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

KEMPOWER

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

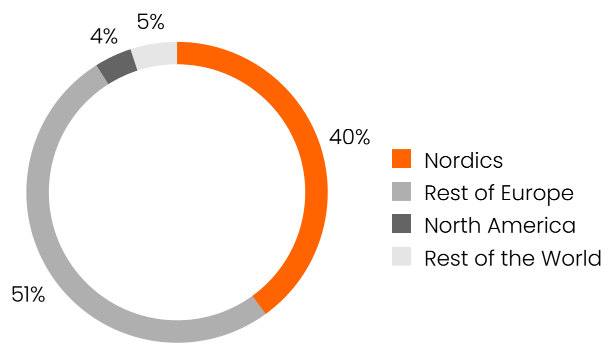
Kempower's revenue mainly consists of deliveries of electric vehicle chargers and charging stations the company manufactures and charger maintenance services. Kempower also provides its customers with the ChargEye SaaS service, a cloud-based charging management system (CMS). Kempower's customers are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

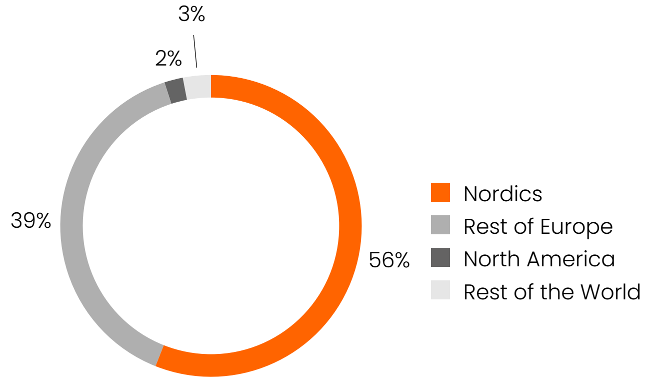
Kempower's charging solutions have been delivered to almost 50 countries globally. Kempower's geographical markets include the Nordics, Rest of Europe, North America and Rest of the World. In 2023 the revenue generated from the Nordics accounted for 40 (56) and Rest of Europe 51 (39) percent of Kempower's 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 St1.

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

KEMPOWER

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	Owner-ship, %
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