



Q1 BUSINESS REVIEW 1.1.-31.3.2021

Enersense International Plc

**Making
a zero-emission
society a reality.**



ENERSENSE INTERNATIONAL PLC: BUSINESS REVIEW January–March 2021

Enersense International Plc | Company bulletin 4 May 2021 at 12.00 am

A STRONG FIRST QUARTER AT THE CORE OF THE ENERGY TRANSITION – CONSIDERABLE IMPROVEMENT IN PROFITABILITY

Enersense International Plc – Business review January–March 2021 (unaudited)

The business review has been prepared in accordance with the Finnish Accounting Standards (FAS).

4 May 2021 at 12.00 am

January–March 2021 in brief

- Turnover EUR 52.4 million (14.8), +253.5% year-on-year
- EBITDA EUR 1.4 million (0.2), EBITDA margin 2.7% (1.1)
- EBITDA excluding the non-recurring costs arising from the integration of Empower into Enersense: EUR 1.7 million, or 3.2% of turnover
- EBITA EUR 0.4 million (0.0) (FAS)
- Operating profit (EBIT) EUR -1.3 million (-0.1)
- Profit margin -2.5% (-0.7)
- Order backlog EUR 319 million at the end of the first quarter (EUR 292 million at the end of 2020), the increase by around 9% during the first three months of the year
- Financial expenses include EUR 1.1 million in non-recurring costs related to the possible transfer to the Nasdaq Helsinki
- Cash flow from operating activities EUR -9.3 million, which was affected by the seasonal nature of the business operations
- The information concerning the 2020 financial period is not comparable, because the figures concerning the business operations that were transferred to Enersense through the Empower acquisition are included in the Group's figures from August 2020.

January–March 2021 highlights

- 29 January Enersense's Board of Directors decided to establish an Audit Committee. Sari Helander (Chair), Markku Kankaala and Petri Suokas were elected as the members of the committee.
- 1 February Tommi Manninen was appointed SVP, Communications and Public Affairs, and a member of the Management Team at Enersense.
- 4 February The company's Smart Industry business area renewed its plant maintenance contract with a major Finnish industrial company.
- 25 February Enersense complemented its long-term financial targets and further specified its plan for the possible transfer to the Nasdaq Helsinki.
- 1 March Enersense increased its holding in its Latvian associated company, Empower SIA, which became an Enersense Group company through an acquisition.
- 15 March Enersense secured a new significant long-term shareholder and raised EUR 15 million through a directed share issue.
- 23 March Enersense signed an agreement with the Lithuanian Litgrid AB on the modernisation of Jurbarkas–Bitėnai power lines.

EVENTS AFTER THE REVIEW PERIOD

An Extraordinary General Meeting of Enersense International Plc was held at its head office (Konepajanranta 2, 28100 Pori) on 16 April 2021. In line with the proposal of the Shareholders' Nomination Committee, the EGM decided that the number of the members of the Board of Directors should be seven (7). Furthermore, in line with the proposal of the Shareholders' Nomination Committee, the EGM decided to elect Jaakko Eskola as a new member of the Board.

At its meeting convened after the EGM on 16 April 2021, the Board of Directors decided to elect Jaakko Eskola as its Chair. Markku Kankaala, former Chair of the Board, was elected as Vice Chair. Herkko Plit, Päivi Jokinen, Sari Helander, Petri Suokas and Sirpa-Helena Sormunen will continue as members of the Board.

On 4 May 2021, the company announced that it had completed negotiations on the refinancing of its operations. The company's new financing package consists of two senior loans and several bank guarantee and factoring facilities.

JUSSI HOLOPAINEN, CEO OF ENERSENSE

"Our company had a strong first quarter in 2021. Interest in zero-emission energy solutions and in our broad-based operations has been great, and the market outlook is very positive. Our order backlog was EUR 319 million at the end of the first quarter, as opposed to EUR 292 million at the end of 2020. Our order backlog increased by around 9% during the first three months of the year.

In our day-to-day operations, we can see that the energy transition is already a reality, and interest in environmentally friendly solutions is growing all the time in Finland and abroad. We are strongly involved in creating a zero-emission society at the core of the energy transition. Wind farm projects and investments in electric car charging infrastructure are concrete examples of the progress of the energy transition and our role as a reliable enabler of change.

The need for clean electricity continues to grow rapidly. Considerable investments are being made in energy transmission, substations and energy storage. We have a strong foothold in these projects.

In addition, increasing attention is being paid to energy efficiency. Our advanced digital solutions for industrial needs, as well as our expert maintenance services, have made us a preferred long-term partner in these and other operations.

The first three months of the year are traditionally challenging for us because of weather conditions. This year, however, our first-quarter turnover increased to EUR 52.4 million. Our profitability also developed very favourably, and our EBITDA was EUR 1.4 million. Our adjusted EBITDA increased to EUR 1.7 million in the review period. All of this confirms that we have made many right choices in our operations.

Enersense and Empower merged last summer, and we continued their integration and the implementation of the company's new strategy in the first quarter of 2021. This work has progressed as planned, and will continue within many different projects throughout the year.

In line with our strategy, our goal is to increase the proportion of low-emission and zero-emission projects of our turnover to 75% by 2025 (around 50% in 2020). We are already strongly involved in wind, solar and nuclear power projects, and we also aim to join new energy technology projects. We are actively mapping out hydrogen projects and, for example, we are involved in the European Clean Hydrogen Alliance, which promotes industrial transition to the production and use of clean hydrogen.

With regard to achieving our growth and development goals, we gained considerable credibility and continuity through a new owner in the spring. Enersense raised EUR 15 million through a directed share issue and secured Nidoco AB as a significant long-term shareholder, which will enable us to develop our operations even better in the future.

On 4 May 2021, we announced that we had completed negotiations on the refinancing of our operations. We are pleased to have new partners to support the development and growth of our operations.

As announced earlier, we have also continued to prepare for the transfer of our company to the main list of the Nasdaq Helsinki. These preparations have progressed well and are on schedule.”

KEY INDICATORS

	1–3/2021	1–3/2020	Change	1–12/2020
Turnover (EUR 1,000)	52,419	14,829	253.5 %	144,454
EBITDA (EUR 1,000)	1,395	160	771.6 %	7,190
EBITDA, %	2.7	1.1	1.6 pp	5.0
Adjusted EBITDA (EUR 1,000)	1,679	160	949.1 %	8,866
Adjusted EBITDA, %	3.2	1.1	2.1 pp	6.1
EBITA (EUR 1,000)	433	-47	-	5,228
EBITA, %	0.8	-0.3	1.1 pp	3.6
Operating profit (1,000 EUR)	-1,336	-108	-	1,569
Operating profit, %	-2.5	-0.7	-1.8 pp	1.1
Result for the period (EUR 1,000)	-3,009	-147	-	-110
Equity ratio, %	25.2	32.5	-7.3 pp	14.5
Gearing, %	-12.5	41.7	-54.2 pp	10.6
Return on equity, %	-14.6	-1.9	-12.6 pp	-1.1
Number of shares at the end of the period	11,622,729	5,947,729	-	9,547,729
Earnings per share EUR	-0.26	-0.02	-	-0.01
Number of personnel, on average	2,006	816	-	2,101

The financial statements information for 2020 has been audited. The key figures for Q1/2021 have not been audited.

The figures concerning the business operations that were transferred to Enersense through the Empower acquisition are included in the Group's figures from 1 August 2020.

OUTLOOK FOR 2021

The company expects its turnover to be EUR 215–245 million in 2021. The company expects its EBITDA, excluding non-recurring costs arising from the integration, to be EUR 12–15 million in 2021. Because of the seasonal nature of the company's business operations, its turnover and EBITDA are usually at their highest during the second and third quarters and part of the fourth quarter.

Enersense reports on its operations in line with its business areas, which support its strategy: Smart Industry, Power, Connectivity, Staff Leasing and International Operations.

TURNOVER BY BUSINESS AREA

EUR 1,000

	1–3/2021	1–3/2020	Change, %	1–12/2020
Smart Industry	20,361	10,422	95.4 %	64,571
Power	10,838	-	-	18,916
Connectivity	8,463	-	-	23,419
Staff Leasing	1,950	3,369	-42.1 %	13,800
International Operations	10,736	1,038	934.3 %	23,748
Turnover not included in the business areas	71	-	-	-

TURNOVER BY TARGET AREA

EUR 1,000

	1–3/2021	1–3/2020	Change, %	1–12/2020
Finnish sites	38,918	10,686	264.2	111,671
International sites	13,501	4,143	225.9	32,783

BUSINESS DEVELOPMENT JANUARY–MARCH 2021

Smart Industry

Smart Industry helps customers improve the reliability of their production plants and the efficiency of their maintenance operations. The company develops digital solutions for improving productivity and provides resource and contracting services and subcontracting chain management services for domestic and international industry projects.

The turnover of the Smart Industry segment in the review period was EUR 20.4 million.

The Smart Industry business is divided into two units: Smart Services (maintenance and operation services and subcontracting chain management services) and Smart Operations (resource, project and contracting services). The Smart Services business progressed as planned in the first quarter. The volume of the Smart Operations business was higher than expected during the review period.

The order backlog increased as expected in January–March and is predicted to remain high throughout the financial period. The significant increase in orders indicates a continued strong demand.

The profitability of business operations was better than planned in the first quarter, which was one of the successes of the review period. In February, we renewed a plant maintenance contract with a major Finnish industrial company for at least four years, which was significant for our business operations.

The coronavirus pandemic has caused delays in maritime industry projects, but the impacts have been short-term. The risk of the business impact of the pandemic continues to exist in all our business areas in the forthcoming review period.

Power

Power helps customers implement the energy transition through services that cover the entire life cycle of the energy sector. The services include the design, construction and maintenance of transmission grids, electric substations and wind farms. The business also provides solutions for charging systems for electrically powered transport and electricity storage.

The turnover of the Power business was EUR 10.8 million in the review period.

Its substation, power line and wind power business projects progressed slightly more rapidly than planned. The productivity of its maintenance and service business operations was also at a strong level. Overall, the volume of its operations was better than expected in the review period.

The order backlog increased typically during the review period. Demand is expected to continue to be strong, and investments related to wind power in particular are expected to increase demand over the next few years.

So far, the impacts of the coronavirus pandemic have been minor, and projects have not been delayed. Corona has not caused significant sickness absences for our employees.

Connectivity

Connectivity helps customers by providing mobile and fixed network services and ensuring their operability. The company is involved in all phases of the life cycles of data networks, as well as designing, building and maintaining fixed and wireless data networks.

The turnover of the Connectivity business was EUR 8.5 million in the review period.

The construction of mobile and fixed networks decreased slightly in the first quarter of the year compared with previous quarters. This was due to seasonal variation. However, demand in the total market for installation and maintenance work remained strong, considering that the first quarter is typically weaker than the rest of year.

The coronavirus pandemic did not cause significant sickness absences for our employees during the review period.

Staff Leasing

Staff Leasing provides a diverse range of flexible personnel solutions for the needs of industry and construction in Finland. The division supports the resourcing of all business areas within the Group.

The turnover of the Staff Leasing business in the review period was EUR 2.0 million.

The first quarter of the year is typically a low-volume season in construction and, partly, also in industrial personnel services. The general uncertainty and weak economic situation caused by the coronavirus pandemic had a negative impact on customers' purchasing volumes during the review period.

The impacts of cost discipline and operational development began to be reflected in the unit's operations and performance towards the end of the review period.

International Operations

International Operations covers Enersense's international business operations in Germany, France and the United Kingdom, as well as the Baltic business transferred as part of the Empower acquisition.

The turnover of the International Operations business in the review period was EUR 10.7 million.

The Baltic countries are currently implementing their joint plan to decouple from the Russian electricity grid by the end of 2025. With regard to this, Enersense signed agreements on two major high-voltage projects in Lithuania in the first quarter of the year.

The coronavirus pandemic did not affect order intake in the review period. The sickness absences of the company's own employees have increased in the Baltic countries, but this has not had any significant impact on business operations. Labour mobility between countries was more challenging than usual in the first quarter of the year, but the negative impacts were minimised through work reorganisation.

The French subsidiary continued to operate profitably. Personnel resources have been complemented in Germany. The coronavirus pandemic has not caused significant sickness absences for our employees in these countries.

Business development in the United Kingdom continued during the review period.

KEY RISKS AND UNCERTAINTIES

The spread of the coronavirus pandemic, the coronavirus variants and the third wave of the pandemic may reduce confidence in the economy. The coronavirus pandemic can still affect project decisions and project operation chains in the industry, in addition to delaying start-up decisions and ongoing projects. The pandemic may affect employees' willingness to travel, which highlights the risk related to employee availability. In other words, the pandemic may have an impact on Enersense's operations, turnover and result in 2021 in many ways.

Enersense has a number of major key customers whose purchasing behaviour have a significant impact on its business performance. If a major customer transferred its purchases from Enersense to its competitors or significantly changed its operating model, or if a significant project ended, discontinued or decreased unexpectedly, the company would have limited opportunities to replace the customer volume over a short period of time.

In addition, large fixed-price projects are typical of Enersense's business operations, and the profitability of such projects requires Enersense to estimate the related contract risks and production costs with sufficient accuracy, in addition to successful project management. The company often enters into project-specific contracts, which involve uncertainty in terms of successful competitive bidding. This makes it more difficult to estimate the company's performance and financial position over a period of time longer than the order book.

If Enersense is not able to recruit, train, motivate and retain highly competent employees, it may not necessarily be able to compete effectively or fully implement its strategy.

Enersense's risks of damage are mainly related to people, property and information technology. Although the company has protected its operations and property by means of insurance, the materialisation of risks may result in damage to people and property or business interruption.

The company has ongoing legal disputes, some of which are in progress in general or administrative courts, including a case concerning penalty payments related to competition law in the Supreme Administrative Court which may lead to damages. There is currently no information available concerning the outcome of the disputes and legal proceedings, meaning that their adverse impact on the company's financial situation is uncertain. However, they have no significant short-term impacts on the company's operations. The company has assessed the potential impacts, and has recorded provisions based on these assessments.

When the company completes acquisitions or expands its operations into new countries, it is possible that the turnover and profits of Enersense's foreign subsidiaries and/or branches will not meet its expectations. In addition, changes in customer relationships, local labour markets, political conditions and legislation, as well as changes in or discontinuation of the company's locations, may have an adverse impact on Enersense's business operations, performance and financial position.

FINANCIAL REPORTING

Enersense International Plc will publish its half-year report for January–June 2021 on 13 August 2021.

FINANCIAL INFORMATION

This business review has been prepared in accordance with the Finnish accounting legislation, good accounting practice and the recognition and valuation principles concerning the financial statements of 31 December 2020. The full-year figures in the business review are audited. The quarterly figures are unaudited. The figures in this review have been rounded, so the sums consisting of the figures in the columns or rows may not correspond exactly to the figures presented as the totals for the columns or rows.

CONSOLIDATED INCOME STATEMENT

(EUR 1,000)

	1-3/2021	1-3/2020	1-12/2020
Turnover	52,419	14,829	144,454
Change in inventories of finished goods and work in progress	-291	0	348
Manufacturing for own use	169	0	549
Other operating income	455	206	1,904
Materials and other services, total	-20,133	-5,250	-59,298
Depreciation and impairment	-2,731	-268	-5,621
Personnel expenses	-24,445	-8,647	-67,761
Other operating expenses	-6,600	-978	-13,356
Share of the profits of associates	-179	0	349
Operating profit	-1,336	-108	1,569
Financial income and expenses	-1,657	-68	-1,622
Profit before taxes	-2,993	-176	-53
Income tax	-12	29	11
Deferred taxes	0	0	-19
Minority interests	-4	0	-49
Result for the period	-3,009	-147	-110

CONSOLIDATED BALANCE SHEET (EUR 1,000)

ASSETS

FIXED ASSETS

Intangible assets

	31 Mar 2021	31 Mar 2020	31 Dec 2020
Development expenses	3,778	94	3,072

Intangible rights	80	33	82
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Consolidated goodwill	29,597	3,161	31,341
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Other non-current expenses	968	151	1,185
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Prepayments on intangible assets	324	0	1,149
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Tangible assets

Land and water areas	5	5	5
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Buildings and structures	191	0	39
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Machinery and equipment	8,563	574	7,897
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Other tangible assets	268	2	297
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Prepayments and construction in progress	84	0	69
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Investments

Interests in associates	720	1,260	2,151
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Other shares and interests	3	5	3
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CURRENT ASSETS

Inventories

Materials and supplies	2,508	386	1,947
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Work in progress	1,016	0	1,673
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Long-term receivables

Trade receivables	90	0	92
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Loan receivables	987	90	987
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Other receivables	463	381	267
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Short-term receivables

Trade receivables	18,568	10,874	23,217
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Loan receivables	52	31	3
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Other receivables	2,388	326	749
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Accrued income	19,123	1,525	6,780
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Deferred tax assets	603	337	603
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Cash in hand and at bank	22,916	1,442	17,804
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TOTAL ASSETS	113,296	20,674	101,412
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CONSOLIDATED BALANCE SHEET (EUR 1,000)

	31 Mar 2021	31 Mar 2020	31 Dec 2020
LIABILITIES			
EQUITY			
Share capital	80	80	80
Reserve	313	313	313
Invested unrestricted equity reserve	31,282	8,290	16,280
Retained earnings (losses)	-2,691	-1,809	-2,540
Profit (loss) for the period	-3,009	-147	-110
Minority interest	1,799	-314	706
Mandatory provisions	1,985	0	2,073
Group reserve	10	12	11
NON-EQUITY CAPITAL			
Non-current			
Loans from financial institutions	3,883	1,104	4,152
Deferred tax liabilities	389	0	389
Other liabilities	28	0	12
Current			
Loans from financial institutions	15,560	3,140	15,134
Advances received	3,168	0	3,593
Trade payables	12,397	3,523	16,213
Other liabilities	11,827	1,623	15,766
Accrued expenses	36,274	4,860	29,340
TOTAL LIABILITIES	113,296	20,674	101,412

CONSOLIDATED CASH FLOW STATEMENT

(tuhatta euroa)

Cash flow from operating activities

	1–3/2021	1–3/2020	1–12/2020
Profit (loss)	-1,336	-108	1,569
Adjustments to operating profit			
Depreciation according to plan	2,731	268	5,621
Gains and losses on the sale of tangible fixed assets	-117	0	0
Change in provisions	-88	0	0
Other adjustments to operating profit	249	-68	-201
Adjustments, total	4,431	160	7,041
Change in working capital			
Increase (-) / decrease (+) in inventories	96	-13	-1,126
Increase (-) / decrease (+) in short-term receivables	-9,791	-203	-2,262
Increase (+) / decrease (-) in short-term liabilities	-821	-4	-7,879
Interest received and other financial income	27	1	349
Interest paid and other financial expenses	-1,600	-69	-1,971
Taxes paid	-12	-68	-11
Cash flow from operating activities, total	-9,006	-196	-4,267

Cash flow from investing activities

Investments in tangible and intangible assets	-1,140	-39	-942
Investments in associates	-31	-35	-95
Investments in subsidiaries	0	0	-1,003
Assets gained through acquisitions	-35	0	15,439
Gains and losses on the disposal of fixed assets	117	0	220
Increase (-) / decrease (+) in loan receivables	49	-30	549
Cash flow from investing activities, total	-1,041	-104	14,168

Cash flow from financing activities

Increases and decreases in current liabilities	427	465	705
Increases and decreases in non-current liabilities	-270	0	-2,069
Paid share issue	15,002	0	7,990
Cash flow from financing activities, total	15,160	465	6,626

Change in cash and cash equivalents	5,113	165	16,527
Cash and cash equivalents at the beginning of the period	17,804	1,276	1,276
Cash and cash equivalents at the end of the period	22,916	1,442	17,804

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND MINORITY INTERESTS

	Share capital	Other reserve	Invested unrestricted equity reserve	Retained earnings	Profit for the period	Total equity	Minority interest
Balance sheet on 1 January 2021	80	313	16,280	-2,650		14,023	706
Rights issue							
Bonus issue							
Share premium							
Investment in the invested unrestricted equity reserve			15,002			15,002	
Translation differences				69		69	
Profit carried forward from the previous financial period							
Other changes				-109		-109	1,087
Profit/loss for the period					-3,009	-3,009	6
Balance sheet on 31 March 2021	80	313	31,282	-2,691	-3,009	25,976	1,799
Balance sheet on 1 January 2020	80	313	8,290	-1,794		68	-314
Rights issue							
Bonus issue			7,990			7,990	
Share premium							
Investment in the invested unrestricted equity reserve							
Translation differences				-775		-775	
Profit carried forward from the previous financial period							
Other changes				28		28	
Profit/loss for the period					-110	-110	1,020
Balance sheet on 31 December 2020	80	313	16,280	-2,540	-110	14,023	706
Balance sheet on 1 January 2020	80	313	8,290	-1,794		6,889	-314
Rights issue							
Bonus issue							
Share premium							
Investment in the invested unrestricted equity reserve							
Translation differences							
Profit carried forward from the previous financial period							
Other changes				-15		-15	
Profit/loss for the period					-147	-147	
Balance sheet on 31 March 2020	80	313	8,290	-1,809	-147	6,726	-314

CALCULATION PRINCIPLES FOR KEY FIGURES

EBITDA

Operating profit + depreciation and impairment

EBITDA, % of turnover

$100 \times (\text{EBITDA} / \text{turnover})$

Adjusted EBITDA

Operating profit + depreciation and impairment + non-recurring items

Adjusted EBITDA, % of turnover

$100 \times (\text{adjusted EBITDA} / \text{turnover})$

Operating profit (EBIT)

Turnover + other operating income – materials and services – personnel expenses – other operating expenses – share of the result of associates – depreciation and impairment

Operating profit, % of turnover

$100 \times (\text{operating profit} / \text{turnover})$

Operating profit before amortisation of intangible assets related to acquisitions and impairment of goodwill (EBITA)

Operating profit + amortisation of intangible assets related to acquisitions + impairment of goodwill

Operating profit before amortisation of intangible assets related to acquisitions and impairment of goodwill, %

$100 \times ((\text{operating profit} + \text{amortisation of intangible assets related to acquisitions} + \text{impairment of goodwill}) / \text{turnover})$

Profit (loss) for the period, % of turnover

$100 \times (\text{profit (loss) for the period} / \text{turnover})$

Equity ratio, %

$100 \times (\text{equity} / (\text{balance sheet total} - \text{advances received}))$

When calculating the equity ratio, a minority interest is not taken into account in equity if the minority interest is negative.

Gearing, %

$100 \times ((\text{interest-bearing debt} - \text{cash in hand and at bank}) / \text{equity})$

Return on equity, %

$(100 \times \text{profit for the period} / \text{average equity during the review period})$

Earnings per share, EUR

Profit for the period / weighted average adjusted number of shares

Pori, 4 May 2021

Board of Directors of Enersense International Oy

More information:

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Approved advisor Alexander Corporate Finance Oy

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Enersense in brief:

Enersense International Plc is a provider of zero-emission energy solutions. The company is strongly involved in supporting the ongoing energy transition and enabling a zero-emission society. The Enersense Group's turnover in 2020 was around EUR 144 million. The pro forma turnover of the Enersense-Empower Group, which was consolidated in 2020, was around EUR 242 million in 2019. The company has around 2,400 employees. Enersense adopts new ways of working and uses digital technology, and the company is particularly well-known through major construction projects in Finland and internationally in around 40 countries. Information for investors is available in Finnish at <https://enersense.com/fi/sijoittajalle/>.