 million (EUR 0.3 million) and comprised of governmental grants mainly from Business Finland EUR 0.8 million, insurance compensations EUR 0.2 million and other income totaling EUR 0.3 million.

Kempower's net financial items for 2023 amounted to EUR 2.5 million (EUR -1.3 million).

Kempower's income tax expenses for 2023 amounted to EUR 9.3 million (EUR 1.2 million).

ITEMS AFFECTING COMPARABILITY

MEUR	2023	2022
Expenses related to establishing operations in the United States presented in other operating expenses	0.1	0.6
Total	**0.1**	**0.6**

Research and development

Research and development expenses including employee benefits amounted to EUR 14.1 million (EUR 7.3 million) for 2023, the equivalent of 5% (7%) of revenue. The carrying amount of capitalized development costs amounted to EUR 0.3 million (EUR 0.5 million) at the end of 2023. No research and development costs were capitalized during 2023.

In addition to constant development of existing product portfolio we made following successful launches during 2023:

In Q4/2023 Kempower introduced Megawatt Charging System for electric trucks and electric vehicles using power above one megawatt. New charging solution is based on the company's existing technology, including Kempower's high power satellite with MCS liquid cooled charging plug and two 600 kW Kempower Power Units.

In Q2/2023 Kempower announced that North American Charging Standard (NACS) will be included for all company's charging solutions. NACS will be available to our customers during the first quarter of 2024.

In Q2/2023 Kempower launched a new Plug and Charge solution to improve and simplify the user experience for EV drivers by cutting the billing process from charging sessions. The Plug and Charge solution will be offered as an extension of the company's existing Kempower ChargEye charging management software. The solution is compatible with all Kempower chargers, including those already installed and operational.

Cash flow, financing and balance sheet

Cash flow from operating activities for 2023 amounted to EUR 39.7 million (EUR -5.4 million). Positive cash flow was driven by revenue growth, strong margins and relatively improved working capital situation in 2023.

Cash flow from investing activities for 2023 amounted to EUR -14.6 million (EUR -71.2 million). Cash flows from investing activities for 2023 included the increase of money market investments EUR -5.0 million and investments in intangible assets and property, plant and equipment EUR -9.6 million. For 2022 cash flows from investing activities included the increase of money market investments EUR -65.0 million and investments in intangible assets and property, plant and equipment EUR -6.2 million.

Net cash flows from financing activities for 2023 were EUR -7.5 million (EUR -3.8 million). In 2023 net cash flow from financing activities consisted of acquisition of treasury shares in Q4 of 2023 EUR -3.8 million and payments of lease liabilities of EUR -3.7 million. Net cash flows from financing activities for 2022 consisted of acquisition of treasury shares of EUR -1.4 million and payments of lease liabilities of EUR -2.4 million.

Kempower's total assets on the balance sheet at the end of December 2023 were EUR 237.7 million (EUR 154.2 million).

Kempower's cash and cash equivalents at the end of 2023 amounted to EUR 27.4 million (EUR 9.8 million). Other financial assets at the end of 2023 included money market investments amounting to EUR 72.4 million (EUR 64.2 million). Kempower had EUR 15.0 million (-) of unused short term credit facilities at the end of 2023.

Kempower's equity ratio for 2023 was 58.3% (67.5%). Net debt for 2023 amounted to EUR -74.6 million (EUR -58.4 million). The change in net debt as compared to the end of 2022 was mainly due to the increase in cash and cash equivalents and the increase in fair value of other financial assets.

Investments

Kempower's gross investments during 2023 totaled EUR 9.6 million (EUR 6.2 million). Kempower's investments for 2023 related mainly to the production and RDI center expansions.

Personnel

Kempower's headcount at the end of 2023 was 737 (375), of whom 574 (326) were employed by the parent company and 163 (49) by the subsidiaries. Kempower's average number of personnel converted into full-time employees amounted to 542 (252) at the end of 2023.

Kempower's headcount growth in 2023 was in line with the growth strategy of the company. Kempower's employee Net Promoter Score (eNPS) was 69 (80) on average in the personnel satisfaction surveys conducted in 2023.

HEADCOUNT END OF PERIOD

Headcount end of period	**31 Dec 2023**	**31 Dec 2022**
Operations, Production employees	176	97
Administration	79	36
Operations, Office employees	113	56
Research, development and innovations	148	68
Sales and marketing	221	118
Total	**737**	**375**

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 at the end of 2023 was 55,277,746 (55,418,286). The average number of shares outstanding during 2023 was 55,404,944 (55,483,721).

The company held 265,174 pcs of the company's own shares at the end of 2023 (124,634 pcs 2022). Kempower acquired 140,000 own shares during 2023 relating to its new long term incentive program. Kempower Corporation has redeemed a total of 540 shares subscribed in the personnel share issue from employees whose employment with Kempower Corporation has ended, in accordance with the terms and conditions of the shareholder agreement.

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

Share indicators	2023	2022
Highest Price (EUR)	54.40	25.48
Lowest Price (EUR)	21.20	8.52
Volume weighted average price (EUR)	33.72	14.86
Closing (EUR)	31.82	21.22
Turnover (EUR)	884,656,078	275,551,178
Turnover volume	26,234,850	18,540,336
Market capitalization at the end of period MEUR	1,759	1,176
Number of registered shares	55,542,920	55,542,920
Number of own shares	265,174	124,634
Number of outstanding shares	55,277,746	55,418,286

Major shareholders

At the end of the reporting period on 31 December 2023 the company had 53,470 shareholders.

15 LARGEST SHAREHOLDERS ON 31 DECEMBER 2023

	Shareholder	Number of shares	% of shares
1.	Kemppi Group Oy	34,400,000	61.93%
2.	Varma Mutual Pension Insurance Company	2,372,678	4.27%
3.	Ilmarinen Mutual Pension Insurance Company	1,090,000	1.96%
4.	Nordea Funds	740,638	1.33%
5.	Evli Fund Management	646,945	1.16%
6.	Nordea Life Assurance Finland Ltd	396,045	0.71%
7.	Oy Julius Tallberg Ab	356,309	0.64%
8.	Wipunen varainhallinta Oy	350,000	0.63%
9.	Kempinvest Oy	348,432	0.63%
10.	Heikintorppa Oy	300,000	0.54%
11.	Kempower Corporation	265,174	0.48%
12.	Handelsbanken Fonder	259,973	0.47%
13.	Sp-Fund Management	251,941	0.45%
14.	Elo Mutual Pension Insurance Company	232,000	0.42%
15.	BlackRock	229,838	0.41%

Source: Modular Finance AB - Monitor

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 in Lahti on 30 March 2023. The General Meeting adopted the annual accounts for the financial year 2022, considered the remuneration report for governing bodies 2022 and discharged the members of the Board of Directors and the Managing Director from liability for the financial year 2022.

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

The General Meeting resolved in accordance with the proposal of the Board of Directors that no dividend is paid for the financial year of 1 January 2022 to 31 December 2022 and that the profit of the financial year EUR 3,488,605.09 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, Antti Kemppi, Kimmo Kemppi, Teresa Kemppi-Vasama, Vesa Laisi and Eriikka Söderström were re-elected as members of the Board of Directors and Olli Laurén was elected as a new member of the Board of Directors. In accordance with Section 6 of the company's Articles of Association, Antti Kemppi was re-elected as the Chair of the Board of Directors and Vesa Laisi was re-elected as the Vice Chair of the Board of Directors. The term of the members of the Board of Directors will end at the conclusion of the Annual General Meeting of 2024.

The General Meeting resolved that the annual remunerations payable to the members of the Board of Directors are as follows:

- Chair 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 separate meeting fee is paid to the members of the Board of Directors for attending a meeting as follows:

- the meeting fee is EUR 500 per meeting if the meeting is held in the home country of the member of the Board of Directors or if the meeting is a virtual meeting,
- the meeting fee is EUR 1,000 per meeting if the meeting is held on the same continent as where the home country of the member of the Board of Directors is located but not in his or her home country, and
- the meeting fee is EUR 1,500 per meeting if the meeting is held on a different continent from where the home country of the member of the Board of Directors is located.

In addition, the General Meeting resolved that an annual fee of EUR 5,000 is paid to the Chair of the Audit Committee in addition to the annual remuneration of the member of the Board of Directors and that an annual fee of EUR 2,500 is paid to the Chair of the Remuneration and Nomination Committee in addition to the annual remuneration of the member of the Board of Directors.

Election and remuneration of the auditor

Ernst & Young Oy was re-elected as the auditor of the company. Ernst & Young Oy informed that Authorized Public Accountant Toni Halonen would act as the auditor in charge. It was resolved to pay remuneration for the auditor in accordance with an invoice approved by the company.

Amending the Articles of Association

The General Meeting resolved to amend the Articles of Association of the company by changing its Section 10 in such a way that a general meeting can be held completely without a meeting venue as a so-called remote meeting.

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

The 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 to be repurchased is 2,777,146 shares. The proposed number of shares corresponds to five (5) percent of all the shares in the company. The shares can 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 that case, 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 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 company's own shares. The repurchase of the company's own shares reduces the unrestricted equity of the company. The authorization remains in force until the conclusion of the following Annual General Meeting, however, until 30 June 2024 at the latest. The authorization revokes the authorization for repurchasing the company's own shares granted to the Board of Directors by the Annual General Meeting on 13 April 2022.

Authorizing the Board of Directors to decide on the issuance of shares

The General Meeting resolved to authorize the Board of Directors to decide on the issuance of shares in one or several instalments. The number of shares to be issued based on the authorization may not exceed 4,500,000 shares. The proposed number of shares corresponds to approximately 8.10 percent of all the shares in the company. The authorization includes the right to resolve to issue either new shares or to transfer treasury shares against payment.

The new shares may be issued or the treasury shares transferred in deviation from the shareholder's pre-emptive rights (directed issue) if there exists a weighty financial reason for the company for this. The Board of Directors resolves on all other conditions and matters pertaining to the issuance of shares and transfer of treasury shares. The authorization may be used inter alia to develop the capital structure of the company, to expand the shareholder base and to implement the company's share-based incentive programmes. The authorization remains in force until the conclusion of the following Annual General Meeting, however, until 30 June 2024 at the latest. The authorization revokes all previous authorizations granted to the Board of Directors regarding the issuances of shares.

Resolutions of the Board of Directors

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

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

Resolutions of the extraordinary general meeting and the Board of Directors of Kempower corporation

Kempower's Extraordinary General Meeting was held in virtual format on 28 August 2023.

The number of members of the Board of Directors was resolved to be eight. As proposed by the Remuneration and Nomination Committee of the Board of Directors, Tuula Rytilä was elected as a new member of the Kempower Board of Directors for a term ending at the conclusion of the next Annual General Meeting. The member of the Board of Directors will be paid the annual remuneration payable to a member of the Board of Directors in accordance with the resolution of the Annual General Meeting held on 30 March 2023 in proportion to the duration of her term.

The current members and the Chair and Vice Chair of the Board of Directors will continue in their positions until the conclusion of the next Annual General Meeting.

Kempower Oyj's management team and Board of Directors

The members of Kempower's Extend Management Team on 31st of December 2023 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 Markets Officer Jussi Vanhanen
- Chief Service Business Officer Juha-Pekka Suomela
- President North America, Tim Joyce (started in role in August 2023)
- Vice President of People and Culture, Hanne Peltola (started in role in June 2023) - member of the extended management team
- 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:

- Chair of the Board Antti Kemppi
- Vice Chair of the Board Vesa Laisi
- Member of the Board Tero Era
- Member of the Board Olli Laurén (started in role in March 2023)
- Member of the Board Kimmo Kemppi
- Member of the Board Teresa Kemppi-Vasama
- Member of the Board Eriikka Söderström
- Member of the Board Tuula Rytilä (started in role in August 2023)
- Member of the Board Juha-Pekka Helminen (member of the Board until March 2023)

Personnel offering, stock options and long-term incentive programs

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.

Share-based incentive plan (2022-2024)

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

The Performance Share Plan 2022–2024 consists of a three (3) year performance period, covering the financial years of 2022–2024. The Board of Directors can decide on new performance periods on a yearly basis.

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

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

Share-based incentive plan (2023-2025)

Kempower launched in February 2023 share-based incentive programme for Kempower group's 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 2023–2025 consists of a three (3) year performance period, covering the financial years of 2023–2025.

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. The cash proportion of the reward is intended for covering taxes and statutory social security contributions arising from the rewards to the participants. In general, no reward is paid if the participant's employment or director contract terminates before the reward payment.

During the performance period, the rewards are based on the Total Shareholder Return of the Kempower share in 2023-2025 and Group Revenue in 2023-2025. The value of the maximum rewards to be paid on the targeted level will correspond to a total of approximately 206,200 Kempower's shares including also the cash proportion.

It is the intention of the Board of Directors that no new shares will be issued in connection with the PSP 2023-2025 Program and therefore, the PSP 2023-2025 program would have no dilutive effect on the number of the Kempower Corporation's registered shares.

Approximately 40 persons, including the CEO and other Kempower Management Team members, belong to the target group of the performance period.

The Management Team member is obliged to hold at least 50 per cent of the shares received as a net reward from the performance share plan, until the total value of the member's shareholding in Kempower equals to 50 per cent of their annual base salary of the preceding year. Such number of Kempower's shares must be held as long as the membership in the Management Team continues.

Employee Share Savings Plan

In February 2023 the Board of Directors of Kempower decided to establish an Employee Share Savings Plan (ESSP) for the employees of Kempower and its subsidiaries.

The aim of the ESSP is to encourage employees to acquire and own Kempower shares, and it is intended to align the interests of the shareholders and the employees as well as to increase employees' motivation and long-term commitment to the company.

The ESSP consists of annually commencing plan periods, each one comprising of a 12-month savings period and a holding period following the savings period. The ESSP is offered to all Kempower employees in countries where there are no legal or administrative constraints for participation. The employees will have an opportunity to save a proportion of their salaries and an extra bonus and invest those savings in Kempower shares. The savings will be used for acquiring Kempower shares quarterly after the publication dates of the respective interim reports. As a reward for the commitment, Kempower grants the participating employees a gross award of one matching share for every two (2) savings shares acquired with their savings. Continuity of employment and holding of acquired savings shares for the duration of the holding period are the prerequisites for receiving the award.

The potential award will be settled in shares, or partly in shares and partly in cash, after the end of the holding period. The cash proportion is intended to cover taxes and tax-related costs arising from the award in those countries where the employer has the obligation to withhold taxes. Matching shares will be freely transferable after their registration on the participant's book-entry account. Any dividends to be paid on the acquired savings shares, the matching shares given within the ESSP, and any other shares received within the ESSP will be reinvested in additional shares on the next potential acquisition date. These shares will have an equal right to matching shares.

Participation in the ESSP is voluntary and the employees will be invited to participate in one plan period at a time. The first savings period commenced on 1 April 2023 and ends on 31 March 2024. The holding period of the first plan period begins at the first acquisition of savings shares and ends on 31 March 2026. The estimated maximum expense for the first plan period is approximately EUR 1,3 million. The final expense depends on the employees' participation and savings rate in the plan, and the fulfilment of the prerequisites for receiving matching shares, as well as the number of shares acquired from the market with savings.

In December 2023 the Board of Directors of Kempower resolved to launch a new plan period 2024–2027 of the Employee Share Savings Plan (ESSP) established in 2023.

Share-based incentive plan 2024–2026

In December 2023 the Board of Directors of Kempower resolved to establish a Performance Share Plan for the group's 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 2024–2026 consists of a three (3) year performance period, covering the financial years of 2024–2026.

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.

During the performance period, the rewards are based on the Absolute Total Shareholder Return of the Kempower share in 2024–2026, Group Revenue in 2024–2026 and Co_2 emission reduction / Revenue in 2024-2026. The value of the maximum rewards to be paid will correspond to a total of approximately 219,400 Kempower's shares including also the cash proportion.

It is the intention of the Board of Directors that no new shares will be issued in connection with the PSP 2024-2026 and therefore, the PSP 2024-2026 would have no dilutive effect on the number of the Kempower's registered shares.

Approximately 50 persons, including the CEO and other Kempower Management Team members, belong to the target group of the performance period.

Restricted Share Unit Plan 2024-2027

In December 2023 the Board of Directors of Kempower resolved to establish a Restricted Share Unit Plan for selected key employees of the group. The purpose of the plan is to align the interests of the company's shareholders and key employees to increase the company's value in the long-term, to commit key employees at the company and to offer them a competitive incentive plan based on receiving the company's shares.

The plan is intended to be used as a tool in situations seen necessary by the Board of Directors, for example ensuring retention of key talents to the company, attracting a new talent or other specific situations determined by the Board of Directors.

The Board of Directors may allocate rewards from the Restricted Share Unit Plan 2024–2027 during financial years 2024–2027. The value of the rewards to be allocated during 2024 on the basis of the plan corresponds to a maximum total of 20,000 shares of Kempower, including also the proportion to be paid in cash.

The rewards will be paid by the end of May 2027, 2028, 2029, 2030 or 2031, but always so that there is at least three (3) years between the determination of the reward and the payment of the reward. The reward is based on a valid employment or director contract and on the continuity of the employment or service.

Short-term risks and uncertainty factors

Kempower's systematic approach towards risks facing its business is an integral element of the management of the company. It includes risk identification, assessment, mitigation, follow-up, and reporting. Risks and development of risks are followed-up frequently by the management team. In addition, Kempower has implemented a risk management process which is aligned with the governance annual cycle. In 2023, the risk management process has been made more frequent. At the end of the first half, the management team of Kempower has assessed the Risk Map of the company. A more comprehensive assessment and analysis of risks as well as defining more detailed mitigation actions has been carried out in the second half of the year 2023. The Audit Committee and Board has reviewed the current risk report. To support the growth and success of the company, it is necessary to increase risk awareness within the organization to ensure that risk management is integrated into strategic planning, annual business planning and budgeting, daily decision making and practices.

As result of the risk assessment process carried out in the second half of the year 2023, the main risks of Kempower have been identified and assessed, adequacy of the risk mitigation actions confirmed with the appropriate responsibilities and risk reporting is presented to the Audit Committee and Board.

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 supply chain, which may thus affect the Company's operations for example in the form of risks related to the temporary disruptions in supply chain, availability or cost levels of raw materials and components or sustainability related risks within the supply chain.

Kempower has a growth strategy and implementing it involves risks, such as 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. Kempower has significantly expanded its production capacity, and the capacity expansion will continue also from now on. In addition, the Company has invested in scaling up the service network. Increased production capacity in the North America is currently being ramped up. The market entry to North American market includes multiple risks. Kempower executes 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 is constantly developing its product portfolio to respond its customers' needs. Remarkable quality issues due to design errors and delays in product development and product launches could have significant negative impact to Kempower's business operations. To mitigate the risk Kempower is continuously developing its quality processes such as quality testing in R&D and production phases.

Achieving Kempower's strong growth targets depends on the Company's ability to respond to market changes. The Company's business may also be greatly 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. To manage the risks, Kempower is constantly increasing its ability to identify and adapt to the global and market specific regulatory requirements.

Kempower's future growth is dependent on the 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.

Kempower's production uses IT systems and tools whose connectivity and continued accessibility are prerequisite for efficient production and deliveries. Disturbances in the network or cybercrimes could disrupt Kempower's business and have a material adverse effect on its revenue and results of operations. Kempower has prepared business continuity and recovery plans to mitigate the risks in production.

Kempower's business success and implementation of its strategy depend on the Company's ability to recruit and engage qualified, motivated and skilled individuals. If Kempower is unable to attract and retain qualified key employees, it could have 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 the Company has invested in competitive incentive models, career planning and reinforcing the Kempower corporate culture.

Kempower's ability to protect its intellectual property rights and operate without infringement of competitors intellectual properties is a significant factor in securing the 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.

In 2022, Kempower carried out a long-term climate risk and opportunity assessment of our business model, including scenario analysis as per TCFD guidance, for which we used two climate scenarios: IPCC SSP1-2.6 (global temperature increase well below 2°C), and IPCC SSP4-8.5 (global temperature increase up to 4°C). The top risks identified were physical, especially in the 4°C scenario, including local damages due to extreme weather, disruptions in the global supply chain and negative regional impacts on the workforce. These risks were estimated to have a small or small-to-medium sized financial impact.

The Board's proposal for the distribution of profit

The parent company's distributable funds (unrestricted equity) on 31 December 2023 are EUR 120,335,282.90 of which the period net profit is EUR 27,249,591.08. 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 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 said 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.
- Kempower's Board of Directors decided on a long-term incentive plan for the group's key employees and on the Employee Share Savings Plan for all employees.
- Kempower said it will deliver EV high powered charging technology to a nation-wide UK customer.
- Kempower announced that its Liquid-Cooled Satellites will charge all-electric buses at Vasaloppet, Sweden.
- It was announced that Kempower's new EV charger production facility will be located in Durham, North Carolina, USA.

March 2023

- Autoliitto opened its first public charging station with Kempower technology in Iittala, Finland.
- Allego and Kempower joined forces to open a pilot EV fast charging site in the Netherlands.
- Kempower announced that its fast-charging technology will be delivered to new RIFIL charging stations for electric trucks and cars in Skåne, Sweden.

April 2023

- Kempower communicated about the first Kempower charging station in Malaysia.
- Kempower launched Plug and Charge solution to simplify the EV charging experience.
- Kempower gave a positive profit warning and raised its outlook for 2023.
- Kempower set new financial targets, revised charging market forecast for Europe and North America, and updated company's growth strategy.
- Hanne Peltola was appointed Kempower's Vice President, People and Culture, and member of the Extended Management Team.

May 2023

- Kempower joined forces with Eleport to install three new DC fast charging stations in Latvia.
- Kempower announced that four new Kempower charging stations operated by Neste will open in the summer of 2023.
- Kempower and Gilbarco Veeder-Root strengthened their partnership by signing a new service partnership agreement.
- Kempower won a 2023 Carnegie Sustainability Award for its sustainability and climate mitigation contributions.

June 2023

- Kempower confirmed an additional order to deliver EV high powered charging technology to a nation-wide UK customer.
- Kempower said that its charging solutions will be deployed by Arnold Clark, one of Europe's largest car retailers.
- Kempower announced that it will showcase its leading DC fast charging solutions for the first time in the U.S. at EVS36.
- Kempower said it will include NACS charging standard, developed by Tesla, for all company's charging solutions.

- Kempower joined forces with Denver-based National Car Charging, the nation's largest and most experienced EV charging station reseller and installer.
- Kempower and LUT University joined forces to open a new Electric Mobility Research Center in Lahti, Finland.
- Kempower announced that it will open a new EV charger production facility in Lahti, Finland, to meet the growing demand. The new facility will open gradually during 2024.

July 2023

- Kempower appointed Tim Joyce as President, North America, and member of the Management Team.
- Kempower signed European sales and service agreement with GP JOULE CONNECT.
- Kempower gave a positive profit warning and raised its outlook for 2023.
- Kempower signed a framework agreement with ASKO to supply its fast-charging EV technology for the wholesaler's 13 logistics depots in Norway.

August 2023

- Kempower announced official partnership with The Arctic Race of Norway, an annual cycling race in Norway.
- Kempower and the City of Lahti signed a growth agreement to address the needs of Kempower's long-term growth
- Kempower held Extraordinary General Meeting in virtual format.
- Tuula Rytilä was elected as a new member of the Kempower Board of Directors.
- Kempower received Eichrecht approval allowing it to provide its EV fast-charging solutions now also for public charging in Germany and Austria.

September 2023

- Kempower communicated about the first Kempower charging station being deployed in Canada, by the Electric Circuit, the largest public EV charging network in Québec.
- Kempower opened new facilities in Vaasa, Finland, including a new RDI Center focusing on the development of high power charging.
- Kempower announced that it has supplied its fast-charging solutions for WattHub, the world's largest fast-charging plaza for electric trucks and off-highway vehicles.

October 2023

- Kempower communicated about Kempower DC fast charging technology being deployed in New Zealand for the first time.
- Kempower announced that it has delivered DC fast charging infrastructure to Malta's first electric bus charging depot.
- Kempower introduced Megawatt Charging System for electric trucks and electric vehicles using power above one megawatt.
- Kempower announced that it has signed a contract to deliver DC charging solutions for heavy-duty vehicles to Milence, a joint venture formed by Traton Group, Volvo Group, and Daimler Truck AG.
- Kempower joined the UN Global Compact initiative.

November 2023

- Kempower announced a strategic partnership with Aqua superpower to assist high usage to service the needs of the next generation e-boats.
- Kempower announced change in the ownership of a major shareholder Kemppi Group.
- Kempower received 'International Star' award in the European Small and Mid-Cap Awards 2023.
- Kempower announced that the production in North America can begin after receiving nationally recognized ETL certification.
- Kempower communicated that its DC fast-charging solutions have been selected to electrify Western Australian bus station.

December 2023

- Kempower announced that the first EV chargers produced in Kempower US factory have been shipped to Canada.
- Kempower announced it has signed a contract to deliver DC fast charging solutions to the energy transition company Stl.

Events after the balance sheet date

- Kempower announced it will provide charging technology to Sainsbury's new Smart Charge charging business.
- Kempower announced that National Car Charging (NCC) has selected Kempower for state of California for EV infrastructure enhancement project.
- Kempower introduced next generation charger platform with silicon carbide (SiC) technology.

2024 financial calendar

- Annual Report 2023 is published week 10/2024
- Interim Report, January–March (Q1) is published 25 April 2024.
- Half-Year Report, January-June (H1) is published 24 July 2024
- Interim Report, January–September (Q3) is published 30 October 2024.

Lahti 13th of February, 2024

Kempower Corporation
Board of Directors

Key figures, calculation of key figures and reconciliations

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

Kempower uses alternative performance measures to reflect business performance and profitability. In Kempower's view, the alternative performance measures provide the investors, securities analysts and other parties with significant additional information related to Kempower's results of operations, financial position and cash flows and are widely used by analysts, investors, and other parties. The alternative performance measures should not be considered in isolation or as 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	2023	2022	2021
Order backlog	110.6	118.9	13.7
Order intake	275.3	208.9	37.4
Revenue	283.6	103.6	27.4
Revenue growth, %	174%	279%	741%
Gross profit	147.7	48.2	12.9
Gross profit margin, %	52.1%	46.5%	47.1%
EBITDA	47.1	9.5	0.5
EBITDA margin, %	16.6%	9.2%	1.7%
Operating profit/loss (EBIT)	40.6	6.1	-0.7
EBIT margin, %	14.3%	5.9%	-2.5%
Operative EBIT	40.7	6.7	1.0
Operative EBIT margin, %	14.3%	6.4%	3.6%
Profit for the period	33.7	3.6	0.3
Equity ratio, %	58.3%	67.5%	90.5%
Cash flow from operating activities	39.7	-5.4	-2.6
Investments	9.6	6.2	1.6
Net debt	-74.6	-58.4	-89.3
Items affecting comparability	0.1	0.6	1.7
Earnings per share, basic, EUR	0.61	0.06	0.01
Earnings per share, diluted, EUR	0.61	0.06	0.01
Headcount end of period	737	375	136

Reconciliation of the key figures

MEUR	2023	2022	2021
Revenue growth, %			
Revenue	283.6	103.6	27.4
Revenue of the comparative period	103.6	27.4	3.3
Change of revenue	180.0	76.3	24.1
Revenue growth, %	174%	279%	741%
Gross profit			
Revenue	283.6	103.6	27.4
Materials and services	-129.4	-52.4	-13.6
Variable employee benefits	-6.5	-3.1	-0.9
Gross profit	147.7	48.2	12.9
Items affecting comparability			
Expenses related to establishing operations in the United States presented in other operating expenses	0.1	0.6	
Capital reorganisation expenses related to First North Listing presented in other operating expenses			1.7
Items affecting comparability	0.1	0.6	1.7
Operative EBIT			
Operating profit/loss (EBIT)	40.6	6.1	-0.7
Items affecting comparability	0.1	0.6	1.7
Operative EBIT	40.7	6.7	1.0

MEUR	2023	2022	2021
Investments			
Investments in intangible assets	0.2	1.9	0.2
Investments in tangible assets excluding Right-of-use assets	9.4	4.3	1.4
Investments	9.6	6.2	1.6
Earnings per share, basic, EUR			
Profit/loss for the period attributable to the equity holders of the company	33.7	3.6	0.3
Average number of shares, 1,000 pcs	55,405	55,484	38,835
Earnings per share, basic, EUR	0.61	0.06	0.01
Earnings per share, diluted, EUR			
Profit/loss for the period attributable to the equity holders of the company	33.7	3.6	0.3
Average number of shares adjusted for the dilutive effect, 1,000 pcs	55,504	55,585	38,847
Earnings per share, diluted, EUR	0.61	0.06	0.01

Calculation of key figures

Key figure	Definition
Order backlog	Received legally binding orders from external customers not yet delivered to customer
Order intake	Received legally binding orders from external customers during the period
Revenue growth, %	Change of revenue compared to the revenue of the comparative period presented as a percentage
Gross profit	Revenue - Materials and services - Variable employee benefits
Gross profit margin, %	Gross profit as a percentage of revenue
EBITDA	Earnings before interest, taxes, depreciation and amortization
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	2023	2022
Revenue	2.1	**283,614.3**	**103,643.7**
Other operating income	2.2	1,283.7	326.0
Materials and services	2.3	-129,362.8	-52,393.9
Employee benefits	2.4	-48,861.1	-21,864.0
Depreciation, amortization and impairment losses	2.6	-6,514.5	-3,397.5
Other operating expenses	2.5	-59,601.0	-20,213.8
Total expenses		**-244,339.3**	**-97,869.3**
Operating profit		**40,558.7**	**6,100.4**
Finance income	2.7	4,577.9	17.2
Finance expenses	2.7	-2,089.4	-1,325.9
Total finance income and expenses		**2,488.5**	**-1,308.7**
Profit before tax		**43,047.2**	**4,791.7**
Income tax	2.8	-11,918.4	-488.6
Changes in deferred taxes	2.8	2,594.0	-750.5
Income taxes		**-9,324.4**	**-1,239.0**
Profit for the year		**33,722.8**	**3,552.7**
Profit for the period attributable to the owners of the parent company		**33,722.8**	**3,552.7**
Earnings per share for profit/loss attributable to the owners of the parent company			
Basic earnings per share, EUR	2.9	0.61	0.06
Diluted earnings per share, EUR	2.9	0.61	0.06

EUR 1,000	Notes	2023	2022
Consolidated stament of comprehensive income			
Profit for the year		**33,722.8**	**3,552.7**
Other comprehensive income for the period			
Items that may be subsequently reclassifed to profit or loss:			
Translation difference		56.9	-59.4
Other comprehensive income that will not be reclassified to profit or loss:			
Remeasurement of defined benefit plan	5.3	16.7	-17.4
Total other comprehensive income for the period		**73.6**	**-76.8**
Comprehensive profit for the period		**33,796.4**	**3,475.9**
Comprehensive profit for the period attributable to the owners of the parent company		**33,796.4**	**3,475.9**

Consolidated statement of financial position

EUR 1,000	Notes	31 Dec 2023	31 Dec 2022
ASSETS			
Non-current assets			
Intangible assets	3.1	1,807.2	2,575.3
Property, plant and equipment	3.2	13,686.6	5,649.7
Right-of-use assets	3.3	24,494.8	15,481.1
Non-current receivables	4.3	1,438.2	3.1
Deferred tax receivables	2.8	2,828.4	610.0
Total non-current assets		**44,255.1**	**24,319.3**
Current assets			
Inventories	3.4	51,584.7	27,130.6
Trade receivables	3.5	35,380.3	23,140.6
Other receivables	3.5	2,521.8	3,926.5
Prepaid expenses and accrued income	3.5	4,202.2	1,703.2
Other financial assets	4.3	72,430.3	64,198.1
Cash and cash equivalents	4.3	27,354.9	9,821.2
Total current assets		**193,474.3**	**129,920.3**
TOTAL ASSETS		**237,729.4**	**154,239.5**

EUR 1,000	Notes	31 Dec 2023	31 Dec 2022
EQUITY AND LIABILITIES			
Equity			
Share capital		80.0	80.0
Reserve for invested unrestricted equity		95,656.2	95,656.2
Other reserves		5.0	
Treasury shares		-5,259.9	-1,421.7
Translation differences		5.6	-51.3
Retained earnings		8,717.6	2,782.8
Profit/loss for the period		33,722.8	3,552.7
Total equity		**132,927.3**	**100,598.7**
Non-current liabilities			
Lease liabilities	4.3	20,511.0	13,269.5
Provisions	3.7	3,772.6	803.4
Deferred tax liabilities	2.8	27.4	392.8
Other liabilities		74.4	35.6
Total non-current liabilities		**24,385.4**	**14,501.3**
Current liabilities			
Lease liabilities	4.3	4,704.8	2,383.0
Provisions	3.7	10,404.2	1,640.1
Advance payments		9,841.6	5,292.5
Trade payables	3.6	31,678.4	16,778.4
Other liabilities	3.6	2,112.2	1,858.2
Accruals and deferred income	3.6	21,675.5	11,187.3
Total current liabilities		**80,416.7**	**39,139.4**
Total liabilities		**104,802.1**	**53,640.8**
TOTAL EQUITY AND LIABILITIES		**237,729.4**	**154,239.5**

Consolidated statement of cash flow

EUR 1,000	Notes	2023	2022
Cash flow from operating activities			
Profit/loss for the period		33,722.8	3,552.7
Adjustments:			
Depreciation, amortization and impairment	2.6	6,514.5	3,397.5
Financial income and expenses	2.7	-2,534.6	1,319.6
Unrealised foreign exchange gains and losses	2.7	428.6	56.3
Income taxes	2.8	9,324.4	1,239.0
Share-based payments and other non-cash items	5.1	2,342.2	1,016.3
Change in provisions	3.7	11,735.4	2,227.4
Gains and lossed of disposals of fixed assets		-31.4	
Changes in working capital			
Change in trade and other receivables		-14,323.3	-22,595.5
Change in inventories		-24,503.5	-20,758.3
Change in trade payables and short-term liabilities		28,458.5	25,719.0
Interest and other financial expenses paid		-1,064.7	-539.5
Interest received		399.4	1.6
Taxes paid		-10,794.8	-56.3
Cash flow from operating activities		**39,673.4**	**-5,420.1**

EUR 1,000	Notes	2023	2022
Cash flow from investing activities			
Increase (-)/decrease (+) of other financial assets		-5,016.8	-65,000.0
Investments in tangible and intangible assets		-9,634.5	-6,208.5
Proceeds from sale of tangible and intangible assets		38.1	0.0
Cash flow from investing activities		**-14,613.3**	**-71,208.5**
Cash flow from financing activities			
Purchase of treasury shares		-3,838.2	-1,421.7
Payment of lease liabilities	4.3	-3,677.8	-2,376.5
Cash flow from financing activities		**-7,516.0**	**-3,798.2**
Net change in cash and cash equivalents		**17,544.2**	**-80,426.8**
Cash and cash equivalents at the beginning of the period	4.3	9,821.2	90,398.6
Effects of exchange rate fluctuations on cash held		-10.5	-150.6
Cash and cash equivalents at the end of the period	4.3	27,354.9	9,821.2

Consolidated statement of changes in equity

EUR 1,000	Share capital	Invested unrestricted equity fund	Other reserves	Translation differences	Treasury shares	Retained earnings	Total
Shareholders' equity 1 Jan 2023	**80.0**	**95,656.2**		**-51.3**	**-1,421.7**	**6,335.5**	**100,598.7**
Profit for the period						33,722.8	33,722.8
Remeasurement of defined benefit plans						16.7	16.7
Reclassifications			5.0			-5.0	
Currency translation differences				56.9			56.9
Total comprehensive income for the period, net of tax			**5.0**	**56.9**		**33,734.5**	**33,796.4**
Acquisition of treasury shares					-3,838.2		-3,838.2
Share-based payments						2,370.3	2,370.3
Transactions with owners, total					**-3,838.2**	**2,370.3**	**-1,467.9**
Shareholders' equity 31 Dec 2023	**80.0**	**95,656.2**	**5.0**	**5.6**	**-5,259.9**	**42,440.4**	**132,927.3**
Shareholders' equity 1 Jan 2022	**80.0**	**95,656.2**		**8.2**		**1,783.9**	**97,528.3**
Profit 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 31 Dec 2022	**80.0**	**95,656.2**		**-51.3**	**-1,421.7**	**6,335.5**	**100,598.7**

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 are listed on the Nasdaq First North Growth Finland maintained by Nasdaq Helsinki Ltd.

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.

Kempower's Board of Directors confirmed these Consolidated Financial Statements on 13 February 2024.

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 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 Australia Pty Limited, Kempower B.V., Kempower Canada Inc., Kempower Charging Ltd, Kempower Charging Spain S.L.U., Kempower GmbH, Kempower Inc., Kempower International Oy, Kempower Italy S.R.L., Kempower SAS ja Kempower Sp z.o.o. 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 2023.

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 are 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

Climate related matters

In 2022, Kempower carried out a long-term climate risk and opportunity assessment of our business model, including scenario analysis as per TCFD guidance, for which we used two climate scenarios: IPCC SSP1-2.6 (global temperature increase well below 2°C), and IPCC SSP4-8.5 (global temperature increase up to 4°C). The top risks identified were physical, especially in the 4°C scenario, including local damages due to extreme weather, disruptions in the global supply chain and negative regional impacts on the workforce. These risks were estimated to have a small or small-to-medium sized financial impact.

1.4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

Amendments to IAS 1 Presentation of financial statements: Classification of Liabilities as Current or Non-current

The amendments clarify a criterion for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period (effective for financial years beginning on or after 1 January 2024, early application is permitted).

Amendments to IAS 1 Presentation of financial statements: Non-current Liabilities with Covenants

The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants (effective for financial years beginning on or after 1 January 2024, early application is permitted).

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

The amendment adds subsequent measurement requirements for sale and leaseback transactions (effective for financial years beginning on or after 1 January 2024, early application is permitted).

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

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 public charging operators, commercial vehicle fleet operators, vehicle and equipment manufacturers and distributor and installer partners.

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." 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	2023	2022
Point in time	279,078.7	101,957.9
Over time	4,535.6	1,685.8
Total	**283,614.3**	**103,643.7**

Contract assets and liabilities

EUR 1,000	2023	2022
Assets	395.4	628.6
Liabilities	13,956.9	6,134.2

Contract assets include sales accruals of EUR 395.4 (628.7) thousand, for which the performance obligations have been fulfilled.

Contract liabilities include customer advance payments of EUR 9,841.6 (5,292.5) thousand, extended warranty sales of EUR 2,372.4 (396.2) thousand and other sales accruals EUR 1,742.9 (445.5) thousand. The Group expects to recognise the revenue of these performance obligations during 2024 except for the extended warranty sales, for which the revenue is recognised during 2024–2028.

EUR 51.9 thousand of the contract liabilities on 31 December 2022 have been recognised as revenue during the financial year 2023.

Revenue by geographical area

EUR 1,000	2023	2022
Finland	44,431.7	20,449.8
Other Nordic countries	69,639.9	37,377.9
Rest of Europe	144,234.7	40,736.8
North America	11,312.3	1,607.0
Rest of the World	13,995.7	3,472.2
Total	**283,614.3**	**103,643.7**

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

In 2023 Kempower Group had one customer (two in 2022), the revenue from whom contributed more than 10% of the Group's total revenue. The revenue from this customer amounted to EUR 37,182.7 (29,604.9) thousand.

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	2023	2022
Government grants	832.2	271.6
Insurance compensations	196.4	54.4
Other operating income	255.1	
Total	**1,283.7**	**326.0**

Government grants mainly consist of Business Finland's support for the research phase of research and development activities.

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	2023	2022
Purchases during the financial year	-152,350.6	-72,289.0
External services	-1,515.8	-860.7
Change in inventories	24,503.5	20,755.7
Total	**-129,362.8**	**-52,393.9**

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 has applied a defined benefit plan in the Group's Norwegian subsidiary. The plan has been terminated during the financial year 2023. 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.

EUR 1,000	2023	2022
Wages and salaries	-38,398.2	-17,028.7
Pension expenses - defined contribution plans	-5,495.5	-2,769.0
Pension expenses - defined benefit plans	0.9	-17.3
Other social security expenses	-4,968.4	-2,049.0
Total	**-48,861.1**	**-21,864.0**

	2023	2022
Number of personnel at the end of the period	737	375
Average number of personnel	569	258

2.5 OTHER OPERATING EXPENSES

EUR 1,000	2023	2022
Sales and marketing expenses	-6,869.3	-3,023.8
Credit loss allowances	-3,111.1	-136.7
Administration expenses	-8,261.6	-3,263.6
IT expenses	-9,294.0	-3,006.2
Premises and vehicle expenses	-2,753.7	-1,007.8
Machinery and tool expenses	-2,675.0	-746.0
Research and development expenses	-4,494.8	-2,574.3
Warranty expenses	-18,338.7	-5,235.4
Other personnel expenses	-3,802.7	-1,220.1
Total	**-59,601.0**	**-20,213.8**

Auditor's fee

EUR 1,000	2023	2022
Ernst & Young Oy		
Audit fee	-187.1	-101.8
Tax advisory	-58.6	-39.4
Other fees	-87.1	-67.0
Total	**-332.8**	**-208.2**

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	2023	2022
Intangible assets		
Amortizations	-992.6	-396.8
Property, plant and equipment		
Depreciations	-1,284.2	-460.8
Right-of-use assets		
Depreciations	-4,237.7	-2,539.9
Total	**-6,514.5**	**-3,397.5**

2.7 FINANCE INCOME AND EXPENSE

EUR 1,000	2023	2022
Finance income		
Change in fair value of money market investments	3,215.4	
Unrealised foreign exchange gain	869.0	15.6
Realised foreign exchange gain	77.2	
Interest income	399.4	1.6
Other finance income	16.8	0.0
Total	**4,577.9**	**17.2**
Finance expenses		
Change in fair value of money market investments		-723.3
Unrealised foreign exchange loss	-915.1	-4.7
Realised foreign exchange loss	-161.3	-28.6
Interest expenses	-1,008.3	-569.2
Other finance expenses	-4.7	-0.1
Total	**-2,089.4**	**-1,325.9**
Total finance income and expenses	**2,488.5**	**-1,308.7**

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 warranty provisions and the expected credit loss allowance 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.

Deferred tax assets and liabilities are offset for presentation purposes when there is a legally enforceable right to offset income tax receivables against income tax payables, and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

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	2023	2022
Income tax		
Income tax on taxable profit for the year	-11,859.8	-482.0
Change in deferred taxes	2,594.0	-750.5
Tax for previous accounting periods	-58.6	-6.6
Total	**-9,324.4**	**-1,239.0**

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

EUR 1,000	2023	2022
Profit before tax	43,047.2	4,791.7
Income tax calculated at Finnish tax rate 20%	-8,609.4	-958.3
Non-deductible expenses and tax-exempt income	-328.3	-233.6
Effect of different tax rates	-340.6	-40.5
Other differences	-46.1	-6.6
Taxes in the statement of comprehensive income	**-9,324.4**	**-1,239.0**

Confirmed tax losses

EUR 1,000	2023	2022
Expiry within 5-10 years		221.0
Total		**221.0**

Deferred tax receivables and liabilities 2023

EUR 1,000	1 Jan 2023	Recognized in the statement of income	Recognized in the statement of comprehensive income	Exchange differences	Other changes	31 Dec 2023
Deferred tax receivables						
Tax losses	44.2	-44.2				
Provisions	488.7	2,346.7				2,835.4
Leases	3,130.5	1,941.7		52.4		5,124.5
Trade receivables	29.3	535.6		0.9		565.7
Defined benefit plans	5.4		-5.0	-0.4		
Internal margins	8.3	223.7		-5.4		226.5
Other timing differences		81.6		1.3		82.9
Netting deferred tax receivables and liabilities	-3,096.2				-2,910.3	-6,006.5
Total	**610.0**	**5,084.9**	**-5.0**	**48.7**	**-2,910.3**	**2,828.4**
Deferred tax liabilities						
Accelerated depreciations	95.8	600.9				696.7
Capitalized development expenses	103.2	-44.8				58.4
Leases	3,096.2	1,824.2		54.6		4,975.0
Inventories	193.9	82.6				276.5
Other timing differences		28.0		-0.6		27.4
Netting deferred tax receivables and liabilities	-3,096.2				-2,910.3	-6,006.5
Total	**392.8**	**2,490.9**		**54.0**	**-2,910.3**	**27.4**
Net amount	**217.2**	**2,594.0**	**-5.0**	**-5.4**		**2,801.0**

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	217.8	2,912.7				3,130.5
Trade receivables	1.9	27.3				29.3
Defined benefit plans		0.5	4.9			5.4
Internal margins		8.6		-0.3		8.3
Netting deferred tax receivables and liabilities	-216.3				-2,880.0	-3,096.2
Total	**1,256.2**	**2,229.5**	**4.9**	**-0.3**	**-2,880.0**	**610.0**
Deferred tax liabilities						
Accelerated depreciations	95.8					95.8
Capitalized development expenses	147.9	-44.8				103.2
Leases	216.3	2,879.9				3,096.2
Inventories	48.1	145.8				193.9
Defined benefit plans	0.9	-1.2	-0.6		0.9	
Netting deferred tax receivables and liabilities	-216.3				-2,880.0	-3,096.2
Total	**292.7**	**2,979.8**	**-0.6**		**-2,879.1**	**392.8**
Net amount	**963.4**	**-750.5**	**5.5**	**-0.3**	**-0.9**	**217.2**

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	2023	2022
Profit for the year	33,722.8	3,552.7
Average number of shares (1,000 pcs)		
Undiluted	55,405	55,484
Dilutive effect of option program	99	101
Diluted	55,504	55,585
Earnings per share (EUR)		
Undiluted	0.61	0.06
Diluted	0.61	0.06

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 trademarks and other intangible assets such as software licenses. 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, 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	Capitalized development costs	Other intangible assets	Total
31 Dec 2023				
Carrying amount at 1 Jan 2023	398.0	515.8	1,661.5	2,575.3
Additions	198.6		25.9	224.4
Amortizations and impairment	-84.3	-223.8	-684.5	-992.6
Carrying amount at 31 Dec 2023	**512.3**	**292.0**	**1,002.9**	**1,807.2**
31 Dec 2023				
Cost	706.5	1,119.2	1,814.5	3,640.2
Accumulated amortizations and impairment	-194.2	-827.2	-811.6	-1,833.0
Carrying amount at 31 Dec 2023	**512.3**	**292.0**	**1,002.9**	**1,807.2**
31 Dec 2022				
Carrying amount at 1 Jan 2022	198.3	739.6	154.6	1,092.5
Additions	248.1		1,631.5	1,879.6
Amortizations and impairment	-48.4	-223.8	-124.5	-396.8
Carrying amount at 31 Dec 2022	**398.0**	**515.8**	**1,661.5**	**2,575.3**
31 Dec 2022				
Cost	507.9	1,119.2	1,788.7	3,415.7
Accumulated amortizations and impairment	-109.9	-603.4	-127.2	-840.4
Carrying amount at 31 Dec 2022	**398.0**	**515.8**	**1,661.5**	**2,575.3**

The carrying amount of intangible assets located in Finland at 31 Dec 2023 amounted to EUR 1,807.2 (2,575.3) thousand.

3.2 PROPERTY, PLANT AND EQUIPMENT

Accounting principles

The Kempower Group's property, plant and equipment consists of machinery and equipment together with improvement costs pertaining to leased premises. 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
- Improvement costs pertaining to leased premises 5 years or the remaining term of the lease, whichever is shorter

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	Other tangible assets	Prepayments and work in progress	Total
31 Dec 2023				
Carrying amount at 1 Jan 2023	4,322.6	36.6	1,290.5	5,649.7
Additions	4,758.9	4,016.2	635.0	9,410.1
Disposals	0.0	-6.7		-6.7
Depreciations and impairment	-1,080.8	-203.4		-1,284.2
Translation differences	-8.8	-73.5		-82.4
Carrying amount at 31 Dec 2023	**7,991.9**	**3,769.1**	**1,925.5**	**13,686.6**
31 Dec 2023				
Cost	9,750.3	4,069.8	1,925.5	15,745.6
Accumulated depreciations and impairment	-1,749.5	-227.1		-1,976.6
Translation differences	-8.8	-73.5		-82.4
Carrying amount at 31 Dec 2023	**7,991.9**	**3,769.1**	**1,925.5**	**13,686.6**
31 Dec 2022				
Carrying amount at 1 Jan 2022	1,033.9	44.9	704.7	1,783.5
Additions	3,738.4	4.6	585.8	4,328.9
Disposals	0.0			0.0
Depreciations and impairment	-447.9	-12.9		-460.8
Translation differences	-1.8			-1.8
Carrying amount at 31 Dec 2022	**4,322.6**	**36.6**	**1,290.5**	**5,649.7**
31 Dec 2022				
Cost	4,993.5	60.7	1,290.5	6,344.6
Accumulated depreciations and impairment	-669.1	-24.0		-693.1
Translation differences	-1.8			-1.8
Carrying amount at 31 Dec 2022	**4,322.6**	**36.6**	**1,290.5**	**5,649.7**

The carrying amount of property, plant and equipment located in Finland at 31 Dec 2023 amounted to EUR 9,876.8 (5,591.4) thousand.

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 2023	14,128.9	1,352.3	15,481.1
Additions	10,568.8	2,842.7	13,411.5
Disposals		-41.8	-41.8
Depreciations and impairment	-3,188.9	-1,048.8	-4,237.7
Translation differences	-124.1	5.7	-118.4
Carrying amount at 31 Dec 2023	**21,384.7**	**3,110.1**	**24,494.8**

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**

The carrying amount of leases recognised as right-of-use assets located in Finland at 31 Dec 2023 amounted to EUR 17,540.0 (14,823.8) thousand.

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	2023	2022
Depreciation of right-of-use assets		
Buildings	-3,188.9	-2,075.2
Machinery and equipment	-1,048.8	-464.7
Total	**-4,237.7**	**-2,539.9**
Interest expense (included in finance cost)	-938.6	-387.6
Expense relating to leases of short-term (included in other operating expenses)	-1,155.4	-71.0
Cash flow from leases	-4,833.1	-2,447.5

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 2023	31 Dec 2022
Raw materials and consumables	38,605.4	20,421.7
Work in progress	806.1	3,709.0
Finished products	12,173.2	2,999.8
Total	**51,584.7**	**27,130.6**

Inventory write-downs recognised as an expense amounted to EUR 3,500.7 (504.7) thousand.

3.5 TRADE AND OTHER CURRENT RECEIVABLES

Trade receivables

EUR 1,000	31 Dec 2023	31 Dec 2022
Trade receivables	38,261.2	23,286.9
Loss allowance provision	-2,880.9	-146.3
Total	**35,380.3**	**23,140.6**

Prepaid expenses and accrued income

EUR 1,000	31 Dec 2023	31 Dec 2022
Accrued goverment grants	356.7	123.4
Contract assets (sales accruals)	395.4	628.6
IT costs paid in advance	934.7	262.4
Other costs paid in advance	1,699.0	677.5
Income tax receivables	377.4	11.3
Derivatives	439.1	
Total	**4,202.2**	**1,703.3**

Other receivables

EUR 1,000	31 Dec 2023	31 Dec 2022
VAT receivables	2,076.8	3,884.1
Other receivables	445.1	42.4
Total	**2,521.8**	**3,926.5**

3.6 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Trade payables

EUR 1,000	31 Dec 2023	31 Dec 2022
Trade payables	31,678.4	16,778.4
Total	**31,678.4**	**16,778.4**

Accruals and deferred income

EUR 1,000	31 Dec 2023	31 Dec 2022
Employee benefit accruals	10,446.3	5,812.3
Income tax liability	1,964.1	469.8
Contract liabilities (sales accruals)	4,115.3	841.7
IT cost accruals	776.5	133.5
Administration cost accruals	951.4	301.4
Other operating expense accruals	3,125.9	3,519.0
Derivatives	290.8	
Other accruals	5.3	109.7
Total	**21,675.5**	**11,187.3**

Other current liabilities

EUR 1,000	31 Dec 2023	31 Dec 2022
VAT payables	76.8	1,313.6
Withholding tax and social security charge payables	927.6	518.6
Other payables	1,107.8	26.0
Total	**2,112.2**	**1,858.2**

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 mainly 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	Provision for onerous purchase agreements	Total
Provisions at 1 Jan 2023	**2,443.5**		**2,443.5**
Additions	18,327.4	825.1	19,152.4
Provisions used	-7,419.1		-7,419.1
Provisions at 31 Dec 2023	**13,351.7**	**825.1**	**14,176.8**
Carrying amounts of provisions			
Non-current	3,772.6		3,772.6
Current	9,579.2	825.1	10,404.2
	13,351.7	**825.1**	**14,176.8**

EUR 1,000	Warranty provisions	Provision for onerous purchase agreements	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**

Provisions have not been discounted to present value due to immateriality of discounting effect.

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, other reserves, 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 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.

	Outstanding shares (pcs)	Own shares (pcs)	Total registered shares (pcs)
1 Jan 2022	**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**
Acquisition of own shares	-140,540	140,540	
31 Dec 2023	**55,277,746**	**265,174**	**55,542,920**

The Board's proposal for the distribution of profit

The parent company's distributable funds (unrestricted equity) on 31 December 2023 are EUR 120,335,282.90 of which the period net profit is EUR 27,249,591.08. 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 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 and CAD 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 which are primarily hedged with derivative instruments.

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 2023 or 31 December 2022. 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 and contract assets.

The Group has changed its accounting estimate on lifetime expected credit losses in the financial year 2023. Since financial year 2023 the different credit risk embedded in different customer groups is considered in setting the provision rates by dividing the customers into higher credit risk and lower credit risk customers. A higher provision rate is used for determining the credit loss allowance for the trade receivables related to higher credit risk customers than for those related to lower credit risk customers. In addition, the Group has increased the provision rate on trade receivables overdue over 60 days also on the lower credit risk customers.

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 2023	31 Dec 2022
Net debt	-74,569.4	-58,366.8
Total equity	132,927.3	100,598.7
Net debt/equity ratio	-56.1%	-58.0%

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 solely of lease liabilities.

Credit risk

Credit risk and counterparty risk

Aging of trade receivable and expected credit loss allowance 31 Dec 2023

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 361 days past due	Total
Expected loss rate for higher credit risk customer groups	3.00%	7.00%	13.00%	25.00%	50.00%	100.00%	100.00%	100.00%	
Gross carrying amount - trade receivables for higher credit risk customer groups	22,152.0	6,288.2	1,960.2	480.7	1,982.1	0.2			32,863.3
Gross carrying amount - contract assets for higher credit risk customer groups	315.1								315.1
Loss allowance provision for higher credit risk customer groups	674.0	440.2	254.8	120.2	991.0	0.2			2,480.5
Expected loss rate for lower risk customer groups	0.05%	0.50%	3.00%	13.00%	25.00%	50.00%	100.00%	100.00%	
Gross carrying amount - trade receivables for lower risk customer groups	3,393.0	1,092.0	326.6	1.6	13.4	577.1			5,403.8
Gross carrying amount - contract assets for lower risk customer groups	89.8								89.8
Loss allowance provision for lower credit risk customer groups	1.7	5.5	9.8	0.2	3.4	288.6			309.2
Expected credit loss allowance total	**675.8**	**445.6**	**264.6**	**120.4**	**994.4**	**288.7**			**2,789.7**

Separate credit loss allowances have been recognized for trade receivables, EUR 21.1 thousand, and contract assets, EUR 372.4 thousand that are considered unlikely to be recovered due to their age and a separate credit loss of EUR 75.9 thousand has been recognized for trade receivables relating to a customers that is insolvent.

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 and contract assets	16,633.5	4,513.9	1,260.3	467.3	189.5	76.2			23,140.6
Expected credit loss allowance total	**9.4**	**22.6**	**37.8**	**32.7**	**24.6**	**19.0**			**146.3**

Movements of the credit loss allowances:

EUR 1,000	31 Dec 2023	31 Dec 2022
Expected loss allowance at 1 Jan	**146.3**	**9.6**
Increase/decrease in expected credit loss allowance recognised in profit or loss during the year	3,035.3	136.7
Credit losses realised	75.9	
Translation differences	5.3	
Credit loss allowance at 31 Dec	**3,262.8**	**146.3**

Liquidity risk

Group's contractual maturity repayments on financial liabilities at the end of 2023

EUR 1,000	2024	2025	2026	2027 and there-after	Total
Trade payables	31,678.4				31,678.4
Accruals for trade payables	4,853.8				4,853.8
Derivatives - Capital inflow	-48,091.4				-48,091.4
Derivatives - Capital outflow	47,943.1				47,943.1
Lease liabilities including interest costs	6,729.7	6,092.8	5,078.3	13,474.7	31,375.5
Total	**43,113.6**	**6,092.8**	**5,078.3**	**13,474.7**	**67,759.4**

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

EUR 1,000	2023	2024	2025	2026 and there-after	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**

Foreign exchange risk

Translation risks

The Group's translation exposure to net investments in subsidiaries outside the euro zone at the end of 2023

EUR 1,000	USD	NOK	GBP	SEK	AUD	PLN
Net investment	-157.9	1,831.6	1,224.7	982.1	137.1	408.5

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

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

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 2023

EUR 1,000	USD	NOK	GBP	SEK	AUD	PLN
Weakening 10%	14.4	-166.5	-111.3	-89.3	-12.5	-37.1
Strengthening 10%	-17.5	203.5	136.1	109.1	15.2	45.4

Sensitivity analysis, impact on equity as at 31 Dec 2022

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

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.

The Group's transaction risk as at 31 Dec 2023

EUR 1,000	USD	NOK	GBP	SEK	CAD
Transaction risk	9,901.7	-159.3	8,277.7	-784.6	691.8
Hedging derivatives	-12,145.6	-242.1	-7,594.5		-2,071.8
Open exposure	-2,243.9	-401.4	683.2	-784.6	-1,380.0

The Group's transaction risk as at 31 Dec 2022

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

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 2023

EUR 1,000	USD	NOK	GBP	SEK	CAD
Weakening 10%	204.0	36.5	-62.1	71.3	125.5
Strengthening 10%	-249.3	-44.6	75.9	-87.2	-153.3

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

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

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 mainly uses 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.

Financial assets measured at fair value through profit or loss comprise forward exchange contracts hedging against currency risks associated with foreign currency denominated procurement agreements and 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. Changes in the value of forward contracts are calculated by measuring the contracts against the forward exchange rates on the balance sheet date and comparing them with the counter values calculated through the forward exchange rates on the date of entry into the forward contracts. A derivative with a positive fair value is recognized in "prepaid expenses and accrued income" whereas a derivative with a negative fair value is recognized in "accruals and deferred income". Hedge accounting has not been applied to derivative contracts.

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

The Group's financial liabilities are classified as liabilities measured at amortized cost. At initial recognition, the Group measures a financial liability at fair value less transaction costs. Financial liabilities are subsequently classified as measured at amortized cost using the effective interest method or measured at fair value through profit or loss. The drawdowns of financial liabilities as well as purchases and sales thereof are recognized in the balance sheet on the contract date of the contract that pertains to them. A financial liability is derecognized when the obligation specified in the contract has been fulfilled or revoked, or its validity has discontinued. Financial liabilities are classified as non-current, if they are payable beyond 12 months, and they are classified as current, if they are payable within 12 months.

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

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

Transaction costs related to the company's listing

Kempower recognizes 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 2023 EUR 1,000	Fair value through profit or loss	Amortized cost	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets							
Non-current deposits		1,401.9	1,401.9	1,401.9			
Current financial assets							
Trade receivables		35,380.3	35,380.3	35,380.3			
Other receivables		2,521.8	2,521.8	2,521.8			
Derivatives	439.1		439.1	439.1		439.1	
Other financial assets	72,430.3		72,430.3	72,430.3	72,430.3		
Cash and cash equivalents		27,354.9	27,354.9	27,354.9			
Total financial assets	**72,869.4**	**66,658.9**	**139,528.3**	**139,528.3**	**72,430.3**	**439.1**	
Non-current financial liabilities							
Non-current lease liabilities		20,511.0	20,511.0	20,511.0			
Current financial liabilities							
Current lease liabilities		4,704.8	4,704.8	4,704.8			
Trade payables		31,678.4	31,678.4	31,678.4			
Derivatives	290.8		290.8	290.8		290.8	
Other non-interest-bearing liabilities		2,112.2	2,112.2	2,112.2			
Total financial liabilities	**290.8**	**59,006.4**	**59,297.2**	**59,297.2**		**290.8**	

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		3,926.5	3,926.5	3,926.5			
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**	**36,888.4**	**101,086.5**	**101,086.5**	**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		1,858.2	1,858.2	1,858.2			
Total financial liabilities		**34,289.1**	**34,289.1**	**34,289.1**			

Fair values of derivative contracts EUR 1,000	31 Dec 2023 Derivative assets	31 Dec 2023 Derivative liabilities	31 Dec 2023 Fair value, net	31 Dec 2022 Derivative assets	31 Dec 2022 Derivative liabilities	3 Dec 2022 Fair value, net
Foreign currency derivatives	439.1	290.8	148.3			

Notional principal amounts of derivative contracts EUR 1,000	31 Dec 2023	31 Dec 2022
Foreign currency derivatives	47,846.4	

Bank overdraft facility, payable at call EUR 1,000	31 Dec 2023	31 Dec 2022
Amount used		
Amount unused	15,000.0	

Changes in liabilities arising from financing activities

	Liabilities from financing activities		
EUR 1,000	**Current lease liabilities**	**Non-current lease liabilities**	**Total**
Interest-bearing liabilities as at 1 Jan 2022	**615.9**	**473.7**	**1,089.6**
Cash flows 2022	-2,376.5		-2,376.5
New and changed leases 2022	2,149.8	14,890.7	17,040.5
Other non-cash movements 2022	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**
Cash flows 2023	-3,677.8		-3,677.8
New and changed leases 2023	2,262.1	11,149.4	13,411.5
Other non-cash movements 2023	3,737.4	-3,907.9	-170.4
Interest-bearing liabilities as at 31 Dec 2023	**4,704.8**	**20,511.0**	**25,215.8**

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 programs

Performance Share Plan 2022-2024

Kempower launched in March 2022 a share-based incentive programme for Kempower's management team and key employees. 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. 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.

Performance Share Plan 2023-2025

Kempower launched in February 2023 a share-based incentive programme for Kempower group's 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 2023–2025 consists of a three (3) year performance period, covering the financial years of 2023–2025.

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. The cash proportion of the reward is intended for covering taxes and statutory social security contributions arising from the rewards to the participants. In general, no reward is paid if the participant's employment or director contract terminates before the reward payment.

During the performance period, the rewards are based on the Total Shareholder Return of the Kempower share in 2023-2025 and Group Revenue in 2023-2025. The value of the maximum rewards to be paid on the targeted level will correspond to a total of approximately 206,200 Kempower's shares including also the cash proportion.

Approximately 40 persons, including the CEO and other Kempower Management Team members, belong to the target group of the performance period.

The Management Team member is obliged to hold at least 50 per cent of the shares received as a net reward from the performance share plan, until the total value of the member's shareholding in Kempower equals to 50 per cent of their annual base salary of the preceding year. Such a number of Kempower's shares must be held as long as the membership in the Management Team continues.

Employee share savings plan
In February 2023 The Board of Directors of Kempower decided to establish an Employee Share Savings Plan (ESSP) for the employees of Kempower and its subsidiaries.

The aim of the ESSP is to encourage employees to acquire and own Kempower shares, and it is intended to align the interests of the shareholders and the employees as well as to increase employees' motivation and long-term commitment to the company.

The ESSP consists of annually commencing plan periods, each one comprising of a 12-month savings period and a holding period following the savings period. The ESSP is offered to all Kempower employees in countries where there are no legal or administrative constraints for participation. The employees will have an opportunity to save a proportion of their salaries and an extra bonus and invest those savings in Kempower shares. The savings will be used for acquiring Kempower shares quarterly after the publication dates of the respective interim reports. As a reward for the commitment, Kempower grants the participating employees a gross award of one matching share for every two (2) savings shares acquired with their savings. Continuity of employment and holding of acquired savings shares for the duration of the holding period are the prerequisites for receiving the award.

The potential award will be settled in shares, or partly in shares and partly in cash, after the end of the holding period. The cash proportion is intended to cover taxes and tax-related costs arising from the award in those countries where the employer has the obligation to withhold taxes. Matching shares will be freely transferable after their registration on the participant's book-entry account. Any dividends to be paid on the acquired savings shares, the matching shares given within the ESSP, and any other shares received within the ESSP will be reinvested in additional shares on the next potential acquisition date. These shares will have an equal right to matching shares.

Participation in the ESSP is voluntary and the employees will be invited to participate in one plan period at a time. The first savings period commenced on 1 April 2023 and ends on 31 March 2024. The holding period of the first plan period begins at the first acquisition of savings shares and ends on 31 March 2026. The estimated maximum expense for the first plan period is approximately EUR 1,3 million. The final expense depends on the employees' participation and savings rate in the plan, and the fulfilment of the prerequisites for receiving matching shares, as well as the number of shares acquired from the market with savings.

In December 2023 the Board of Directors of Kempower resolved to launch a new plan period 2024-2027 of the Employee Share Savings Plan (ESSP) established in 2023.

In addition, Kempower has established a Synthetic Share Unit Plan which is a synthetic cash-based version of the Employee Share Savings Plan for Kempower employees in certain countries where the regular plan is not feasible. Initial amount for each plan cycle is communicated as an estimated maximum expense in the initial notification of the plan.

Performance Share Plan 2024–2026
In December 2023 the Board of Directors of Kempower resolved to establish a Performance Share Plan for the group's 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 2024–2026 consists of a three (3) year performance period, covering the financial years of 2024–2026.

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 Absolute Total Shareholder Return of the Kempower share in 2024-2026, Group Revenue in 2024-2026 and Co2 emission reduction / Revenue in 2024-2026. The value of the maximum rewards to be paid will correspond to a total of approximately 219,400 Kempower's shares including also the cash proportion.

Approximately 50 persons, including the CEO and other Kempower Management Team members, belong to the target group of the performance period.

Restricted Share Unit Plan 2024-2027
In December 2023 the Board of Directors of Kempower resolved to establish a Restricted Share Unit Plan for selected key employees of the group. The purpose of the plan is to align the interests of the company's shareholders and key employees to increase the company's value in the long-term, to commit key employees at the company and to offer them a competitive incentive plan based on receiving the company's shares.

The plan is intended to be used as a tool in situations seen necessary by the Board of Directors, for example ensuring retention of key talents to the company, attracting a new talent or other specific situations determined by the Board of Directors.

The Board of Directors may allocate rewards from the Restricted Share Unit Plan 2024—2027 during financial years 2024—2027. The value of the rewards to be allocated during 2024 on the basis of the plan corresponds to a maximum total of 20,000 shares of Kempower, including also the proportion to be paid in cash.

The rewards will be paid by the end of May 2027, 2028, 2029, 2030 or 2031, but always so that there is at least three (3) years between the determination of the reward and the payment of the reward. The reward is based on a valid employment or director contract and on the continuity of the employment or service.

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 of 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	Performance Share Plan 2023-2025	Employee Share Savings Plan 2023-2026**	Synthetic Share Unit Plan 2023-2026***	Total
Type	Share	Option	Share	Share	Share	Cash	
Initial amount, pcs*	540,000	108,000	165,000	206,200			1,019,200
Initial amount, EUR					1,300,000	12,000	
The subscription ratio for underlying shares, pcs		1					
Initial excercise price, EUR*	1.8519	1.85					
Dividend adjustment	No	Yes	No	No	No	No	
Current exercise price, EUR		1,85					
Grant date	26 Nov 2021	19 Nov 2021	1 Apr 2022	1 Apr 2023	1 April 2023	1 Dec 2023	
Performance period start date			1 Jan 2022	1 Jan 2023			
Performance period end date			31 Dec 2024	31 Dec 2025			
Vesting date	31 Dec 2024	31 Dec 2024	31 May 2025	31 May 2026	31 March 2026	31 March 2026	
Maturity date		15 Dec 2025					
Vesting conditions	Employment	Employment	Total Shareholder Return during performance period, Group Revenue 2024, Employment	Total Shareholder Return during performance period, Group Revenue 2023–2025, Employment	Share Ownership, Employment	Synthetic Share Unit Ownership, Employment	
Number of persons at 31 Dec 2023	77	26	22	40	482	5	

* Directed share issue to personnel and Stock Options 2021 adjusted by the share split carried out in November 2021
** The estimated maximum expense for the first plan period of Employee Share Savings Plan 2023-2026 is approximately EUR 1.3 million. The final expense depends on the employees' participation and savings rate in the plan, and the fulfilment of the prerequisites for receiving matching shares, as well as the number of shares acquired from the market with savings.
*** Synthetic Share Unit Plan is a synthetic cash based version of the Empoyee Share Savings Plan for Kempower employees in certain countries where the regular plan is not feasible. Initial amount for each plan cycle is communicated as an estimated maximum expense in the initial notification of the plan.

Changes during period	Directed share issue to personnel*	Stock Options 2021*	Performance Share Plan 2022–2024**	Performance Share Plan 2023–2025	Employee Share Savings Plan 2023–2026	Synthetic Share Unit Plan 2023–2026	Total
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
Outstanding at 1 Jan 2023	297,972	101,466	109,000				508,438
Granted			18,500	180,600	12,037.5		211,138
Forfeited	540				166		706
Outstanding at 31 Dec 2023	297,432	101,466	127,500	180,600	11,871.5		718,870

* 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	Performance Share Plan 2023–2025	Employee Share Savings Plan 2023–2026
Share price at grant date, EUR	34.48	27.94	40.15
Share price at 31 Dec 2023, EUR	31.82	31.82	31.82
Expected dividends, EUR			
Additional Monte Carlo simulation parameters			
Exercise price, EUR	-	-	
Expected volatility*	57.75%	57.80%	
Maturity, years	1.56	2.69	
Risk-free rate	3.10%	2.65%	
Valuation model	Monte Carlo simulation with Geometric Brownian Motion	Monte Carlo simulation with Geometric Brownian Motion	
Fair value for the market based portion, EUR	40.47	19.05	

* 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 2023 was EUR -2,370.3 thousand (EUR -1,016.3 thousand).

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. 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 significant influence or 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 significant influence or control.

Business transactions between Kempower and Kemppi Group are presented as related party transactions. Such related party transactions include purchases of materials and administration services from Kemppi Group companies and premises leased from Kemppi Group companies. Commitments related to future purchases from Kemppi Oy are also included in related party transactions.

Kempower's headquarters and production facilities are located in rental properties. The headquarters and production facilities in Lahti have been leased from Kemppi Group Oy until 2031.

Compensation of the members of the Board of Directors

EUR 1,000	2023	2022
Antti Kemppi, Chair	51.5	40.8
Teresa Kemppi-Vasama, Member	41.5	33.3
Tero Era, Member	41.5	33.3
Juha-Pekka Helminen, Member (until 30 Mar 2023)	11.8	33.3
Kimmo Kemppi, Member	41.0	32.8
Vesa Laisi, Member	44.0	35.1
Olli Laurén, Member (30 Mar 2023 onwards)	35.8	
Tuula Rytilä-Uotila, Member (28 Aug 2023 onwards)	14.2	
Eriikka Söderström, Member	46.5	37.0
Total	**327.7**	**245.4**

Compensation paid to the CEO and to the members of the management team

EUR 1,000	CEO	Management team	Total
2023			
Salaries and other short-term employee benefits	493.5	1,401.9	1,895.4
Post-employment benefits	92.3	262.2	354.4
Share-based payments	74.5	410.3	484.8
Total	**660.2**	**2,074.4**	**2,734.6**
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**

Related party transactions

EUR 1,000	2023	2022
Sales and purchases of goods and services to and from Kemppi Group companies		
Products sold	400.2	261.6
Purchased materials	-44,051.6	-26,453.8
Purchased administration and support services	-73.7	-1,158.7
Office and facility lease	-2,336.4	-2,321.4
Sales and purchases of goods and services to and from other related parties		
Purchased services		-35.0
Products sold		3.5

EUR 1,000	31 Dec 2023	31 Dec 2022
Outstanding balances with Kemppi Group companies		
Trade and other receivables	165.8	167.9
Total current receivables	**165.8**	**167.9**
Lease liabilities	11,572.3	11,566.4
Total non-current liabilities	**11,572.3**	**11,566.4**
Lease liabilities	1,495.6	1,089.4
Trade payables	6,724.2	6,809.4
Prepaid expenses and accrued income and other liabilities		2,129.9
Total current liabilities	**8,219.8**	**10,028.7**
Commitments to Kemppi Group companies		
Purchase commitments to Kemppi Group companies	4,442.0	6,639.3
Total commitments	**4,442.0**	**6,639.3**

5.3 DEFINED BENEFIT PLANS

Accounting principles

Kempower has both defined contribution and defined benefit pension plans. The contributions paid to a pension fund under a defined contribution pension plan are charged to the profit and loss statement in the year to which they relate. In defined contribution plans the Group has no legal or constructive obligation to pay future contributions if the pension fund does not hold sufficient assets to pay out the pension benefits.

In defined benefit plans, the Group may incur obligations or assets after the payment of the contribution. The pension obligation represents the present value of future cash flows from the benefits payable before deducting the plan assets. The present value of pension obligations is determined yearly based on actuarial calculations and recorded on the balance sheet as an asset or liability. The net interest expense is the increase of the present value of the pension obligation due to the payment of the benefit being one year closer. This expense is recognized in employee benefits in the income statement. Actuarial gains and losses relating to increases or decreases of the present value of the pension obligation or the fair value of the plan assets are recognized in the comprehensive income of the period in which they are observed.

Defined benefit assets and liabilities recognized in the balance sheet

EUR 1,000	31 Dec 2023	31 Dec 2022
Present value of defined benefit obligation		51.3
Fair value of plan assets		30.0
Surplus (-)/Deficit (+)		21.3
Net receivable (-)/liability (+) in the balance sheet		21.3
Change in the net receivable (-)/liability (+) recognized in the balance sheet		
Receivable (-)/liability (+) at the beginning of the financial year	**21.3**	**-4.0**
Income/cost recognized in the income statement	-0.9	19.6
Remeasurement	3.7	25.0
Contributions to plan and settlement at plan termination	-22.1	-19.5
Translation differences	-2.0	0.2
Receivable (-)/liability (+) at the end of the financial year		**21.3**

Change in present value of defined benefit obligtions 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 2023	51.3	-30.0	21.3
Expenses based on work performance during the financial year	-0.9		-0.9
	50.4	**-30.0**	**20.4**
Revaluation		3.7	3.7
Contributions to plan and settlement at plan termination	-46.0	23.8	-22.1
Translation differences	-4.4	2.4	-2.0
Balance at 31 Dec 2023			

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**

Principal acturial assumptions

	2023	2022
Discount rate	2.9%	2.4%
Inflation rate	3.8%	3.5%
Pension growth rate	2.4%	1.5%
Average service expectancy, years	8.0	8.0

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

EUR 1,000	2023	2022
Purchase commitments to Kemppi Group companies	4,442.0	6,639.3
Purchase commitments to other companies	10,068.6	
Commitment to a lease commencing in 2024	2,175.5	
Guarantees given on own behalf	1,421.6	29.6
Commitments total	**18,107.7**	**6,668.9**

5.5 GROUP STRUCTURE

Company name	Domicile	Ownership, %
Kempower AB	Sollentuna, Sweden	100%
Kempower AS	Nannestad, Norway	100%
Kempower Australia Pty Limited	New South Wales, Australia	100%
Kempower B.V.	Amsterdam, Netherlands	100%
Kempower Canada Inc.	Toronto, Ontario, Canada	100%
Kempower Charging Limited	Hemel Hempstead, the United Kingdom	100%
Kempower Charging Spain S.L.U.	Barcelona, Spain	100%
Kempower GmbH	Bergisch Gladbach, Germany	100%
Kempower Inc.	Delaware, the United States	100%
Kempower International Oy	Lahti, Finland	100%
Kempower Italy S.R.L	Milan, Italy	100%
Kempower SAS	Paris, France	100%
Kempower SP Z.o.o.	Warsaw, Poland	100%

5.6 EVENTS AFTER REPORTING DATE

No material events have occurred in the Group after the balance sheet date that would affect the financial statements.

Parent Company's Financial Statements (FAS)

Income statement of the parent company

EUR	Note	2023	2022
Revenue	2	**267,628,851.72**	**97,437,561.29**
Other operating income	3	1,056,677.38	325,973.14
Change in inventories of finished goods and work in progress		6,021,281.53	5,052,820.82
Raw materials and services			
Purchases during the financial period		-150,467,468.28	-71,697,046.76
Change in inventories		15,981,404.52	14,919,572.20
External services		-3,168,101.39	-1,694,612.33
Raw materials and services total		-137,654,165.15	-58,472,086.89
Staff expenses	4		
Salaries and wages		-29,318,472.60	-14,788,606.05
Pension expenses		-5,203,906.32	-2,694,546.01
Other social security expenses		-1,065,802.93	-585,424.97
Staff expenses total		-35,588,181.85	-18,068,577.03
Depreciation and amortization	6	-1,851,167.22	-625,977.57
Other operating expenses	7	-63,435,225.43	-21,250,653.12
Operating profit		**36,178,070.98**	**4,399,060.64**

EUR	Note	2023	2022
Financial income and expenses			
Financial income	8	4,774,080.49	23,362.19
Financial expenses	8	-1,112,136.93	-933,817.74
Financial income and expenses total		3,661,943.56	-910,455.55
Profit before tax and appropriations		**39,840,014.54**	**3,488,605.09**
Appropriations	9	-3,004,494.45	0.00
Income tax	10	-9,585,929.01	0.00
PROFIT FOR THE FINANCIAL PERIOD		**27,249,591.08**	**3,488,605.09**

Balance sheet of the parent company

EUR	Note	Dec 31, 2023	Dec 31, 2022
ASSETS			
Non-current assets			
Intangible assets	11		
Intangible rights		512,302.57	398,018.01
Other intangible assets		1,353,545.94	1,698,143.88
Total Intangible assets		1,865,848.51	2,096,161.89
Tangible assets	11		
Machinery and equipment		7,600,616.61	4,264,241.30
Advance payments and construction in progress		1,925,503.63	1,290,483.72
Total tangible assets		9,526,120.24	5,554,725.02
Investments	11		
Shares in group companies		325,919.09	261,685.54
Total investments		325,919.09	261,685.54
Non-current receivables	12		
Non-current loan receivables from group companies		13,122,171.95	0.00
Non-current prepayments and accrued income (from others)		26,477.10	
Total non-current receivables		13,148,649.05	0.00
Total Non-current assets		**24,866,536.89**	**7,912,572.45**

EUR	Note	Dec 31, 2023	Dec 31, 2022
Current assets			
Inventory			
Raw materials and consumables		36,018,426.34	20,037,021.82
Work in progress		741,870.03	3,382,566.88
Finished products		11,340,346.84	2,678,368.46
Total inventory		48,100,643.21	26,097,957.16
Current receivables	12		
Trade receivables		33,069,889.97	17,378,713.01
Receivables from group companies		15,738,664.43	7,430,191.07
Other financial assets		72,430,316.45	64,198,091.58
Other receivables		2,594,908.02	3,886,412.31
Prepaid expenses and accrued income		3,761,760.68	1,613,403.44
Total current receivables		127,595,539.55	94,506,811.41
Cash and cash equivalents		10,776,282.36	3,628,659.21
Total current assets		**186,472,465.12**	**124,233,427.78**
TOTAL ASSETS		**211,339,002.01**	**132,146,000.23**

EUR	Note	Dec 31, 2023	Dec 31, 2022
EQUITY AND LIABILITIES			
Equity	13		
Share capital		80,000.00	80,000.00
Reserve for invested unrestricted equity		95,291,510.39	99,129,671.64
Retained earnings		-2,205,818.57	-5,694,423.66
Profit/loss for the period		27,249,591.08	3,488,605.09
Total equity		**120,415,282.90**	**97,003,853.07**
Accumulated appropriations			
Cumulative accelerated depreciation	14	3,483,314.44	478,819.99
Provisions			
Other provisions	15	14,176,784.11	2,443,474.79
Liabilities			
Current liabilities	16		
Advance payments		9,242,183.17	5,292,498.96
Trade payables		24,106,335.24	9,958,538.69
Payables to group companies		23,037,586.40	9,396,985.96
Other liabilities		759,903.95	401,263.58
Accruals and deferred income		16,117,611.80	7,170,565.19
Total current liabilities		**73,263,620.56**	**32,219,852.38**
Total liabilities		**73,263,620.56**	**32,219,852.38**
TOTAL EQUITY AND LIABILITIES		**211,339,002.01**	**132,146,000.23**

Cash flow statement of parent company

EUR	2023	2022
Cash flow from operating activities		
Profit before appropriations and taxes	39 840 014,54	3,488,605.09
Adjustments:		
Depreciation and amortization	1,851,167.22	625,977.57
Unrealised foreign exchange gains and losses	415,381.08	56,397.52
Unrealised gain from the change in fair value of derivatives	-28,080.25	
Change in provisions	11,733,309.32	2,227,414.28
Financial income and expenses	-3,694,344.83	921,258.56
Cash flow before changes in working capital	**50,117,447.08**	**7,319,653.02**
Changes in working capital		
Change in inventories	-22,002,686.05	-19,972,393.02
Change in trade and other receivables	-20,686,171.02	-23,244,197.58
Change in trade payables and short-term debts	40,281,970.83	23,418,247.68
Cash flow from operating activities before financial items and taxes	**47,710,560.84**	**-12,478,689.90**
Interest paid	-12,269.75	-95,997.79
Other financial expenses paid	-89,553.20	-51,132.29
Interest received	596,721.79	7,779.94
Taxes paid	-9,962,819.31	-497.87
Cash flow from operating activities (A)	**38,242,640.37**	**-12,618,537.91**

EUR	2023	2022
Cash flow from investing activities		
Investments in tangible and intangible assets	-5,592,249.06	-6,144,367.19
Acquisition of subsidiary shares	-64,233.55	-77,765.89
Long-term loans granted to subsidiaries	-13,464,801.60	
Short-term loans granted to subsidiaries	-3,318,784.41	-588,194.56
Repayments of short-term loans granted to subsidiaries	200,000.00	
Increase (-)/decrease (+) of other financial assets	-5,016,787.36	-65,000,000.00
Cash flow from investing activities (B)	**-27,256,855.98**	**-71,810,327.64**
Cash flow from financing activities		
Purchase of treasury shares	-3,838,161.25	-1,421,730.72
Cash flow from financing activities (C)	**-3,838,161.25**	**-1,421,730.72**
Changes in cash flows (A+B+C)	**7,147,623.14**	**-85,850,596.27**
Cash and cash equivalents at the beginning of the period	3,628,659.21	89,479,255.48
Cash and cash equivalents at the end of the period	10,776,282.36	3,628,659.21

Notes to the parent company's 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 financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS).

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 and valuation of currency derivatives

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 adjustement items for sales and purchases. Exchange rate differences for other commitments, receivables and liabilities are included in financial income and expenses. Derivative instruments are measured at fair value, and all valuation changes are recognized in the income statement for the period during which they occur. Changes in the value of forward contracts are calculated by measuring the contracts against the forward exchange rates on the balance sheet date and comparing them with the counter values calculated through the forward exchange rates on the date of entry into the forward contracts. A derivative with a positive fair value is recognized in "prepaid expenses and accrued income" whereas a derivative with a negative fair value is recognized in "accruals and deferred income".

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 project.

2 REVENUE BY MARKET AREA

EUR	2023	2022
Finland	42,929,950.93	20,790,829.49
Nordics	64,450,333.64	34,696,720.51
Rest of Europe	130,726,711.50	36,906,042.00
North America	15,862,854.68	
Rest of the World	13,659,000.96	5,043,969.29
Total	**267,628,851.72**	**97,437,561.29**

3 OTHER OPERATING INCOME

EUR	2023	2022
Government grants	832,211.20	271,587.97
Insurance compensations	196,385.93	54,385.17
Other operating income	28,080.25	
Total	**1,056,677.38**	**325,973.14**

4 PERSONNEL

Average number of personnel during financial period	2023	2022
Production employees	131	63
Office employees	320	159
Total	**451**	**222**

Management compensation

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

EUR	2023	2022
Managing director		
Wages and salaries	493,455.89	361,084.52
Pension expenses	92,276.25	63,911.96
Total	**585,732.14**	**424,996.48**
Management team		
Wages and salaries	1,256,513.80	819,015.97
Pension expenses	234,968.08	144,965.83
Total	**1,491,481.88**	**963,981.80**
Board of directors		
Antti Kemppi, Chair	51,500.00	40,750.00
Teresa Kemppi-Vasama, Member	41,500.04	33,250.03
Tero Era, Member	41,500.04	33,250.03
Juha-Pekka Helminen, Member (until 30 Mar 2023)	11,750.01	33,250.03
Kimmo Kemppi, Member	41,000.04	32,750.03
Vesa Laisi, Member	44,000.00	35,125.00
Olli Laurén, Member (30 Mar 2023 onwards)	35,750.03	
Tuula Rytilä-Uotila, Member (28 Aug 2023 onwards)	14,173.93	
Eriikka Söderström, Member	46,499.96	36,999.97
Total	**327,674.05**	**245,375.09**

Other management benefits

Personnel offering

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 the 31st of 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.

Share-based incentive plan 2022–2024

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. 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.

Share-based incentive plan 2023–2025

Kempower launched in February 2023 share-based incentive programme for Kempower's group's 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 2023–2025 consists of a three (3) year performance period, covering the financial years of 2023–2025.

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. The cash proportion of the reward is intended for covering taxes and statutory social security contributions arising from the rewards to the participants. In general, no reward is paid if the participant's employment or director contract terminates before the reward payment.

During the performance period, the rewards are based on the Total Shareholder Return of the Kempower share in 2023-2025 and Group Revenue in 2023-2025. The value of the maximum rewards to be paid on the targeted level will correspond to a total of approximately 206,200 Kempower's shares including also the cash proportion.

It is the intention of the Board of Directors that no new shares will be issued in connection with the PSP 2023-2025 Program and therefore, the PSP 2023-2025 program would have no dilutive effect on the number of the Kempower Corporation's registered shares.

Approximately 40 persons, including the CEO and other Kempower Management Team members, belong to the target group of the performance period.

The Management Team member is obliged to hold at least 50 per cent of the shares received as a net reward from the performance share plan, until the total value of the member's shareholding in Kempower equals to 50 per cent of their annual base salary of the preceding year. Such number of Kempower's shares must be held as long as the membership in the Management Team continues.

Employee share savings plan

In February 2023 The Board of Directors of Kempower decided to establish an Employee Share Savings Plan (ESSP) for the employees of Kempower and its subsidiaries.

The aim of the ESSP is to encourage employees to acquire and own Kempower shares, and it is intended to align the interests of the shareholders and the employees as well as to increase employees' motivation and long-term commitment to the company.

The ESSP consists of annually commencing plan periods, each one comprising of a 12-month savings period and a holding period following the savings period. The ESSP is offered to all Kempower employees in countries where there are no legal or administrative constraints for participation. The employees will have an opportunity to save a proportion of their salaries and an extra bonus and invest those savings in Kempower shares. The savings will be used for acquiring Kempower shares quarterly after the publication dates of the respective interim reports. As a reward for the commitment, Kempower grants the participating employees a gross award of one matching share for every two (2) savings shares acquired with their savings. Continuity of employment and holding of acquired savings shares for the duration of the holding period are the prerequisites for receiving the award.

The potential award will be settled in shares, or partly in shares and partly in cash, after the end of the holding period. The cash proportion is intended to cover taxes and tax-related costs arising from the award in those countries where the employer has the obligation to withhold taxes. Matching shares will be freely transferable after their registration on the participant's book-entry account. Any dividends to be paid on the acquired savings shares, the matching shares given within the ESSP, and any other shares received within the ESSP will be reinvested in additional shares on the next potential acquisition date. These shares will have an equal right to matching shares.

Participation in the ESSP is voluntary and the employees will be invited to participate in one plan period at a time. The first savings period commenced on 1 April 2023 and ends on 31 March 2024. The holding period of the first plan period begins at the first acquisition of savings shares and ends on 31 March 2026. The estimated maximum expense for the first plan period is approximately EUR 1,3 million. The final expense depends on the employees' participation and savings rate in the plan, and the fulfilment of the prerequisites for receiving matching shares, as well as the number of shares acquired from the market with savings.

In December 2023 the Board of Directors of Kempower resolved to launch a new plan period 2024-2027 of the Employee Share Savings Plan (ESSP) established in 2023.

Performance Share Plan 2024–2026

In December 2023 the Board of Directors of Kempower resolved to establish a Performance Share Plan for the group's 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 2024–2026 consists of a three (3) year performance period, covering the financial years of 2024–2026.

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 Absolute Total Shareholder Return of the Kempower share in 2024-2026, Group Revenue in 2024-2026 and Co2 emission reduction / Revenue in 2024-2026. The value of the maximum rewards to be paid will correspond to a total of approximately 219,400 Kempower's shares including also the cash proportion.

Approximately 50 persons, including the CEO and other Kempower Management Team members, belong to the target group of the performance period.

Restricted Share Unit Plan 2024-2027

In December 2023 the Board of Directors of Kempower resolved to establish a Restricted Share Unit Plan for selected key employees of the group. The purpose of the plan is to align the interests of the company's shareholders and key employees to increase the company's value in the long-term, to commit key employees at the company and to offer them a competitive incentive plan based on receiving the company's shares.

The plan is intended to be used as a tool in situations seen necessary by the Board of Directors, for example ensuring retention of key talents to the company, attracting a new talent or other specific situations determined by the Board of Directors.

The Board of Directors may allocate rewards from the Restricted Share Unit Plan 2024—2027 during financial years 2024—2027. The value of the rewards to be allocated during 2024 on the basis of the plan corresponds to a maximum total of 20,000 shares of Kempower, including also the proportion to be paid in cash.

The rewards will be paid by the end of May 2027, 2028, 2029, 2030 or 2031, but always so that there is at least three (3) years between the determination reward and the payment of the reward. The reward is based on a valid employment or director contract and on the continuity of the employment or service.

The CEO does not have any other personal compensation plan based on shares or stock options or other special rights entitling to shares in addition to the share-based plans described above.

5 AUDITOR'S FEES

EUR	2023	2022
Audit fees	-187,137.00	-101,787.00
Tax consultation	-58,635.00	-39,421.00
Other fees	-87,068.78	-66,988.00
Total	**-332,840.78**	**-208,196.00**

6 DEPRECIATION AND AMORTIZATION

EUR	2023	2022
Intangible rights	-84,291.44	-48,382.36
Other long-term expenditures	-715,642.00	-137,455.24
Machinery and equipment	-1,051,233.78	-440,139.97
Total	**-1,851,167.22**	**-625,977.57**

7 OTHER OPERATING EXPENSES

EUR	2023	2022
Sales and marketing expenses	-5,530,346.86	-2,715,540.81
Administration expenses	-6,211,145.51	-2,835,573.57
IT expenses	-7,901,149.02	-2,956,210.81
Premises and vehicle expenses	-5,138,406.11	-3,428,100.87
Machinery and tool expenses	-1,976,294.11	-701,834.71
Research and development expenses	-4,292,220.60	-2,574,284.89
Warranty expenses	-18,327,227.95	-4,905,627.30
Other personnel expenses	-2,180,002.38	-1,133,480.16
Intercompany service fees	-11,878,432.89	
Total	**-63,435,225.43**	**-21,250,653.12**

8 FINANCIAL INCOME AND EXPENSES

EUR	2023	2022
Other interest and financial income		
From Group companies		
Interest income	401,075.97	7,145.94
Foreign exchange gain (realised)	11,346.07	
Foreign exchange gain (unrealised)	458,035.46	
From Others		
Interest income	195,645.82	
Foreign exchange gain (realised)	64,792.97	
Foreign exchange gain (unrealised)	410,985.37	16,216.24
Change in fair value of money market investments	3,215,437.51	
Other financial income	16,761.32	0.01
Total	**4,774,080.49**	**23,362.19**

EUR	2023	2022
Interest expenses and other financial expenses		
To Group companies		
Foreign exchange loss (realised)	-7,880.10	
Foreign exchange loss (unrealised)	-898,776.04	-4,779.23
To others		
Change in fair value of money market investments		-723,321.43
Interest expenses	-12,397.57	-95,997.79
Foreign exchange loss (realised)	-145,646.79	-28,445.36
Foreign exchange loss (unrealised)	-2,646.06	
Other financial expenses	-44,790.37	-81,273.93
Total	**-1,112,136.93**	**-933,817.74**

9 APPROPRIATIONS

EUR	2023	2022
Change in cumulative accelerated depreciation	-3,004,494.45	
Total	**-3,004,494.45**	

10 INCOME TAXES

EUR	2023	2022
Income tax on main business operations	-9,585,929.01	
Total	**-9,585,929.01**	

11 ASSETS

Intangible assets

EUR	Dec 31, 2023	Dec 31, 2022
Intangible rights		
Acquisition cost, Jan 1	507,900.30	259,750.97
Increases	198,576.00	248,149.33
Acquisition cost, Dec 31	706,476.30	507,900.30
Accumulated amortization, Jan 1	-109,882.29	-61,499.93
Amortization for financial year	-84,291.44	-48,382.36
Accumulated amortization, Dec 31	-194,173.73	-109,882.29
Carrying amount, Dec 31	**512,302.57**	**398,018.01**

EUR	Dec 31, 2023	Dec 31, 2022
Other long-term expenses		
Acquisition cost, Jan 1	1,849,343.31	213,242.93
Increases	371,044.06	1,636,100.38
Acquisition cost, Dec 31	2,220,387.37	1,849,343.31
Accumulated amortization, Jan 1	-151,199.43	-13,744.19
Amortization for financial year	-715,642.00	-137,455.24
Accumulated amortization, Dec 31	-866,841.43	-151,199.43
Carrying amount, Dec 31	**1,353,545.94**	**1,698,143.88**

EUR	Dec 31, 2023	Dec 31, 2022
Total intangible assets		
Acquisition cost, Jan 1	2,357,243.61	472,993.90
Increases	569,620.06	1,884,249.71
Acquisition cost, Dec 31	2,926,863.67	2,357,243.61
Accumulated amortization, Jan 1	-261,081.72	-75,244.12
Amortization for financial year	-799,933.44	-185,837.60
Accumulated amortization, Dec 31	-1,061,015.16	-261,081.72
Carrying amount, Dec 31	**1,865,848.51**	**2,096,161.89**

Tangible assets

EUR	Dec 31, 2023	Dec 31, 2022
Machinery and equipment		
Acquisition cost, Jan 1	4,924,451.74	1,250,130.09
Increases	4,387,609.09	3,674,321.65
Acquisition cost, Dec 31	9,312,060.83	4,924,451.74
Accumulated depreciation, Jan 1	-660,210.44	-220,070.47
Depreciation for the financial year	-1,051,233.78	-440,139.97
Accumulated depreciation, Dec 31	-1,711,444.22	-660,210.44
Carrying amount, Dec 31	**7,600,616.61**	**4,264,241.30**

EUR	Dec 31, 2023	Dec 31, 2022
Advance payments and purchases in progress		
Acquisition cost, Jan 1	1,290,483.72	704,687.89
Increases	635,019.91	585,795.83
Acquisition cost, Dec 31	1,925,503.63	1,290,483.72
Carrying amount, Dec 31	**1,925,503.63**	**1,290,483.72**

EUR	Dec 31, 2023	Dec 31, 2022
Total tangible assets		
Acquisition cost, Jan 1	6,214,935.46	1,954,817.98
Increases	5,022,629.00	4,260,117.48
Acquisition cost, Dec 31	11,237,564.46	6,214,935.46
Accumulated depreciation, Jan 1	-660,210.44	-220,070.47
Depreciation for financial year	-1,051,233.78	-440,139.97
Accumulated depreciation, Dec 31	-1,711,444.22	-660,210.44
Carrying amount, Dec 31	**9,526,120.24**	**5,554,725.02**

EUR	Dec 31, 2023	Dec 31, 2022
Shares in group companies		
Acquisition cost, Jan 1	261,685.54	183,919.65
Increases	64,233.55	77,765.89
Acquisition cost, Dec 31	325,919.09	261,685.54
Carrying amount, Dec 31	**325,919.09**	**261,685.54**

12 RECEIVABLES

Non-current receivables

EUR	Dec 31, 2023	Dec 31, 2022
Non-current receivables from group companies		
Non-current loan receivables	13,122,171.95	
Non-current prepayments and accrued income (from others)		
Other non-current prepayments (from others)	26,477.10	
Non-current receivables total	**13,148,649.05**	

Current receivables

EUR	Dec 31, 2023	Dec 31, 2022
Receivables from others		
Trade receivables	33,069,889.97	17,378,713.01
VAT receivables	2,252,587.90	3,467,442.03
Other receivables	342,320.12	418,970.28
Other financial assets	72,430,316.45	64,198,091.58
Prepayments and accrued income	3,761,760.68	1,613,403.44
Total	**111,856,875.12**	**87,076,620.34**

EUR	Dec 31, 2023	Dec 31, 2022
Receivables from Group companies		
Trade receivables	4,074,321.62	5,994,715.50
Loan receivables	3,713,753.14	579,827.01
Prepayments and accrued income	7,950,589.67	855,648.56
Total	**15,738,664.43**	**7,430,191.07**
Total current receivables	**127,595,539.55**	**94,506,811.41**

EUR	Dec 31, 2023	Dec 31, 2022
Specification of prepayments and accrued income		
Accrued government grants	356,721.02	126,571.32
IT costs paid in advance	934,734.19	262,401.93
Other costs paid in advance	1,340,567.13	595,835.29
Contract assets (sales accruals)	313,284.55	628,594.90
Income tax receivables	377,388.17	
Derivatives	439,065.6	
Accruals, total	**3,761,760.68**	**1,613,403.44**

13 EQUITY

Changes in equity

EUR	Dec 31, 2023	Dec 31, 2022
Changes in equity		
Share capital, Jan 1	80,000.00	80,000.00
Share capital, 31 Dec	**80,000.00**	**80,000.00**
Invested unrestricted equity fund, Jan 1	99,129,671.64	100,551,402.36
Acquisition of own shares	-3,838,161.25	-1,421,730.72
Invested unrestricted equity fund, 31 Dec	**95,291,510.39**	**99,129,671.64**
Retained earning, 1 Jan	-2,205,818.57	-5,694,423.66
Profit/loss for the financial year	27,249,591.08	3,488,605.09
Retained earnings, 31 Dec	**25,043,772.51**	**-2,205,818.57**
Total equity	**120,415,282.90**	**97,003,853.07**

EUR	Dec 31, 2023	Dec 31, 2022
Calculation of parent company's distributable equity		
Retained earnings from previous periods, 31 Dec	-2,205,818.57	-5,694,423.66
Profit/-loss for the financial year	27,249,591.08	3,488,605.09
Invested unrestricted equity fund, 31 Dec	95,291,510.39	99,129,671.64
Parent companys' distributable equity, total	**120,335,282.90**	**96,923,853.07**

The distributable assets total 120,335,282.90€. 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.

14 APPROPRIATIONS

EUR	Dec 31, 2023	Dec 31, 2022
Cumulative accelerated depreciation, 1 Jan	478,819.99	478,819.99
Change in accelerated depreciation	3,004,494.45	
Cumulative accelerated depreciation, 31 Dec	**3,483,314.44**	**478,819.99**

15 PROVISIONS

EUR	Dec 31, 2023	Dec 31, 2022
Non-current provision for warranty expenses	3,772,562.11	803,393.97
Current provision for warranty expenses	9,579,159.63	1,640,080.82
Short-term other provisions	825,062.37	
Total	**14,176,784.11**	**2,443,474.79**

16 CURRENT LIABILITIES

Current liabilities

EUR	Dec 31, 2023	Dec 31, 2022
Debts to others		
Trade payables	24,106,335.24	9,958,538.69
Advances received	9,242,183.17	5,292,498.96
Other payables	759,903.95	401,263.58
Accrued liabilities	16,117,611.80	7,170,565.19
Total	**50,226,034.16**	**22,822,866.42**
Debts to Group companies		
Trade payables	6,717,140.86	6,747,359.94
Other payables	7,000.00	
Accrued liabilities	16,313,445.54	2,649,626.02
Total	**23,037,586.40**	**9,396,985.96**
Total current liabilities	**73,263,620.56**	**32,219,852.38**

EUR	Dec 31, 2023	Dec 31, 2022
Specification of accrued liabilities		
Employee benefit accruals	8,322,374.56	5,140,197.78
IT cost accruals	776,474.86	133,499.76
Administration cost accruals	951,403.50	301,357.21
Other operating expense accruals	1,935,988.38	762,116.58
Contract liabilities (sales accruals)	3,824,590.47	833,393.86
Derivatives	290,788.51	
Other accruals	15,991.52	
Total	**16,117,611.80**	**7,170,565.19**

EUR	Dec 31, 2023	Dec 31, 2022
Specification of accrued liabilities to group		
Transfer pricing adjustments	15,823,317.89	522,193.00
Other costs allocated to the period	356,186.33	2,127,433.02
Other accruals	133,941.32	
Total	**16,313,445.54**	**2,649,626.02**

17 COMMITMENTS

EUR	Dec 31, 2023	Dec 31, 2022
Amount payable under leases		
Due for payment in next financial year	3,355,479.14	3,211,194.99
Due for payment at a later date	15,760,178.57	17,713,494.85
Total	**19,115,657.71**	**20,924,689.84**

EUR	Dec 31, 2023	Dec 31, 2022
Other commitments		
Purchase commitments to Kemppi Group companies	4,442,040.00	6,639,269.00
Purchase commitments to other companies	10,068,580.00	
Commitment to a lease commencing in 2024	2,587,464.00	
Guarantees given on own behalf	68,849.04	29,584.00
Total	**17,166,933.04**	**6,668,853.00**

Lease liabilities of 31.12.2023 consists mainly from the lease agreement of Kempower's 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 14,389,100.

EUR	Dec 31, 2023	Dec 31, 2022
Bank overdraft facility, payable at call		
Amount used		
Amount unused	15,000,000.00	
Total	**15,000,000.00**	

18 EVENTS AFTER THE REPORTING DATE

No material events have occurred in the Company after the balance sheet date that would affect the financial statements.

Signatures for the financial statements

Lahti, 13th of February 2024

Antti Kemppi
Chair of the Board

Teresa Kemppi-Vasama
Member of the Board

Tero Era
Member of the Board

Olli Laurén
Member of the Board

Kimmo Kemppi
Member of the Board

Vesa Laisi
Member of the Board

Eriikka Söderström
Member of the Board

Tuula Rytilä-Uotila
Member of the Board

Tomi Ristimäki
Managing Director

Auditor's note

A report on the audit carried out has been submitted today

Lahti, 13th of February 2024

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, 2023. 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 material accounting policy information, 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 IFRS Accounting Standards 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 IFRS Accounting Standards 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 13.2.2024

Ernst & Young Oy
Authorized Public Accountant Firm

Toni Halonen
Authorized Public Accountant

KEMPOWER

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