

Kempower Corporation's

# TRANSITION TO IFRS REPORTING

AND UNAUDITED COMPARATIVE IFRS INFORMATION



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

Kempower Corporation (together with its subsidiaries "Kempower" or "the Group") transfers from the Finnish Accounting Standards (FAS) to the International Financial Reporting Standards (IFRS). The company expects the adoption of IFRS transition to increase comparability of the financial figures with the other companies in the industry, support the growth strategy of the company and increase the interest for the company among international investors.

Kempower Corporation will publish its first interim financial report in accordance with the IFRS standards for the financial period ending June 30, 2022. The comparative information is presented for the financial year ended December 31, 2021, and comparative period ended June 30, 2021. The transition date for the IFRS reporting is January 1, 2021. Kempower has previously prepared its financial statements in accordance with the Finnish Accounting Standards (FAS).

Kempower has prepared the following unaudited IFRS financial information to provide investors with comparative information for the consolidated statement of comprehensive income, consolidated statement of financial position and Group's key figures as of December 31, 2021, and as of June 30, 2021. In addition, the opening balance sheet for the IFRS transition date January 1, 2021, is presented. The key differences arising from the transition to IFRS reporting compared with FAS reporting are described in the notes of this release.

The most significant impacts from the transition to IFRS reporting:

- The right to use leased assets and a lease liability corresponding to the rents to be paid are recognized in the statement of financial position, which increases long-term assets and lease liabilities. The increase of lease liabilities has an impact on net debt and equity ratio key figures. The

adjustment of rent expense from other operating expenses to instalment of lease liability and interest expense improves cash flow from operating activities and EBITDA key figures.

- Development expenses are accrued over their useful lives when requirements of capitalization under IFRS are met. Depreciation expense is recognized in the consolidated statement of comprehensive income instead of other operating expense, which improves EBITDA key figure. The change in accounting policy has also an impact on investments.
- The IPO related transaction costs directly attributable to the issuance of new shares are deducted from the reserve for invested unrestricted equity in equity. The IPO

related transaction costs attributable to existing shares are recognized in other operating expenses. Under FAS reporting all IPO related transaction costs are expensed through the income statement in finance expenses. The change decreases cash flow from operating activities and increases cash flow from financing activities respectively.

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

## IFRS KEY FIGURES

MEUR	1 Jan-30 June 2021	1 July-31 Dec 2021	1 Jan-31 Dec 2021
Order backlog	14.9	13.7	13.7
Order intake	20.1	17.3	37.4
Revenue	9.0	18.4	27.4
Revenue growth, %	1,107%	633%	741%
Gross Margin	4.1	8.8	12.9
Gross Margin, %	45%	48%	47%
EBITDA	0.5	-0.1	0.5
EBITDA margin, %	6%	-0%	2%
Operating profit/loss (EBIT)	0.0	-0.7	-0.7
EBIT margin, %	0%	-4%	-3%
Operative EBIT	0.2	0.8	1.0
Operative EBIT margin, %	2%	4%	4%
Profit/loss for the period	-0.3	0.5	0.3
Equity ratio, %	9%	91%	91%
Cash Flow from operating activities	-4.0	7.4	3.4
Investments	0.6	1.0	1.6
Net Debt	6.1	-89.3	-89.3
Items affecting comparability	0.2	1.5	1.7
Earnings per share, basic, EUR	-0.01	0.01	0.01
Earnings per share, diluted, EUR	-0.01	0.01	0.01
Headcount end of period	87	136	136

The definition of the key figures and reconciliations are presented in the notes of this release.

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

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

# Consolidated statement of financial position 31 December 2021

MEUR	FAS 31 Dec 2021	Leases	Intangible assets, development expenses	Inventories	Financial instruments	Employee benefits	Share-based payments	Reclass- ifications	Total impact of transition to IFRS	IFRS 31 Dec 2021
<b>ASSETS</b>										
<b>Non-current assets</b>										
Intangible assets	0.4		0.7					0.0	0.7	1.1
Property, plant and equipment	1.7	1.1						0.0	1.1	2.9
Non-current receivables						0,0			0,0	0,0
Deferred tax assets	1.3	0.0			0.0				0.0	1.3
<b>Total non-current assets</b>	<b>3.4</b>	<b>1.1</b>	<b>0.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.8</b>	<b>5.2</b>
<b>Current assets</b>										
Inventories	6.1			0.2					0.2	6.4
Trade receivables	4.7				0.0				0.0	4.7
Prepaid expenses and accrued income	1.9								0.0	1.9
Cash and cash equivalents	90.4								0.0	90.4
<b>Total current assets</b>	<b>103.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>	<b>103.3</b>
<b>TOTAL ASSETS</b>	<b>106.4</b>	<b>1.1</b>	<b>0.7</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2.1</b>	<b>108.5</b>
<b>EQUITY AND LIABILITIES</b>										
<b>Equity</b>										
Share capital	0.1								0.0	0.1
Reserve for invested unrestricted equity	100.6				-4.9				-4.9	95.7
Retained earnings	0.6	0.0	0.8	0.0		0.0	0.1		0.9	1.5
Profit/loss for the period	-4.5	0.0	-0.2	0.2	4.9	0.0	-0.1		4.8	0.3
<b>Total equity</b>	<b>96.7</b>	<b>0.0</b>	<b>0.6</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.8</b>	<b>97.5</b>
<b>Non-current liabilities</b>										
Lease liabilities	0.0	0.5							0.5	0.5
Provisions	0.2								0.0	0.2
Deferred tax liabilities	0.1		0.1	0.0		0.0			0.2	0.3
<b>Total non-current liabilities</b>	<b>0.3</b>	<b>0.5</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.7</b>	<b>1.0</b>
<b>Current liabilities</b>										
Lease liabilities	0.0	0.6							0.6	0.6
Advance payments	0.8								0.0	0.8
Trade payables	5.5								0.0	5.5
Other liabilities	0.6								0.0	0.6
Accruals and deferred income	2.5								0.0	2.5
<b>Total current liabilities</b>	<b>9.4</b>	<b>0.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.6</b>	<b>10.0</b>
<b>Total liabilities</b>	<b>9.7</b>	<b>1.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.3</b>	<b>11.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>106.4</b>	<b>1.1</b>	<b>0.7</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2.1</b>	<b>108.5</b>

# Consolidated statement of comprehensive income January 1–June 30, 2021

MEUR	FAS 1 Jan–30 Jun 2021	Leases	Intangible assets, development expenses	Inventories	Financial instruments	Employee benefits	Share-based payments	Reclass- ifications	Total impact of transition to IFRS	IFRS 1 Jan–30 Jun 2021
<b>Revenue</b>	<b>9.0</b>								<b>0.0</b>	<b>9.0</b>
Materials and services	-4.7			0.1					0.1	-4.6
Employee benefits	-2.4								0.0	-2.4
Depreciation, amortization and impairment losses	-0.1	-0.3	-0.1						-0.4	-0.5
Other operating expenses	-1.8	0.3			0.0				0.3	-1.5
<b>Total operating expenses</b>	<b>-9.0</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-9.0</b>
<b>Operating result</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Finance income	0.0								0.0	0.0
Finance expenses	-0.2	-0.0							-0.0	-0.2
<b>Total finance income and expenses</b>	<b>-0.2</b>	<b>-0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.2</b>
<b>Profit/loss before tax</b>	<b>-0.3</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.3</b>
Income tax	0.0								0.0	0.0
Changes in deferred taxes	0.0	0.0	0.0	-0.0	0.0			-0.0	0.0	0.0
<b>Total income taxes</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Profit/loss for the period</b>	<b>-0.3</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.3</b>
<b>Profit/loss for the period attributable to the equity holders of the Company</b>	<b>-0.3</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.3</b>
<b>Other comprehensive income for the period</b>										
Items that may be subsequently reclassified to profit or loss										
Translation difference	0.0								0.0	0.0
<b>Total other comprehensive profit/loss for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Comprehensive profit/loss for the period</b>	<b>-0.3</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.3</b>
<b>Comprehensive profit/loss for the period attributable to the equity holders of the Company</b>	<b>-0.3</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.3</b>

# Consolidated statement of comprehensive income July 1–December 31, 2021

MEUR	FAS 1 Jul–31 Dec 2021	Leases	Intangible assets, development expenses	Inventories	Financial instruments	Employee benefits	Share-based payments	Reclass- ifications	Total impact of transition to IFRS	IFRS 1 Jul–31 Dec 2021
<b>Revenue</b>	<b>18.4</b>								<b>0.0</b>	<b>18.4</b>
<b>Other operating income</b>	<b>0.3</b>								<b>0.0</b>	<b>0.3</b>
Materials and services	-9.1			0.1					0.1	-9.0
Employee benefits	-4.9					-0.0	-0.1		-0.1	-5.0
Depreciation, amortization and impairment losses	-0.1	-0.4	-0.1						-0.5	-0.6
Other operating expenses	-3.5	0.4			-1.7				-1.2	-4.7
<b>Total operating expenses</b>	<b>-17.6</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.1</b>	<b>-1.7</b>	<b>-0.0</b>	<b>-0.1</b>	<b>0.0</b>	<b>-1.8</b>	<b>-19.4</b>
<b>Operating result</b>	<b>1.1</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.1</b>	<b>-1.7</b>	<b>-0.0</b>	<b>-0.1</b>	<b>0.0</b>	<b>-1.8</b>	<b>-0.7</b>
Finance income	0.0					0.0			0.0	0.0
Finance expenses	-6.5	-0.0			6.6	-0.0			6.5	0.1
<b>Total finance income and expenses</b>	<b>-6.5</b>	<b>-0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>6.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>6.5</b>	<b>0.1</b>
<b>Profit/loss before tax</b>	<b>-5.4</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.1</b>	<b>4.9</b>	<b>-0.0</b>	<b>-0.1</b>	<b>0.0</b>	<b>4.8</b>	<b>-0.6</b>
Income tax	-0.1								0.0	-0.1
Changes in deferred taxes	1.2	0.0	0.0	-0.0	0.0	0.0		0.0	0.0	1.2
<b>Total income taxes</b>	<b>1.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.2</b>
<b>Profit/loss for the period</b>	<b>-4.3</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.1</b>	<b>4.9</b>	<b>-0.0</b>	<b>-0.1</b>	<b>0.0</b>	<b>4.8</b>	<b>0.5</b>
<b>Profit/loss for the period attributable to the equity holders of the Company</b>	<b>-4.3</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.1</b>	<b>4.9</b>	<b>-0.0</b>	<b>-0.1</b>	<b>0.0</b>	<b>4.8</b>	<b>0.5</b>
<b>Other comprehensive income for the period</b>										
Items that may be subsequently reclassified to profit or loss										
Translation difference	0.0								0.0	0.0
Other comprehensive income, that will not be reclassified to profit or loss										
Remeasurement of defined benefit plan						0.0			0.0	0.0
Taxes						-0.0			-0.0	-0.0
<b>Total other comprehensive profit/loss for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Comprehensive profit/loss for the period</b>	<b>-4.3</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.1</b>	<b>4.9</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.0</b>	<b>4.8</b>	<b>0.5</b>
<b>Comprehensive profit/loss for the period attributable to the equity holders of the Company</b>	<b>-4.3</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.1</b>	<b>4.9</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.0</b>	<b>4.8</b>	<b>0.5</b>

# Consolidated statement of financial position 30 June 2021

MEUR	FAS 30 June 2021	Leases	Intangible assets, development expenses	Inventories	Financial instruments	Employee benefits	Share-based payments	Reclass- ifications	Total impact of transition to IFRS	IFRS 30 June 2021
<b>ASSETS</b>										
<b>Non-current assets</b>										
Intangible assets	0.2		0.9					0.0	0.8	1.0
Property, plant and equipment	1.0	0.9						0.0	0.9	1.9
Deferred tax assets	0.0	0.0			0.0				0.0	0.0
<b>Total non-current assets</b>	<b>1.2</b>	<b>0.9</b>	<b>0.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.7</b>	<b>2.9</b>
<b>Current assets</b>										
Inventories	3.8			0.2					0.2	3.9
Trade receivables	5.1				0.0				0.0	5.1
Other receivables	0.0								0.0	0.0
Prepaid expenses and accrued income	0.6								0.0	0.6
Cash and cash equivalents	0.7								0.0	0.7
<b>Total current assets</b>	<b>10.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>	<b>10.4</b>
<b>TOTAL ASSETS</b>	<b>11.4</b>	<b>0.9</b>	<b>0.9</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.9</b>	<b>13.3</b>
<b>EQUITY AND LIABILITIES</b>										
<b>Equity</b>										
Share capital	0.0								0.0	0.0
Reserve for invested unrestricted equity	0.0								0.0	0.0
Retained earnings	0.6		0.8				0.0	0.0	0.8	1.4
Profit/loss for the period	-0.3	0.0	-0.1	0.1	0.0		0.0		0.0	-0.3
<b>Total equity</b>	<b>0.4</b>	<b>0.0</b>	<b>0.7</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.8</b>	<b>1.2</b>
<b>Non-current liabilities</b>										
Borrowings	6.0								0.0	6.0
Lease liabilities	0.0	0.4							0.4	0.4
Provisions	0.1								0.0	0.1
Deferred tax liabilities	0.0		0.2	0.0					0.2	0.2
<b>Total non-current liabilities</b>	<b>6.1</b>	<b>0.4</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.6</b>	<b>6.7</b>
<b>Current liabilities</b>										
Lease liabilities	0.0	0.5							0.5	0.5
Advance payments	0.4								0.0	0.4
Trade payables	3.0								0.0	3.0
Other liabilities	0.3								0.0	0.3
Accruals and deferred income	1.3								0.0	1.3
<b>Total current liabilities</b>	<b>4.9</b>	<b>0.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.5</b>	<b>5.4</b>
<b>Total liabilities</b>	<b>11.0</b>	<b>0.9</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.1</b>	<b>12.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11.4</b>	<b>0.9</b>	<b>0.9</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.9</b>	<b>13.3</b>

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

MEUR	FAS 1 Jan 2021	Leases	Intangible assets, development expenses	Inventories	Financial instruments	Employee benefits	Share-based payments	Reclass- ifications	Total impact of transition to IFRS	IFRS 1 Jan 2021
<b>ASSETS</b>										
<b>Non-current assets</b>										
Intangible assets	0.2		1.0					0.0	0.9	1.1
Property, plant and equipment	0.5	1.1						0.0	1.1	1.6
Deferred tax assets	0.0	0.0			0.0				0.0	0.0
<b>Total non-current assets</b>	<b>0.7</b>	<b>1.1</b>	<b>1.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2.1</b>	<b>2.7</b>
<b>Current assets</b>										
Inventories	1.3			0.1					0.1	1.3
Trade receivables	0.8				0.0				0.0	0.8
Other receivables	2.5								0.0	2.5
Prepaid expenses and accrued income	0.4								0.0	0.4
Cash and cash equivalents	0.5								0.0	0.5
<b>Total current assets</b>	<b>5.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>5.6</b>
<b>TOTAL ASSETS</b>	<b>6.2</b>	<b>1.1</b>	<b>1.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2.1</b>	<b>8.4</b>
<b>EQUITY AND LIABILITIES</b>										
<b>Equity</b>										
Share capital	0.0								0.0	0.0
Reserve for invested unrestricted equity	0.0								0.0	0.0
Retained earnings	0.4		0.8	0.0				0.0	0.8	1.3
Profit/loss for the period	0.2								0.0	0.2
<b>Total equity</b>	<b>0.6</b>	<b>0.0</b>	<b>0.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.8</b>	<b>1.4</b>
<b>Non-current liabilities</b>										
Borrowings	3.4								0.0	3.4
Lease liabilities	0.0	0.6							0.6	0.6
Provisions	0.1								0.0	0.1
Deferred tax liabilities	0.0		0.2	0.0					0.2	0.2
<b>Total non-current liabilities</b>	<b>3.5</b>	<b>0.6</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.8</b>	<b>4.2</b>
<b>Current liabilities</b>										
Lease liabilities	0.0	0.5							0.5	0.5
Advance payments	0.2								0.0	0.2
Trade payables	1.2								0.0	1.2
Other liabilities	0.1								0.0	0.1
Accruals and deferred income	0.6								0.0	0.6
<b>Total current liabilities</b>	<b>2.1</b>	<b>0.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.5</b>	<b>2.7</b>
<b>Total liabilities</b>	<b>5.6</b>	<b>1.1</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.3</b>	<b>6.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6.2</b>	<b>1.1</b>	<b>1.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2.1</b>	<b>8.4</b>



# Notes to the IFRS financial statements

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

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

A summary of the impacts of the adoption of the IFRS standards on Kempower's consolidated statements of comprehensive income as of January 1 – December 31, 2021, as of January 1 – June 30, 2021, as of July 1 – December 31, 2021, and consolidated statements of financial position as of December 31, 2021, as of June 30, 2021 and as of January 1, 2021, is presented below.

## 1) Leases

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

right-of-use asset corresponds to the lease liability, which is measured at present value of the lease payments to be paid in the future lease period.

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

## 2) Development expenses

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

## 3) Inventories

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

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

## 4) Financial instruments

### Expected credit loss

Under IFRS 9 Kempower has applied the simplified approach to the treatment of expected credit losses of trade receivables, thus all trade receivables are deducted by lifetime expected credit losses. Expected credit losses are recognized in other operating expenses.

The change in accounting policy relating to expected credit losses did not have material impact to the IFRS statements of financial position as of January 1, 2021, as of June 30, 2021 or December 31, 2021, or IFRS statement of comprehensive income 2021.

#### **IPO related transaction costs**

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

## **5) Employee benefits**

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

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

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

## **6) Share-based payments**

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

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

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

## **7) Reclassifications**

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

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

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

## EQUITY RECONCILIATION 2021

MEUR	Note	31 Dec 2021	30 June 2021	1 Jan 2021
<b>Equity FAS</b>		<b>96.7</b>	<b>0.4</b>	<b>0.6</b>
IFRS adjustments:				
Leases	1)	0.0	0.0	
Intangible assets, development expenses	2)	0.6	0.7	0.8
Inventories	3)	0.2	0.1	0.0
Financial instruments	4)	0.0	0.0	
Employee benefits	5)	0.0		
Share-based payments	6)	0.0		
Total adjustments		0.8	0.8	0.8
<b>Equity IFRS</b>		<b>97.5</b>	<b>1.2</b>	<b>1.4</b>

## RECONCILIATION OF THE RESULT FOR THE PERIOD 2021

MEUR	Note	1 Jan–31 Dec 2021	1 Jan–30 Jun 2021	1 July–31 Dec 2021
<b>Profit/loss for the period FAS</b>		<b>-4.5</b>	<b>-0.3</b>	<b>-4.3</b>
IFRS adjustments:				
Leases	1)	0.0	0.0	0.0
Intangible assets, development expenses	2)	-0.2	-0.1	-0.1
Inventories	3)	0.2	0.1	0.1
Financial instruments	4)	4.9	0.0	4.9
Employee benefits	5)	-0.0		-0.0
Share-based payments	6)	-0.1		-0.1
Total adjustments		4.8	0.0	4.8
<b>Profit/loss for the period IFRS</b>		<b>0.3</b>	<b>-0.3</b>	<b>0.5</b>

## Key figures, formulas of key figures and reconciliations

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

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

## RECONCILIATION OF THE KEY FIGURES

MEUR	1 Jan-30 June 2021	1 July-31 Dec 2021	1 Jan-31 Dec 2021
<b>Revenue growth, %</b>			
Revenue	9.0	18.4	27.4
Revenue of the comparative period	0.7	2.5	3.3
Change of revenue	8.3	15.9	24.1
Revenue growth, %	1,107%	633%	741%
<b>Gross profit</b>			
Revenue	9.0	18.4	27.4
Materials and services	-4.6	-9.0	-13.6
Variable employee benefits	-0.3	-0.6	-0.9
Gross profit	4.1	8.8	12.9
<b>Items affecting comparability</b>			
Capital reorganisation expenses related to First North Listing presented in other operating expenses	0.2	1.5	1.7
Items affecting comparability	0.2	1.5	1.7
<b>Operative EBIT</b>			
Operating profit/loss (EBIT)	0.0	-0.7	-0.7
Items affecting comparability	0.2	1.5	1.7
Operative EBIT	0.2	0.8	1.0
<b>Investments</b>			
Investments in intangible assets	0.0	0.2	0.2
Investments in property, plant and equipment excluding Right-of-Use assets	0.6	0.8	1.4
Investments	0.6	1.0	1.6
<b>Earnings per share, basic, EUR</b>			
Profit/loss for the period attributable to the equity holders of the Company	-0.3	0.5	0.3
Average number of shares, 1,000 pcs	38,013	39,644	38,835
Earnings per share, basic, EUR	-0.01	0.01	0.01
<b>Earnings per share, diluted, EUR</b>			
Profit/loss for the period attributable to the equity holders of the Company	-0.3	0.5	0.3
Average number of shares adjusted for the dilutive effect, 1,000 pcs	38,013	39,667	38,847
Earnings per share, diluted, EUR	-0.01	0.01	0.01

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.

# Calculation of key figures

<b>Key figure</b>	<b>Definition</b>
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 margin, %	Gross profit as a percentage of revenue
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EBITDA margin, %	EBITDA as a percentage of revenue
EBIT margin, %	Operating profit/loss (EBIT) as a percentage of revenue
Operative EBIT	Operating profit/loss (EBIT) - Items affecting comparability
Operative EBIT margin, %	Operative EBIT as a percentage of revenue
Equity ratio, %	Total equity / (Total assets - Advance payments)
Investments	Investments in intangible assets and property, plant and equipment excluding Right-of-Use assets
Net debt	Non-current borrowings and leasing liabilities + Current borrowings and leasing liabilities - Cash and cash equivalents
Items affecting comparability	Material items outside the ordinary course of business including gains/losses on disposal, impairment charges and items relating to structural arrangements and capital reorganisations
Earnings per share, basic	Profit/loss for the period attributable to the equity holders of the Company divided by the weighted average number of shares outstanding during the period
Earnings per share, diluted	Profit/loss for the period attributable to the equity holders of the Company divided by the weighted average number of shares outstanding adjusted for the dilutive effect



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