Enersense International Plc – 6 May 2021

Enersense International Plc to adopt IFRS reporting – New guidance for 2021

Enersense International Plc to adopt IFRS reporting – New guidance for 2021

Enersense International Plc (hereinafter referred to as the "parent company" or "company", or "Enersense" together with its subsidiaries, or the "Group") will transition from the Finnish Accounting Standards (FAS) to reporting in line with the International Financial Reporting Standards (IFRS). Enersense International Plc will publish its first IFRS-compliant consolidated financial statements for the financial period that ended on 31 December 2020. Comparison information will be presented for the financial period that ended on 31 December 2019, and the transition date for IFRS reporting is 1 January 2019. Enersense International Plc has previously prepared both its annual reports and half-year reports in accordance with the Finnish Accounting Standards.

Enersense continued to grow during 2020. Its growth was a result of the Empower acquisition and the organic growth of its business operations. Enersense is strongly involved in supporting the ongoing energy transition and enabling a zero-emission society. Enersense's total order backlog more than doubled between August 2020 and the end of the year. Its order backlog continued to grow during the first quarter of 2021. The order backlog is distributed over the years 2021–2023, with the largest portion being related to 2021. Enersense's successful implementation of its growth strategy and investment in business operations strengthens the company's position as a provider of zero-emission energy solutions. Enersense's new funding channels and increased visibility among customers, business partners and investors improve its competitiveness, as well as market awareness of the company. The company sees the transition to IFRS reporting as being justified. Its management estimates that the transition will improve the comparability of figures with other companies in Finland and internationally, creating added value for the shareholders of Enersense International Plc.

In the guidance provided in its business review of 4 May 2021, which was based on the Finnish Accounting Standards, the company expected its revenue to be EUR 215–245 million and its EBITDA, excluding the costs arising from the integration of Enersense and Empower, to be EUR 12–15 million in 2021. The IFRS transition will result in changes arising from accounting and reporting principles in the company's guidance for 2021. With the transition to the IFRS, the company will provide guidance for three key performance indicators: revenue, adjusted EBITDA and adjusted EBIT. The calculation principle for adjusted EBITDA and adjusted EBIT is described under "Key performance indicators, calculation formulas and reconciliation calculations" in this bulletin.

The company's new guidance for 2021:

- **Revenue: EUR 215–245 million**
- **Adjusted EBITDA: EUR 17–20 million**
- **Adjusted EBIT: EUR 8–11 million**

The company will report on its operations based on four segments: Power, Smart Industry, Connectivity and International Operations. Of its current business areas, Staff Leasing does not meet the definition of "operating segment" in accordance with IFRS 8, and will therefore be reported as part of the Smart Industry segment.

Enersense has prepared the following unaudited IFRS financial information to provide its investors with comparison information about its statement of comprehensive income, consolidated balance sheet and key performance indicators for the financial period that ended on 31 December 2020 and the financial period that ended on 31 December 2019. The figures concerning the business operations that were transferred to

Enersense through the Empower acquisition are included in the consolidated figures from August 2020. In addition, the consolidated balance sheet is presented for the IFRS transition date, which is 1 January 2019. The key differences arising from the transition to IFRS reporting, compared with the Finnish Accounting Standards, are described in the notes to this bulletin.

The most significant company-specific impacts caused by the transition to IFRS reporting:

- Goodwill is no longer amortised. Instead, it is tested annually for impairment. The cancellation of goodwill amortisation improves the operating profit by EUR 3,660,000 in the income statement for 1 January to 31 December 2020 and by EUR 882,000 in the income statement for 1 January to 31 December 2019. The adjustment increases the balance sheet total by EUR 4,521,000 for the financial period that ended on 31 December 2020 and by EUR 862,000 for the financial period that ended on 31 December 2019.
- The fair value of the intangible assets recognised as part of the Empower acquisition is EUR 14,142,000, including EUR 9,660,000 in customer relationships and EUR 1,108,000 in order backlog. Amortisation of customer relationships and order backlog was EUR 959,000 in the income statement for 1 January to 31 December 2020.
- Intangible assets recognised in connection with acquisitions are amortised over their estimated useful lives.
- In the income statement for 1 January to 31 December 2020, the profit is burdened by transaction costs related to acquisitions (items affecting comparability, around EUR 324,000), which have been treated as part of the share acquisition cost in the FAS financial statements.
- The treatment of Empower SIA as a subsidiary (associated company in the FAS financial statements) and the treatment of Empower 4Wind OÜ as a joint venture (subsidiary in the FAS financial statements) increase revenue by EUR 3,005,000 and improve the operating profit by EUR 331,000 in net terms.
- The adoption of IRFS 16 Leases improves the operating profit by EUR 109,000 in the financial period 1 January to 31 December 2020 and by EUR 36,000 in the financial period 1 January to 31 December 2019.
- Net financial expenses increased by EUR 299,000 in the financial period 1 January to 31 December 2020 and by EUR 40,000 in the financial period 1 January to 31 December 2019. Financial expenses include interest expenses arising from discounting the lease liability in accordance with IFRS 16, amounting to EUR 151,000 for 1 January to 31 December 2020 and EUR 40,000 for 1 January to 31 December 2019.

Key performance indicators (IFRS)

EUR thousand, unless otherwise stated	**31 Dec 2020**	**31 Dec 2019**
Revenue	147,460	58,057
EBITDA	9,775	52
EBITDA, %	6.6%	0.1%
Adjusted EBITDA	11,510	52
Adjusted EBITDA, %	7.8%	0.1%
Operating profit (loss)	4,780	-965
Operating profit (loss), %	3.2%	-1.7%
Adjusted EBIT	7,474	-965
Adjusted EBIT, %	5.1%	-1.7%
Profit (loss) for the period	2,379	-1,371
Equity ratio, %	15.7%	30.8%
Gearing[2], %	52.4%	64.8%
Return on equity, %	19.3%	-17.7%

Consolidated statement of comprehensive income 1 Jan – 31 Dec 2020

EUR thousand	Reference	FAS	Total impact of the transition to IFRS	IFRS
Revenue	3.	144,454	3,005	147,460
Changes in inventories of finished goods and work in progress	4.	348	-46	302
Production for own use	4.	549	-88	461
Other operating income	1.e), 2.i), 3., 7.c), 8.d)	1,904	-100	1,804
Materials and services	2.j), 3.	-59,298	-29	-59,327
Employee benefit expenses	2.i), 3., 8.c)	-67,761	-2,212	-69,973
Depreciation, amortisation and impairment	3., 4., 6., 8.a)	-5,621	626	-4,995
Other operating expenses	1.b), 1.e), 3., 4., 6., 7.a)	-13,356	2,338	-11,019
Share of the profit or loss of investments accounted for using the equity method	3.	349	-282	67
Operating profit (loss)		**1,569**	**3,212**	**4,780**
Financial income	2.j), 3.	321	-270	50
Financial expenses	2.j), 3., 6., 8.c)	-1,943	-29	-1,972
Financial income and expenses		-1,622	-299	-1,921
Profit (loss) before income tax		**-53**	**2,912**	**2,859**
Income tax	1.d), 3., 4., 9.	-8	-472	-480
Minority interest	2.k), 3.	-49	49	-
Profit (loss) for the period		**-110**	**2,489**	**2,379**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Translation differences	2.l)		-367	-367
Items that will not be reclassified to profit or loss				
Remeasurements of post-employment benefit obligations	7.c)		-42	-42
Other comprehensive income for the period, net of tax		**-**	**-409**	**-409**
Total comprehensive income for the period		**-110**	**2,080**	**1,970**
Profit (loss) for the period attributable to:				
Owners of the parent company		-110	2,149	2,039
Non-controlling interests	2.k)	-	340	340
Profit (loss) for the period		**-110**	**2,489**	**2,379**
Total comprehensive income for the period attributable to:				
Owners of the parent company		-110	1,740	1,630
Non-controlling interests	2.k)	-	340	340
Total comprehensive income for the period		**-110**	**2,080**	**1,970**

Consolidated balance sheet 31 Dec 2020

EUR thousand	Reference	FAS	Total impact of the transition to IFRS	IFRS
ASSETS				
Non-current assets				
Goodwill	1.b), 3., 5., 8.b)	31,341	-4,964	26,376
Other intangible assets	2.a), 3.	5,488	8,078	13,566
Property, plant and equipment	2.a), 3., 6., 8.a)	8,308	10,476	18,784
Investments accounted for using the equity method	3.	2,151	-684	1,467
Loan receivables	2.d), 7.b)	987	-837	150
Trade and other receivables	2.d), 3., 7.b)	362	598	960
Deferred tax assets	9.	603	-33	570
Total non-current assets		**49,240**	**12,633**	**61,873**
Current assets				
Inventories	3.	3,620	-54	3,566
Trade receivables	3., 7.a), 7.b)	23,217	967	24,184
Tax receivables based on taxable income for the period	2.e)	-	158	158
Other receivables	2.e), 3., 7.b), 8.d)	7,532	908	8,439
Cash and cash equivalents	3.	17,804	-110	17,694
Total current assets		**52,172**	**1,869**	**54,041**
TOTAL ASSETS		**101,412**	**14,502**	**115,914**
EQUITY AND LIABILITIES				
Equity				
Share capital		80	-	80
Invested unrestricted equity reserve	8.b)	16,280	-679	15,602
Other reserves		313	-	313
Translation differences	1.c)	-775	412	-363
Retained earnings	1.b), 1.c), 3., 4., 5., 7.a), 7.b), 7.c), 8.a), 8.c)	-1,765	-29	-1,794
Profit (loss) for the period		-110	2,149	2,039
Total equity attributable to owners of the parent company		**14,023**	**1,854**	**15,877**
Non-controlling interests	3.	706	1,062	1,768
Total equity		**14,729**	**2,916**	**17,645**
Mandatory provisions	2.h)	2,073	-2,073	-

EUR thousand	Reference	FAS	Total impact of the transition to IFRS	IFRS
Group reserve	4.	11	-11	-
Liabilities				
Non-current liabilities				
Loans	2.g), 3.	4,152	-436	3,717
Lease liabilities	6.	-	5,517	5,517
Payment arrangement with the Tax Administration	2.g)	-	518	518
Other liabilities	7.c)	12	-	12
Deferred tax liabilities	9.	389	-389	0
Obligations arising from employee benefits	8.c)	-	435	435
Provisions	2.h)	-	481	481
Total non-current liabilities		**4,554**	**6,126**	**10,680**
Current liabilities				
Loans	2.g), 3.	15,134	-910	14,224
Lease liabilities	6.	-	3,473	3,473
Advances received	3.	3,593	14	3,607
Trade payables	3.	16,213	317	16,530
Payment arrangement with the Tax Administration	2.g)	-	1,926	1,926
Tax liabilities based on taxable income for the period	1.d), 2.e)	-	257	257
Other liabilities	2.e), 2.g), 3.	45,105	875	45,980
Provisions	2.h)	-	1,592	1,592
Total current liabilities		**80,045**	**7,544**	**87,589**
Total liabilities		**84,598**	**13,671**	**98,269**
TOTAL EQUITY AND LIABILITIES		**101,412**	**14,502**	**115,914**

Consolidated statement of comprehensive income
1 Jan – 31 Dec 2019

EUR thousand	Reference	FAS	Total impact of the transition to IFRS	IFRS
Revenue		58,057	-	58,057
Changes in inventories of finished goods and work in progress		-	-	-
Production for own use		-	-	-
Other operating income	2.i)	502	-241	261
Materials and services		-16,226	-	-16,226
Employee benefit expenses	2.i)	-38,840	241	-38,599
Depreciation, amortisation and impairment	6., 8.a)	-1,144	128	-1,017
Other operating expenses	6., 7.a), 7.b)	-4,277	804	-3,473
Share of the profit or loss of investments accounted for using the equity method		31	-	31
Operating profit (loss)		**-1,897**	**932**	**-965**
Financial income		17	-	17
Financial expenses	6.	-384	-40	-424
Financial income and expenses		-367	-40	-407
Profit (loss) before income tax		**-2,264**	**892**	**-1,372**
Income tax	9.	22	-21	1
Minority interest	2.k)	109	-109	-
Profit (loss) for the period		**-2,133**	**762**	**-1,371**
Other comprehensive income				
Items that may be reclassified to profit or loss			-	-
Translation differences	2.l)		4	4
Items that will not be reclassified to profit or loss			-	-
Remeasurements of post-employment benefit obligations			-	-
Other comprehensive income for the period, net of tax		**-**	**4**	**4**
Total comprehensive income for the period		**-2,133**	**766**	**-1,367**
Profit (loss) for the period attributable to:				
Owners of the parent company		-2,133	871	-1,262
Non-controlling interests	2.k)	-	-109	-109
Profit (loss) for the period		**-2,133**	**762**	**-1,371**
Total comprehensive income for the period attributable to:				
Owners of the parent company		-2,133	875	-1,258
Non-controlling interests	2.k)	-	-109	-109
Total comprehensive income for the period		**-2,133**	**766**	**-1,367**

Consolidated balance sheet 31 Dec 2019

EUR thousand	Reference	FAS[1]	Total impact of the transition to IFRS	IFRS
ASSETS				
Non-current assets				
Goodwill		3,382	862	4,244
Other intangible assets	2.b)	211	17	229
Property, plant and equipment	6., 8.a)	557	2,068	2,625
Investments accounted for using the equity method	1.a)	1,235	-330	905
Loan receivables	1.a), 7.b)	203	240	443
Trade and other receivables	2.c), 7.b)	242	-240	2
Deferred tax assets	9.	603	83	685
Total non-current assets		**6,433**	**2,699**	**9,133**
Current assets				
Inventories		373	-	373
Trade receivables	7.a), 7.b)	10,014	-159	9,855
Tax receivables based on taxable income for the period	2.e)	-	100	100
Other receivables	2.b), 2.c), 2.e)	2,271	-114	2,157
Cash and cash equivalents		1,276	-	1,276
Total current assets		**13,935**	**-173**	**13,762**
TOTAL ASSETS		**20,368**	**2,526**	**22,894**
EQUITY AND LIABILITIES				
Equity				
Share capital		80	-	80
Invested unrestricted equity reserve		8,290	-	8,290
Other reserves		313	-	313
Translation differences		4	-	4
Retained earnings	4., 7.a), 7.b), 8.a)	335	-396	-61
Profit (loss) for the period		-2,133	871	-1,262
Total equity attributable to owners of the parent company		**6,888**	**475**	**7,363**
Non-controlling interests		-314	-	-314
Total equity		**6,575**	**475**	**7,050**
Mandatory provisions		-	-	-
Group reserve	4.	14	-14	-

1) FAS balance sheet 31 Dec 2018

EUR thousand	Reference	FAS[1]	Total impact of the transition to IFRS	IFRS
Liabilities				
Non-current liabilities				
Loans	2.f)	1,104	-1,021	83
Lease liabilities	6.	-	1,051	1,051
Other liabilities		-	-	-
Deferred tax liabilities		-	-	-
Provisions		-	-	-
Total non-current liabilities		**1,104**	**30**	**1,134**
Current liabilities				
Loans	2.f)	2,674	1,021	3,695
Lease liabilities	6.	-	1,014	1,014
Advances received		-	-	-
Trade payables		4,177	-	4,177
Tax liabilities based on taxable income for the period	2.e)	9	15	23
Other liabilities	2.e)	5,815	-15	5,800
Provisions		-	-	-
Total current liabilities		**12,675**	**2,035**	**14,711**
Total liabilities		**13,779**	**2,065**	**15,845**
TOTAL EQUITY AND LIABILITIES		**20,368**	**2,526**	**22,894**

[1])FAS balance sheet 31 Dec 2018

Opening consolidated balance sheet at the time of transition 1 Jan 2019

EUR thousand	Reference	FAS[1]	Total impact of the transition to IFRS	IFRS
ASSETS				
Non-current assets				
Goodwill		4,244	-	4,244
Other intangible assets		179	-	179
Property, plant and equipment	8.a)	537	1,850	2,387
Investments accounted for using the equity method		770	-	770
Loan receivables	7.b)	177	-64	113
Trade and other receivables	2.c), 7.b)	11	-10	2
Deferred tax assets	9.	536	103	639
Total non-current assets		**6,454**	**1,880**	**8,334**
Current assets				
Inventories		365	-	365
Trade receivables	7.a), 7.b)	8,046	-467	7,579
Tax receivables based on taxable income for the period	2.e)	-	158	158
Other receivables	2.c), 2.e)	1,579	-154	1,425
Cash and cash equivalents		2,608	-	2,608
Total current assets		**12,599**	**-463**	**12,135**
TOTAL ASSETS		**19,053**	**1,416**	**20,469**
EQUITY AND LIABILITIES				
Equity				
Share capital		80	-	80
Invested unrestricted equity reserve		8,290	-	8,290
Other reserves		313	-	313
Translation differences	8.e)	-4	4	-
Retained earnings	4., 7.a), 7.b), 8.a), 8.e)	2,276	-401	1,876
Profit (loss) for the period		-1,937	-0	-1,937
Total equity attributable to owners of the parent company		**9,018**	**-396**	**8,622**
Non-controlling interests		-205	-	-205
Total equity		**8,813**	**-396**	**8,417**
Mandatory provisions		-	-	-
Group reserve	4.	17	-17	-

[1]FAS balance sheet 31 Dec 2018

EUR thousand	Reference	FAS[1]	Total impact of the transition to IFRS	IFRS
Liabilities				
Non-current liabilities				
Loans	2.f)	1,454	-1,371	83
Lease liabilities	6.	-	1,092	1,092
Other liabilities		-	-	-
Deferred tax liabilities		-	-	-
Provisions		-	-	-
Total non-current liabilities		**1,454**	**-278**	**1,176**
Current liabilities				
Loans	2.f)	769	1,371	2,140
Lease liabilities	6.	-	737	737
Advances received		-	-	-
Trade payables		2,882	-	2,882
Tax liabilities based on taxable income for the period		-	-	-
Other liabilities		5,118	-	5,118
Provisions		-	-	-
Total current liabilities		**8,769**	**2,108**	**10,877**
Total liabilities		**10,223**	**1,829**	**12,052**
TOTAL EQUITY AND LIABILITIES		**19,053**	**1,416**	**20,469**

[1)]FAS balance sheet 31 Dec 2018

Notes to the IFRS transition

The following is a summary of the impacts of the adoption of the IFRS standards on the consolidated income statement and consolidated balance sheet of Enersense International Plc. Items 3 ("Changes in the structure of the consolidated financial statements") and 4 ("Acquisitions and goodwill") are mainly related to the acquisition of Empower.

1. Adjustments to the FAS financial statements

The following adjustments have been made to the figures presented in the FAS financial statements:

1. a) A loan (EUR 330,000) granted to an associated company has been transferred from "Investments accounted for using the equity method" to long-term loan receivables on the balance sheet on 31 December 2019.

1. b) Goodwill (EUR 428,000) arising from the acquisition of non-controlling interests has been recognised while reducing the retained earnings on 31 December 2020. In the income statement for 1 January to 31 December 2020, other operating expenses have been reduced by EUR 49,000 with regard to the acquisition of minority interests.

1. c) Translation differences have been increased and retained earnings have been reduced by EUR 412,000 as an FAS adjustment on the balance sheet on 31 December 2020. This was related to the translation of the net assets of a Swedish branch at the time of acquisition and the elimination of equity at the time of acquisition.

1. d) An increase of EUR 358,000 in income tax liabilities and income tax expenses has been recognised on the balance sheet on 31 December 2020 and in the income statement for 1 January to 31 December 2020.

1. e) Other operating income and expenses have been reduced by EUR 446,000 as an FAS adjustment related to the elimination of intra-group sales of intangible assets in the income statement for 1 January to 31 December 2020.

2. Changes in presentation

The following reclassifications have been made to align the presentation of the FAS financial statements with the presentation of the IFRS financial statements:

2. a) Leasehold improvement expenses have been reclassified from "Intangible assets" in accordance with the FAS to "Property, plant and equipment" in accordance with the IFRS. As a result of the reclassification, EUR 124,000 has been transferred from intangible assets to property, plant and equipment on the balance sheet on 31 December 2020.

2. b) Advances on fixed assets have been reclassified from "Other short-term receivables" in the FAS financial statements to other intangible assets. As a result of the reclassification, EUR 17,000 has been transferred to "Other intangible assets" on the balance sheet on 31 December 2019.

2. c) EUR 4,000 has been transferred from "Long-term trade and other receivables" to "Other short-term receivables" on the opening balance sheet on 1 January 2019 and on the balance sheet on 31 December 2019.

2. d) A pledged account has been reclassified from "Long-term loan receivables" in the FAS financial statements to "Long-term trade and other receivables". As a result of the reclassification, EUR 600,000 has been transferred to "Long-term trade and other receivables" on the balance sheet on 31 December 2020.

2. e) Tax receivables based on taxable income for the period have been reclassified from "Other short-term receivables" to a separate line item, and tax liabilities based on taxable income for the period have been reclassified from "Other liabilities" to a separate line item on the balance sheet. As a result of the reclassification, EUR 158,000 has been transferred to "Tax receivables based on taxable income for the period" on the opening balance sheet on 1 January 2019. On the balance sheet on 31 December 2019, EUR 100,000

has been transferred to "Tax receivables based on taxable income for the period", and EUR 15,000 has been transferred to "Tax liabilities based on taxable income for the period". On the balance sheet on 31 December 2020, EUR 158,000 has been transferred to "Tax receivables based on taxable income for the period", and EUR 102,000 has been transferred to "Tax liabilities based on taxable income for the period".

2. f) Bank loans have been reclassified from "Long-term loans" in the FAS financial statements to "Short-term loans" due to covenant violations. As a result of the reclassification, EUR 1,371,000 has been transferred on the opening balance sheet on 1 January 2019, and EUR 1,021,000 has been transferred on the balance sheet on 31 December 2019.

2. g) A VAT refund liability related to COVID-19 has been reclassified from "Long-term loans", "Short-term loans" and "Other short-term liabilities" in the FAS financial statements to "Short-term" and "Long-term" under "Payment arrangement with the Tax Administration". As a result of the reclassification, EUR 518,000 has been transferred from "Long-term loans" and EUR 1,035,000 has been transferred from "Short-term loans" to the corresponding item under "Payment arrangement with the Tax Administration", and EUR 891,000 has been transferred from "Other short-term liabilities" to the "Short-term" item under "Payment arrangement with the Tax Administration" on the balance sheet on 31 December 2020.

2. h) In the FAS financial statements, provisions are presented as a separate item under "Equity", before "Non-current liabilities". In the IFRS financial statements, provisions are presented as a separate line time in non-current and current liabilities. As a result of the reclassification, EUR 481,000 has been transferred to "Long-term provisions" and EUR 1,592,000 has been transferred to "Short-term provisions" on the balance sheet on 31 December 2020.

2. i) The meal fee charged to employees, which is presented under "Other operating income" in the FAS financial statements, has been reclassified to "Employee benefit expenses". As a result of the reclassification, EUR 241,000 has been transferred to "Employee benefit expenses" in the income statement for 1 January to 31 December 2019 and EUR 125,000 in the income statement for 1 January to 31 December 2020.

2. j) Realised and unrealised foreign exchange differences related to purchases, which are presented in "Financial income and expenses" in the FAS financial statements, have been reclassified to "Materials and services". As a result of the reclassification, EUR 192,000 has been transferred from "Financial expenses" and EUR 21,000 has been transferred from "Financial income". The net impact of the transfer on "Materials and services" was EUR 171,000 in the income statement for 1 January to 31 December 2020.

2. k) In the FAS financial statements, minority interests are presented as a separate line item before the profit of loss for the period in the consolidated income statement. In the IFRS financial statements, the share of non-controlling interests of the profit or loss is included in the consolidated profit or loss for the period, and the profit or loss attributable to the owners of the parent company and non-controlling interests is presented separately. As a result of the reclassification, EUR -109,000 has been transferred from "Minority interest" to "Profit (loss) for the period" in the income statement for 1 January to 31 December 2019, and EUR 340,000 in the income statement for 1 January to 31 December 2020.

2.l) Items of comprehensive income are not presented in the FAS financial statements. In the IFRS financial statements, the change in translation differences is presented in "Items that may be reclassified to profit or loss" under "Other comprehensive income". As a result of the reclassification, EUR 4,000 has been transferred to "Items that may be reclassified to profit or loss" under "Other comprehensive income" in the income statement for 1 January to 31 December 2019, and EUR -367,000 in the income statement for 1 January to 31 December 2020.

3. Changes in the structure of the consolidated financial statements

Enersense owns 49% of Empower SIA on 31 December 2020. In the FAS financial statements, the company is treated as an associated company, and is consolidated using the equity method. In the IFRS financial statements, Empower SIA is treated as a subsidiary, of which a share of 51% is attributable to non-controlling interests. Enersense is considered to have control over Empower SIA based on a purchase option included in the shareholder agreement. The option can be exercised at any time. Empower, including Empower SIA, was acquired on 31 July 2020, meaning that the change in presentation had no impact on Enersense's figures for the comparison period. Empower, including Empower SIA, has been consolidated into Enersense from the time of acquisition.

The consolidation of Empower SIA had the following impact on the income statement for the financial period that ended on 31 December 2020:

EUR thousand	Impact of Empower SIA
Revenue	4,118
Other operating income	390
Materials and services	-675
Employee benefit expenses	-2,716
Depreciation, amortisation and impairment	-384
Other operating expenses	-31
Share of the profit or loss of investments accounted for using the equity method	-335
Financial income	25
Financial expenses	-1
Income tax	-85
Profit (loss) for the period attributable to non-controlling interests	-326
Profit (loss) for the period	**-21**

The consolidation of Empower SIA had the following impact on the balance sheet on 31 December 2020:

EUR thousand	Impact of Empower SIA
ASSETS	
Goodwill	97
Other intangible assets	13
Property, plant and equipment	1,530
Investments accounted for using the equity method	-1,436
Trade and other receivables	28
Inventories	321
Trade receivables	1,524
Other receivables	1,248
Cash and cash equivalents	464
TOTAL ASSETS	**3,788**
EQUITY AND LIABILITIES	
Retained earnings	87
Profit (loss) for the period	-21
Total equity attributable to owners of the parent company	66
Non-controlling interests	1,564
Total equity	1,630
Liabilities	
Loans (long-term)	82
Loans (short-term)	125
Advances received	14
Trade payables	401
Other liabilities	1,536
Total liabilities	**2,158**
TOTAL EQUITY AND LIABILITIES	**3,788**

Enersense owns 60% of Empower 4Wind OÜ. In the FAS financial statements, the company has been treated as a subsidiary, and has been consolidated line by line into the Group's figures, separating a 40% share to non-controlling interests. In the IFRS financial statements, Empower 4Wind OÜ is treated as a joint venture. This arrangement is based on an agreement, and all significant operations require a unanimous decision from the shareholders. The arrangement provides access to the net assets of Empower 4Wind OÜ, and is consolidated into the IFRS group, using the equity method. Items consolidated line by line in the subsidiary treatment are cancelled for 1 August to 31 December 2020. Empower, including Empower 4Wind OÜ, was acquired on 31 July 2020, meaning that the change in presentation had no impact on Enersense's figures for the comparison period. Empower has been consolidated into the Group since the time of acquisition.

The treatment of Empower 4Wind OÜ as a joint venture had the following impact on the income statement for the financial period that ended on 31 December 2020:

EUR thousand	**Impact of Empower 4Wind OÜ**
Revenue	-1,113
Other operating income	11
Materials and services	474
Employee benefit expenses	376
Depreciation, amortisation and impairment	18
Other operating expenses	146
Share of the profit or loss of investments accounted for using the equity method	53
Financial income	-103
Financial expenses	103
Profit (loss) for the period attributable to non-controlling interests	35
Profit (loss) for the period	**0**

The treatment of Empower 4Wind OÜ as a joint venture had the following impact on the balance sheet on 31 December 2020:

EUR thousand	**Impact of Empower 4Wind OÜ**
ASSETS	
Property, plant and equipment	-52
Investments accounted for using the equity method	752
Inventories	-375
Trade receivables	-384
Other receivables	-152
Cash and cash equivalents	-574
TOTAL ASSETS	**-784**

EUR thousand	**Impact of Empower 4Wind OÜ**
EQUITY AND LIABILITIES	
Non-controlling interests	-501
Total equity	-501
Trade payables	-84
Other liabilities	-199
Total liabilities	-283
TOTAL EQUITY AND LIABILITIES	-784

4. Acquisitions and goodwill

Enersense International Plc has used an exemption allowed by the IFRS 1 standard, and has not applied IFRS 3 Business Combinations to acquisitions completed before the transition to IFRS reporting. Consequently, the goodwill on the opening FAS balance sheet on 1 January 2019 has been transferred to the IFRS balance sheet on 1 January 2019. Goodwill is not amortised under the IFRS. Instead, it is tested for impairment at least once a year. The IFRS 3 standard applies to all business combinations carried out on or after 1 January 2019.

Enersense acquired all shares in Empower Oyj on 31 July 2020.

The IFRS adjustments made to goodwill on the balance sheet on 31 December 2020, 31 December 2019 and 1 January 2019 are presented in the table below:

EUR thousand	Reference	**31 Dec 2020**	**31 Dec 2019**	**1 Jan 2019**
Goodwill (FAS)		31,341	3,382	4,244
FAS adjustments:				
Purchase of non-controlling interest	1b)	428	-	-
IFRS adjustments:				
Cancellation of goodwill amortisation	i)	4,521	862	-
Purchase of non-controlling interest	ii)	-428	-	-
Accounting principle adjustments to the object of the acquisition	iii)	2,206		
Fair value adjustments to intangible assets	iii)	-10,768	-	-
Fair value adjustment to inventories	iii)	-46		
Deferred taxes related to fair value adjustments	iii)	125	-	-
Capitalised transaction costs	iii)	-1,003	-	-
Goodwill (IFRS)		**26,376**	**4,244**	**4,244**

i) Goodwill arising from business combinations is not amortised under the IFRS. Instead, it is tested for impairment annually and whenever there are indications that its value may have decreased. Under the IFRS, the group reserve arising from business combinations is recognised directly through profit or loss.

The goodwill amortisation and the decrease in the group reserve, which had been recognised in the FAS financial statements for 1 January to 31 December 2019, EUR 882,000 in total, were cancelled as an IFRS adjustment in the income statement for 1 January to 31 December 2019. In addition, the change in the additional purchase price of Värväämö (EUR 23,000) was adjusted from goodwill to other operating expenses. On the balance sheet on 31 December 2019, these adjustments increased goodwill by EUR 862,000 and reduced the group reserve by EUR 14,000. On the balance sheet on 1 January 2019, the group reserve (EUR 17,000) was adjusted to retained earnings.

The goodwill amortisation and the decrease in the group reserve, which had been recognised in the FAS financial statements for 1 January to 31 December 2020, EUR 3,656,000 in total, were cancelled as an IFRS adjustment in the income statement for 1 January to 31 December 2020. On the balance sheet, the cancellation of amortisation increased goodwill by EUR 4,521,000 and reduced the group reserve by EUR 11,000 on 31 December 2020.

ii) The increase in goodwill (EUR 428,000) arising from the acquisition of the non-controlling interest in Enersense Painting Oy in accordance with the FAS was adjusted to retained earnings on 31 December 2020. Under the IFRS, increases in holdings in subsidiaries are treated within equity.

iii) Acquisition of Empower Oyj:

The net assets purchased as part of the acquisition of the entire share capital of Empower Oyj were adjusted in accordance with Enersense's accounting principles at the time of acquisition on 31 July 2020. This had a total impact of EUR 2,206,000 on goodwill. The impact consisted of the following:

- The elimination of capitalised product development costs (EUR 1,809,000) on the balance sheet increased goodwill accordingly. The capitalised costs were related to projects that will not be completed. The adjustment of these product development costs had a positive impact of EUR 188,000 on the income statement for 1 January to 31 December 2020, mainly due to lower depreciation.
- The recognition of a credit loss provision in accordance with the IFRS increased goodwill by EUR 14,000.
- The financial liability related to the obligation to purchase the non-controlling interest increased goodwill by EUR 367,000.
- The net liability recognised in connection with defined contribution pension arrangements increased goodwill by EUR 385,000.
- The adjustment made to accrued expenses increased goodwill by EUR 135,000. This had an impact of EUR 135,000 on the income statement for 1 January to 31 December 2020.
- The tax impact of accounting principle adjustments decreased goodwill by EUR 416,000.
- The consolidation of Empower SIA reduces goodwill by EUR 87,000.

Fair value adjustments to intangible assets consist of fair value allocations related to customer relationships and order backlog that were recognised in connection with the acquisition of Empower Oyj. The adjustment decreased goodwill by EUR 10,768,000. Customer relationships are amortised over a period of 10 years, and order backlog is amortised over one year. Amortisation related to customer relationships and order backlog was recognised as an IFRS adjustments (EUR 959,000) in the income statement for 1 January to 31 December 2020.

An adjustment of EUR 46,000 was made to the inventories of Empower Oyj at the time of acquisition, which reduced goodwill. The adjustment to the fair value of inventories is recognised based on the inventory turnover rate, and has been recognised in full in "Changes in inventories of finished goods and work in progress" in the income statement for 1 January to 31 December 2020.

A deferred tax liability of EUR 1,525,000 related to fair value adjustments was recognised at the time of acquisition. In addition, EUR 1,400,000 was recognised in deferred tax assets for confirmed losses at the time of acquisition. As a result of these tax entries, goodwill increased by EUR 125,000 on the balance sheet on 31 December 2020. The deferred taxes related to the acquisition of Empower Oyj have been determined by using the current corporate tax rate in Finland (20.0%).

A share issue was carried out in connection with the corporate arrangement. The transaction costs related to the acquisition of Empower and the issue of new shares (EUR 1,003,000) have been recognised as part of goodwill in the FAS financial statements. In the IFRS financial statements, the cost of equity financing related to the acquisition (EUR 679,000) has been adjusted to reduce the invested unrestricted equity reserve. The share of transaction costs related to the acquisition of Empower Oyj (EUR 324,000) was recognised in other operating expenses in the income statement for 1 January to 31 December 2020.

5. Change in non-controlling interests

The increase in goodwill (EUR 428,000) arising from the acquisition of the non-controlling interest in Enersense Painting Oy in accordance with the FAS was adjusted to retained earnings on 31 December 2020. Under the IFRS, increases in holdings in subsidiaries are treated within equity.

6. Leases

In its FAS financial statements, Enersense has recognised costs arising from leases as an expense on a straight-line basis over the lease period, and has presented liabilities based on leases as off-balance-sheet liabilities. In its IFRS financial statements, Enersense recognises a right-of-use asset and a lease liability for leases other than short-term leases and leases concerning low-value assets in accordance with IFRS 16. Amortisation of the right-of-use asset and interest expenses arising from the lease liability are recognised as an expense in the income statement.

On its opening balance sheet on 1 January 2019, Enersense recognised an increase (EUR 1,829,000) in the right-of-use asset in "Property, plant and equipment" as an IFRS adjustment, as well as a long-term lease liability (EUR 1,092,000) and a short-term lease liability (EUR 737,000) related to this.

On its balance sheet on 31 December 2019, Enersense recognised EUR 2,061,000 as an IFRS adjustments in "Property, plant and equipment", as well as a lease liability of EUR 1,051,000 in "Long-term lease liabilities" and a lease liability of EUR 1,014,000 in "Short-term lease liabilities". On its balance sheet on 31 December 2020, Enersense recognised EUR 8,944,000 in "Property, plant and equipment" as an IFRS adjustment, as well as a lease liability of EUR 5,517,000 in "Long-term loans" and EUR 3,473,000 in "Short-term lease liabilities".

In the income statement for 1 January to 31 December 2019, as an IFRS adjustment, the amortisation expense was increased by EUR 741,000, other operating expenses were reduced by EUR 777,000, and financial expenses were increased by EUR 40,000. In the income statement for 1 January to 31 December 2020, as an IFRS adjustment, the amortisation expense was increased by EUR 2,082,000, other operating expenses were reduced by EUR 2,191,000, and financial expenses were increased by EUR 151,000.

7. Financing

7. a) Enersense has begun to apply the expected credit loss model in accordance with the IFRS, meaning that credit losses are recognised earlier than under the FAS. As a result of this IFRS adjustment, trade receivables were reduced by EUR 153,000 on the opening balance sheet on 1 January 2019, by EUR 112,000 on the balance sheet on 31 December, and by EUR 126,000 on the balance sheet on 31 December 2020. In the income statement, EUR 41,000 was recognised to reduce other operating expenses for the financial period 1 January to 31 December 2019, and EUR 1,000 was recognised to increase other operating expenses for the financial period 1 January to 31 December 2020.

7. b) Enersense has recognised write-downs as an IFRS adjustment in "Loan receivables" and "Trade and other receivables" under "Non-current assets", and in "Trade and other receivables" under "Current assets". As a result of the IFRS adjustment, long-term loan receivables were reduced by EUR 64,000, long-term trade and other receivables by EUR 6,000 and short-term trade receivables by EUR 314,000 on the opening balance sheet on 1 January 2019. Long-term loan receivables were reduced by EUR 90,000, long-term trade and other receivables by EUR 237,000 and short-term trade receivables by EUR 47,000 on the balance sheet on 31 December 2019. Long-term loan receivables were reduced by EUR 237,000, long-term trade and other receivables by EUR 30,000, short-term trade receivables by EUR 47,000 and other short-term receivables by EUR 60,000 on the balance sheet on 31 December 2020. In the income statement, EUR 9,000 was recognised to reduce other operating expenses in the financial period 1 January to 31 December 2019.

7. c) Enersense has recognised a liability related to the obligation to purchase the non-controlling interest in a subsidiary acquired as part of Empower in other short-term liabilities. As a result of the IFRS adjustment, other short-term liabilities were increased by EUR 327,000 on the balance sheet on 31 December 2020. In the income statement, EUR 40,000 was recognised to increase other operating income based on the change in the obligation for the financial period 1 January to 31 December 2020.

8. Other adjustments

8. a) Under the FAS, Enersense has applied the declining-balance method of depreciation to property, plant and equipment. Under the IFRS, the straight-line depreciation method is applied

to property, plant and equipment. As an IFRS adjustment, Enersense recognised an increase of EUR 20,000 in property, plant and equipment on the opening balance sheet on 1 January 2019. As an IFRS adjustment, Enersense recognised EUR 7,000 as an increase on the balance sheet on 31 December 2019, and EUR 68,000 as a reduction to property, plant and equipment on the balance sheet on 31 December 2020.

As an IFRS adjustment, the amortisation expense was increased by EUR 13,000 in the income statement for 1 January to 31 December 2019, and by EUR 76,000 in the income statement for 1 January to 31 December 2020.

8. b) Enersense has presented the share issue expenses as an increase in goodwill in accordance with the FAS. Under the IFRS, expenses related to issuing new shares are presented as a decrease in equity. As an IFRS adjustment, Enersense recognised a decrease of EUR 679,000 in goodwill and invested unrestricted equity on the balance sheet on 31 December 2020.

8. c) Defined contribution obligations are not presented in financial statements under the FAS. Under the IFRS, defined contribution obligations are recognised in liabilities and assets on the balance sheet, while the service cost and interest expense are recognised in the income statement, and the actuarial gains and losses are recognised in other comprehensive income. As an IFRS adjustment, Enersense recognised EUR 435,000 in employee benefit obligations and EUR 350,000 in retained earnings on its balance sheet on 31 December 2020.

In the income statement for 1 January to 31 December 2020, as an IFRS adjustment, employee benefit expenses were reduced by EUR 4,000 and interest expenses were increased by EUR 1,000. EUR 42,000 was recognised in other comprehensive income, adjusted for the tax impact.

8. d) Under the IFRS, public grants are recognised to the extent that it is reasonably certain that the requirements of the grant are met and that the grant will be received. As an IFRS adjustment, Enersense recognised an increase of EUR 30,000 in other receivables on the balance sheet on 31 December 2020. In the income statement for 1 January to 31 December 2020, EUR 30,000 was recognised in other operating income.

8. e) During the IFRS transition, Enersense has applied an exemption permitted by IFRS 1 First-time Adoption of International Financial Reporting Standards, and thereby deems its translation differences to be zero on the IFRS transition date. As an IFRS adjustment, Enersense transfers EUR 4,000 from translation differences to retained earnings.

9. Deferred tax assets, deferred tax liabilities and tax receivables based on taxable income for the period

Enersense has recognised the tax impact of the IFRS adjustments presented above in its IFRS financial statements and balance sheet, using the current Finnish corporate tax rate of 20.0% to the extent that the tax impact must be taken into account. As an IFRS adjustment, EUR 109,000 was recognised in deferred tax assets on the opening balance sheet on 1 January 2019, EUR 100,000 on the balance sheet on 31 December 2019, and EUR 1,931,000 on the balance sheet on 31 December 2020. As an IFRS adjustment, EUR 6,000 was recognised in deferred tax liabilities on the opening balance sheet on 1 January 2019, EUR 17,000 on the balance sheet on 31 December 2019, and EUR 1,575,000 on the balance sheet on 31 December 2020. As an IFRS adjustments, EUR 21,000 was recognised as an expense in the income statement for 1 January to 31 December 2019, and EUR 28,000 in the income statement for 1 January to 31 December 2020.

Under the IFRS, deferred tax assets and liabilities are deducted from each other when the requirements of the standard are met. As an IFRS adjustment, Enersense recognised EUR 6,000 to reduce deferred tax liabilities and assets on the opening balance sheet on 1 January 2019, EUR 17,000 on the balance sheet on 31 December 2019, and EUR 1,964,000 on the balance sheet on 31 December 2020.

Summary of the impacts of the IFRS on the Group's equity, profit for the period and cash flow

A summary of the impacts of the adoption of the IFRS on the Enersense Group's equity and profit for the period is presented in the following tables:

Reconciliation of equity

EUR thousand	Reference	31 Dec 2020	31 Dec 2019	1 Jan 2019
Equity (FAS)		14,729	6,575	8,813
IFRS adjustments:				
FAS adjustments	1.b), 1.c)	69		
Changes in the structure of the consolidated financial statements	3.	1,128		
Acquisition of business operations	4.	3,972	862	
Changes in holdings	5.	-428		
Leases	6.	-41	-3	
Financing	7.	-727	-389	-429
Other adjustments	8.	-1,057	6	33
Total adjustments		2,916	475	-396
Equity (IFRS)		**17,645**	**7,050**	**8,417**
Equity attributable to:				
Owners of the parent company		15,877	7,363	8,622
Non-controlling interests		1,768	-314	-205

Reconciliation of the profit (loss) for the period

EUR thousand	Reference	31 Dec 2020	31 Dec 2019
Profit (loss) for the period		-110	- 2,133
IFRS adjustments:			
FAS adjustments	1.b), 1.d), 1.e)	-309	-
Changes in the structure of the consolidated financial statements	3.	-21	-
Acquisition of business operations	4.	2,512	845
Leases	6.	-38	-3
Financing	7.	39	40
Other adjustments	8.a), 8.c, 8.d)	-34	-11
Reclassification	2.k)	340	-109
Total adjustments		2,489	762
Profit (loss) for the period (IFRS)		**2,379**	**-1,371**
Profit (loss) for the period attributable to:			
Owners of the parent company		2,039	-1,262
Non-controlling interests		340	-109

The most significant impacts of the IFRS transition in the cash flow statement are related to the allocation of share issue expenses and public listing expenses to cash flows from financing activities and operating activities, and to the presentation of lease liability payments as part of the cash flow from financing activities.

In the IFRS financial statements, share issue expenses are presented as part of the cash flow from financing activities to the extent that the expenses are directly related to issuing new shares. Otherwise, they are classified as part of the cash flow from operating activities. In the FAS financial statements, Enersense has presented these expenses as part of the cash flow from investing activities.

In the IFRS financial statements, lease liability payments are presented as part of the cash flow from financing activities. In the FAS financial statements, payments related to leases have been presented as part of the cash flow from operating activities.

Key performance indicators, calculation formulas and reconciliation calculations

Enersense presents some key performance indicators related to the company's profit (loss) for the period, profitability and gearing. Some of these indicators are not defined in the IFRS, and are considered as alternative performance measures. In reporting based on alternative performance measures, Enersense applies the recommendations of the European Securities and Market Authority (ESMA).

Enersense presents its EBITDA, adjusted EBITDA, operating profit, adjusted EBIT, equity ratio, gearing and return on equity as alternative performance measures and as additional information to the key performance indicators presented in accordance with the IFRS. Enersense's management uses these indicators to monitor the profitability of the company's operations, as well as its financial position and cash flows.

Alternative performance measures should not be viewed in isolation, and they do not replace the indicators presented in the audited financial statements. Companies do not calculate alternative performance measures in a unified manner, which is why Enersense's alternative performance measures may not be comparable to alternative performance measures with similar names that other companies may present.

Calculation principles for key performance indicators

KPI	Definition	Purpose
EBITDA	Operating profit + Depreciation and amortisation + Impairment	Describes the performance of the business operations without the impact of depreciation, amortisation and impairment.
EBITDA, %	100 x (EBITDA/revenue)	Describes the performance of the business operations without the impact of depreciation, amortisation and impairment.
Adjusted EBITDA	Profit (loss) + Depreciation, amortisation and impairment + Items affecting comparability	Adjusted EBITDA describes the performance of the business operations without the impact of depreciation, amortisation, impairment and items affecting comparability. This KPI is presented to highlight the performance of the underlying business operations and to improve comparability between periods.
Adjusted EBITDA, %	100 x (adjusted EBITDA/revenue)	Adjusted EBITDA describes the performance of the business operations without the impact of depreciation, amortisation, impairment and items affecting comparability. This KPI is presented to highlight the performance of the underlying business operations and to improve comparability between periods.
Operating profit (EBIT)	Profit (loss) before income tax, financial income and financial expenses	Operating profit indicates the performance of the business operations.
Operating profit, %	100 x (operating profit (loss)/revenue)	Operating profit indicates the performance of the business operations.

KPI	Definition	Purpose
Adjusted EBIT	Operating profit (loss) + Items affecting comparability + Amortisation of intangible assets related to acquisitions[1]	Adjusted EBIT indicates the performance of the business operations without the impact of items affecting comparability and the amortisation of intangible assets related to acquisitions. This KPI is presented to highlight the performance of the underlying business operations and to improve comparability between periods.
Adjusted EBIT, %	100 x (adjusted operating profit (loss)/revenue)	Adjusted EBIT indicates the performance of the business operations without the impact of items affecting comparability and the amortisation of intangible assets related to acquisitions. This KPI is presented to highlight the performance of the underlying business operations and to improve comparability between periods.
Equity ratio, %	100 x (equity/balance sheet total – advances received)	The equity ratio indicates the proportion of the Group's assets that are financed by equity.
Gearing, %	100 x (interest-bearing debt[2] – cash in hand and at bank)/equity	Indicates the total amount of the Group's debt financing without cash and cash equivalents.
Return on equity, %	(100 x profit (loss) for the period/ average equity during the review period)	Measures the profit for the period in proportion to equity.
Items affecting comparability	Certain transactions that are not part of the ordinary course of business, or valuation items that do not have an impact on the cash flow but have a significant impact on the income statement for the period, have been adjusted as items affecting comparability if they arise from: A) Material items outside the ordinary course of business according to the management's judgement that are related to mergers and acquisitions, such as acquisition-related transaction costs and integration costs, including employment termination expenses, and/or restructuring, as well as significant redundancy costs B) Gains and losses on the sale of fixed assets and investments.	Used as a factor in calculating adjusted EBITDA and adjusted EBIT.

1) Amortisation of customer relationships and order backlog

2) Interest-bearing liabilities include loans and lease liabilities

EBITDA and adjusted EBITDA

EUR thousand, unless otherwise stated	1 January – 31 December 2020	1 January – 31 December 2019
Operating profit (loss)	4,780	-965
Depreciation, amortisation and impairment	4,995	1,017
EBITDA	**9,775**	**52**
Items affecting comparability		
M&A expenses	2,031	-
Gains and losses on the sale of fixed assets and investments	-295	-
Adjusted EBITDA	**11,510**	**52**

Adjusted EBIT

EUR thousand, unless otherwise stated	1 January – 31 December 2020	1 January – 31 December 2019
Operating profit (loss)	4,780	-965
Items affecting comparability		
M&A expenses	2,031	-
Gains and losses on the sale of fixed assets and investments	-295	-
Amortisation of intangible assets related to acquisitions	959	-
Adjusted EBIT	**7,474**	**-965**

More information:

Risto Takkala
risto.takkala@enersense.com
CFO, Enersense International Plc

Approved advisor:
Alexander Corporate Finance Oy