Enersense International Oyj

Consolidated IFRS financial statements 1 January – 31 December 2020

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Consolidated statement of comprehensive income

EUR 1,000	Note	1 Jan– 31 Dec 2020	1 Jan– 31 Dec 2019
Revenue	3	**147,460**	**58,057**
Changes in inventories of finished goods and work in progress		302	-
Production for own use		461	-
Other operating income	4	1,804	261
Materials and services	5	-59,327	-16,226
Employee benefit expenses	6	-69,973	-38,599
Depreciation, amortisation and impairment	7	-4,995	-1,017
Other operating expenses	8	-11,019	-3,473
Share of the profit or loss of investments accounted for using the equity method	14	67	31
Operating profit (loss)		**4,780**	**-965**
Finance income	9	50	17
Finance expenses	9	-1,972	-424
Finance expense, net		-1,921	-407
Profit (loss) before income taxes		**2,859**	**-1,372**
Income tax expense	10	-480	1
Profit (loss) for the period		**2,379**	**-1,371**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Translation differences		-367	4
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	6	-42	-
Other comprehensive income for the period, net of tax		**-409**	**4**
Total comprehensive income for the period		**1,970**	**-1,367**
Profit (loss) for the period attributable to:			
Owners of the parent company		2,039	-1,262
Non-controlling interests		340	-109
Profit (loss) for the period		**2,379**	**-1,371**
Total comprehensive income for the period attributable to:			
Owners of the parent company		1,630	-1,258
Non-controlling interests		340	-109
Total comprehensive income for the period		**1,970**	**-1,367**
Earnings per share attributable to the owners of the parent company			
Undiluted and diluted earnings per share	19	0.27	-0.21

The consolidated statement of comprehensive income should be read together with the notes.

Consolidated balance sheet

EUR 1,000	Note	31 Dec 2020	31 Dec 2019	1 Jan 2019
ASSETS				
Non-current assets				
Goodwill	11	26,376	4,244	4,244
Other intangible assets	11	13,566	229	179
Property, plant and equipment	12, 13	18,784	2,625	2,387
Investments accounted for using the equity method	14	1,467	905	770
Loan receivables	14	150	443	113
Trade and other receivables	16	960	2	2
Deferred tax assets	10	570	685	639
Total non-current assets		**61,873**	**9,133**	**8,334**
Current assets				
Inventories	15	3,566	373	365
Trade receivables	16	24,184	9,855	7 579
Current income tax receivables	10	158	100	158
Other receivables	16	8,439	2,157	1 425
Cash and cash equivalents	17	17,694	1,276	2 608
Total current assets		**54,041**	**13,762**	**12 135**
TOTAL ASSETS		**115,914**	**22,894**	**20 469**
EQUITY AND LIABILITIES				
Equity				
Share capital	18	80	80	80
Reserve for invested unrestricted equity	18	15,602	8,290	8 290
Legal reserve	18	313	313	313
Translation differences	18	-363	4	-
Retained earnings	18	-1,794	-61	1 876
Profit (loss) for the period	18	2,039	-1,262	-1 937
Total equity attributable to owners of the parent company		**15,877**	**7,363**	**8,622**
Non-controlling interests		1,768	-314	-205
Total equity		**17,645**	**7,050**	**8,417**
Liabilities				
Non-current liabilities				
Borrowings	21	3,717	83	83
Lease liabilities	21	5,517	1,051	1,092
Payment arrangement with the Tax Administration	20	518	-	-
Other liabilities	23	12	-	-
Deferred tax liability	10	0	-	-
Employee benefit obligations	6	435	-	-
Provisions	22	481	-	-
Total non-current liabilities		**10,680**	**1,134**	**1,176**

EUR 1,000	Note	31 Dec 2020	31 Dec 2019	1 Jan 2019
Current liabilities				
Borrowings	21	14,224	3,695	2 140
Lease liabilities	21	3,473	1,014	737
Advances received	23	3,607	-	-
Trade payables	23	16,530	4,177	2 882
Payment arrangement with the Tax Administration	20	1,926	-	-
Current income tax liabilities	10	257	23	-
Other liabilities	23	45,980	5,800	5 118
Provisions	22	1,592	-	-
Total current liabilities		**87,589**	**14,711**	**10,877**
Total liabilities		**98,269**	**15,845**	**12,052**
TOTAL EQUITY AND LIABILITIES		**115,914**	**22,894**	**20,469**

The consolidated balance sheet should be read together with the notes.

Consolidated statement of cash flows

EUR 1,000	Liitetieto	1.1.-31.12.2020	1.1.-31.12.2019
Cash flow from operating activities			
Profit (loss) for the financial period		**2,379**	**-1,371**
Adjustments for:			
Depreciation, amortisation and impairment	7	4,995	1,016
Gains and losses on sale of associates		-220	-
Gains and losses on sale of property, plant and equipment		-75	-
Share of profit (loss) of associates	14	-67	-31
Interest income and other financial income and expenses	9	1,921	407
Income tax expense	10	480	-1
Other adjustments		-129	6
Total adjustments		**6,905**	**1,398**
Changes in working capital:			
Change in trade and other receivables	16	-2,628	-3,004
Change in trade and other payables	23	-956	1 978
Change in inventories	15	-873	-8
Change in provisions	22	-950	-
Interest received		50	17
Interest paid		-871	-81
Other financial items		-932	-343
Income tax	10	-258	35
Net cash flow from operating activities		**1,866**	**-1,379**
Cash flow from investing activities			
Investments in property, plant and equipment and intangible assets	11, 12	-1,217	-331
Acquisition of subsidiaries, net of cash acquired	2	12,966	-
Investments in associates	14	-	-110
Disposal of associates	14	633	-
Proceeds of loans by associates		-150	-330
Repayment of loans by associates		443	-
Payments to bank deposit accounts	16	-600	-
Net cash flow from investing activities		**12,075**	**-771**
Cash flow from financing activities			
Proceeds from issue of shares	18	7,312	-
Proceeds from borrowings	20	1,539	3,205
Repayments of borrowings	20	-4,288	-1,650
Repayments of lease liabilities	20	-2,112	-737
Net cash flow from financing activities		**2,451**	**818**
Net change in cash and cash equivalents		16,391	-1,332
Cash and cash equivalents at the beginning of the period		1,276	2,608
Exchange rate effect on cash and cash equivalents		26	-
Cash and cash equivalents at the end of the period		**17,694**	**1,276**

The consolidated statement of cash flows should be read together with the notes.

Consolidated statement of changes in equity

EUR 1,000	Total equity attributable to the owners of the parent company: Share capital	Reserve for invested unrestricted equity	Legal reserve	Translation differences	Retained earnings	Total equity attributable to the owners of the parent company	Non-controlling interests	Total equity
Equity as at 1 Jan 2019 (FAS)	**80**	**8,290**	**313**	**-4**	**339**	**9,018**	**-205**	**8,813**
Impact of adoption of IFRS[1]	-	-	-	4	-401	-396	-	-396
Equity as at 1 Jan 2019 (IFRS)	**80**	**8,290**	**313**	**0**	**-61**	**8,622**	**-205**	**8,417**
Profit (loss) for the period	-	-	-	-	-1,262	-1,262	-109	-1,371
Other comprehensive income								
Translation differences	-	-	-	4	-	4	-	4
Total comprehensive income	**-**	**-**	**-**	**4**	**-1,262**	**-1,258**	**-109**	**-1,367**
Equity as at 31 Dec 2019	**80**	**8,290**	**313**	**4**	**-1,324**	**7,363**	**-314**	**7,050**

[1] For information on the impact of the adoption of the IFRS, see note 28. First-time adoption of the IFRS.

EUR 1,000	Total equity attributable to the owners of the parent company: Share capital	Reserve for invested unrestricted equity	Legal reserve	Translation differences	Retained earnings	Total equity attributable to the owners of the parent company	Non-controlling interests	Total equity
Equity as at 1 Jan 2020	**80**	**8,290**	**313**	**4**	**-1,324**	**7,363**	**-314**	**7,050**
Profit (loss) for the period	-	-	-	-	2,039	2,039	340	2,379
Other comprehensive income								
Translation differences	-	-	-	-367	-	-367	-	-367
Remeasurements of defined benefit obligations	-	-	-	-	-42	-42	-	-42
Total comprehensive income	**-**	**-**	**-**	**-367**	**1,996**	**1,630**	**340**	**1,970**

	Total equity attributable to the owners of the parent company							
EUR 1,000	Share capital	Reserve for invested unrestricted equity	Legal reserve	Trans-lation diffe-rences	Retained earnings	Total equity attributable to the owners of the parent company	Non-controlling interests	Total equity
Transactions with the owners of the parent company								
Share issue	-	7,312	-	-	-	7,312	-	7,312
Transactions with non-controlling interests	-	-	-	-	-428	-428	373	-54
Share of non-controlling interests in business combinations	-	-	-	-	-	-	1,369	1,369
Total transactions with the owners of the parent company	**-**	**7,312**	**-**	**-**	**-428**	**6,884**	**1,742**	**8,626**
Equity as at 31 Dec 2020	**80**	**15,602**	**313**	**-363**	**245**	**15,877**	**1,768**	**17,645**

The consolidated statement of equity should be read together with the notes.

Notes to the consolidated financial statements

1. General information and basis of preparation

General information of the Group

Enersense International Oyj (the parent company, or the Company) is, together with its subsidiaries (Enersense, or the Group), a provider of emission-free energy solutions. Enersense is closely involved in the current energy transition and in creating a zero-emission society. Enersense provides sustainable solutions and expertise to the Nordic and international industrial, energy, telecommunications and construction companies as these sectors transition towards a zero-emission future.

Enersense International Oyj is a Finnish public limited liability company domiciled in Pori in Finland, and its registered address is Konepajanranta 2, FI-28100 Pori, Finland. The shares of the parent company are listed on First North Growth Market Finland maintained by NASDAQ Helsinki Ltd. Trading in the shares commenced on 24 April 2018.

The Board of Directors of Enersense International Oyj approved these consolidated financial statements for disclosure in its meeting on 10 June 2021. A copy of the consolidated financial statements is available in the Internet at www.enersense.com.

Basis of preparation

Enersense's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union, and the IAS and IFRS standards as well as interpretations issued by the SIC and the IFRIC in effect on 31 December 2020. The notes to the consolidated financial statements also comply with the requirements under the Finnish accounting and company legislation complementary to the IFRS.

Enersense publishes its first consolidated financial statements prepared in accordance with the IFRS for the financial year ended 31 December 2020 and presents the comparative information for the financial year ended 31 December 2019.

In these consolidated financial statements, the Group applies the IFRS 1 First-time adoption of International Financial Reporting Standards standard, and the transition date to the IFRS is 1 January 2019. Prior to that, the Company has applied the Finnish Accounting Standards (FAS). The adoption of the IFRS is described in the note 28. First-time adoption of the IFRS.

Several new standards, changes in the standards and their interpretations will come into effect for financial years starting later than 1 January 2020, and they have not been applied in the preparation of these consolidated financial statements. The Group does not expect them to have a significant impact on the consolidated financial statements.

The consolidated financial statements have been prepared on the basis of original acquisition cost, unless otherwise stated in the accounting policies.

The consolidated financial statements are presented in thousands of euros, which is the functional and presentation currency of the parent company.

The figures presented in the financial statements have been rounded up, and the sum of individual figures may deviate from the presented sum figure.

The comparative information is presented in brackets after the information for the financial year.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of Group companies are measured using the currency of the primary economic environment in which the company operates. The consolidated financial statements are presented in euros, which is the functional and presentation currency of Enersense International Oyj.

Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates at the date of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the balance sheet date closing exchange rates.

Foreign exchange gains and losses arising from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies are generally recognised in the income statement. They are deferred in equity, if they are attributable to a part of the net investment in a foreign entity.

Foreign exchange gains and losses relating to the ordinary course of business are presented in respective items in the income statement above operating profit. Foreign exchange gains and losses relating to financial items are presented in finance costs, net in the income statement.

Group companies
The income statements of the Group companies that have a functional currency different from the presentation currency are translated into the euros using the average exchange rate for the period, and the balance sheets using the closing rate at the reporting period end date. All exchange differences from the translation of income statements and balance sheet are recognised in other comprehensive income.

Exchange differences arising from the translation of any net investments are recognised in other comprehensive income. When a foreign entity is disposed of, the associated exchange differences are reclassified in the income statement as a part of gain or loss on sale.

Going concern
As at 31 December 2020, Enersense had only current bank loans, which mature during the financial year 2021. Enersense's management has prepared financial forecasts on the development of revenue, expenses and investments. Based on the forecasts, Enersense's liquid assets as at 31 December 2020 were not sufficient for continuing Enersense's growth activities according to the plan until the end of 2021 without additional financing. Therefore, the Company's statutory financial statements prepared by applying Finnish Accounting Standards included significant uncertainty regarding going concern. After the signing of these financial statements, Enersense collected funds of EUR 15.0 million, before the fees and expenses to be paid by the Group, in the directed share issue which was decided upon on 15 March 2021. In addition, the negotiations on the new financing arrangement completed on 4 May 2021 enable Enersense's continuing operations. Enersense's new financing comprises two EUR 6 million senior loans. The maturity for the new financing is 2026 and the loans are repaid in equal instalments every six months and quarterly. More information regarding the new financing and the directed share issue can be found from the note 30 Events after the balance sheet date. Therefore, the uncertainty regarding going concern included in the statutory financial statements is removed from these IFRS financial statements and Enersense's management estimates that Enersense's working capital is sufficient for continuing growth activities according to the plan during the following 12 months from the balance sheet date.

Impact of the Covid-19
The COVID-19 pandemic may have both direct and indirect effects on Enersense's business through the uncertainty experienced in the entire society. The impacts of the COVID-19 pandemic on Enersense have mainly been related to delays, termination or postponement of projects, delays related to travel restrictions and challenges related especially in projects implemented abroad, unavailability or delays in the delivery of materials from abroad or similar issues related to subcontracting and challenges resulting from infections or quarantines among the employees of the Group or its subcontractor chain.

Possible risks arising from the COVID-19 pandemic, which may have an effect on the Group's results, balance sheet and cash flows, are described below.

Should the COVID-19 pandemic continue, it may further impact decisions on projects in the industry and project chains, as well as delay ongoing projects or decisions to start new projects. In addition, the COVID-19 pandemic may impact the employees' willingness and ability to travel, which emphasises the risks related to the availability of labour. The COVID-19 pandemic has already caused significant uncertainty in the global economy and financial markets, and the prolongation of the pandemic may lead to a deeper or longer global recession or depression. This may, in turn, have a negative effect on certain types of investments and generally decrease Enersense's business opportunities. A downturn may also have a stronger effect on the market for resourcing as compared to the general labour market, as under certain collective bargaining agreements, the customer companies are required to stop using leased staff before implementing temporary tai permanent layoffs of their own employees, or the customer companies may aim to primarily target leased staff when decreasing their number of employees due to the nature of the leased staff, which may have an adverse effect particularly on the demand for the resourcing services of Enersense. The factors mentioned above may have a negative effect on the amount and timing of revenue recognised from projects, project margins and the profitability of Enersense's operations.

Correspondingly, the weakened confidence of Enersense's customers in the economy and their decreased financial activity may have a negative effect on Enersense's revenue, cash flows and liquidity in the future. In addition, global epidemics or pandemics may have a material effect on the availability of financing both for Enersense and its subcontractors and customers. Difficulties related to the availability of financing may result in delays in projects or the cancellation or postponement of already agreed projects. Weaker financial circumstances of customers may also increase Enersense's credit losses due to a decrease in the value of the trade receivables. If the COVID-19 pandemic is prolonged or restrictions are tightened further, this may weaken the financial position of Enersense's customers in the public and private sector, and this may, in turn, weaken the demand for Enersense's services and result in slower growth in sales than expected and a decline in the prices of the services.

It is difficult to forecast the full effects of the COVID-19 pandemic (including their timing, duration and scope) on the global economy, the economies in the area where Enersense operates and Enersense's business and customers, especially as the situation of the pandemic and decisions and measures by the public sector based on it change rapidly.

Key estimates and management judgement

Preparation of the financial statements in accordance with the IFRS requires management to make accounting estimates and judgement, which have an impact on the amount of assets and liabilities as well as the amount of income and expenses recognised for the financial year presented in the financial statements. The estimates and judgement are based on the management's best knowledge, previous experience and expectations of future events. The actual outcome of events relating to the estimates and judgement may differ from the estimates. In addition, the management is required to use judgement in the application of the accounting policies.

Key estimates and judgements are presented in the following notes to the financial statements:

Note	Key estimates and judgements
2. Business combinations	Measurement of intangible assets
3. Revenue and business areas	Revenue recognition
6. Employee benefit expenses	Actuarial estimates of defined benefit obligations
10. Income tax	Recognition of income tax and recognition of deferred tax assets on tax losses
11. Intangible assets	Impairment testing
13. Lease contracts	Lease term determination and determination of incremental borrowing rate
14. Investments accounted for using the equity method	Classification of associates
21. Borrowings	Financial liability recognised for the share purchase obligation
22. Provisions	Estimation of the amount and timing of provisions
24. Group structure	Classification of the Group companies

2. Business combinations

Acquisition of Empower

On 31 July 2020, Enersense completed the acquisition of Empower Oyj and its subsidiaries in Finland, Estonia, Latvia and Lithuania.

Empower builds, installs, maintains and repairs power lines and telecommunication networks, maintains power stations and production facilities and develops and delivers digital solutions to meet the needs of customers in various industries. The acquisition strengthens Enersense's position in the energy sector as a result of Empower's expertise in the emission-free energy solutions. Empower's strong presence in the Baltics also expands Enersense's geographic footprint and customer base.

The purchase consideration was EUR 1, and in addition, Enersense agreed to provide equity financing of EUR 8.0 million to the acquired entity with a directed share issue. In connection with the acquisition, Enersense agreed with a bank on a credit limit of EUR 11.0 million and an increase of EUR 2.0 million in the bank guarantee limit. The parent company provided a consolidated security of 13.0 million for the debt financing.

The table below sets forth the amount of cash flow from the acquisition of Empower:

EUR 1,000	
Cash consideration	0
Acquired cash and cash equivalents	12,966
Cash flow	**12,966**

The table below sets forth the acquired net assets and goodwill resulting from the acquisition:

EUR 1,000	
ASSETS	
Non-current assets	
Other intangible assets	14,142
Property, plant and equipment	17,727
Investments accounted for using the equity method	699
Other shares	2
Trade and other receivables	149
Deferred tax assets	0
Total non-current assets	**32,719**
Current assets	
Inventories	2,320
Trade receivables	7,864
Other receivables	10,598
Cash and cash equivalents	12,966
Total current assets	**33,747**
TOTAL ASSETS	**66,465**
LIABILITIES	
Non-current liabilities	
Borrowings	10,379
Defined benefit obligations	385
Deferred tax liabilities	79
Provisions	2,997
Total non-current liabilities	**13,839**
Current liabilities	
Borrowings	14,208
Advances received	2,253
Trade payables	16,476
Other payables	40,453
Current income tax	0
Provisions	0
Total current liabilities	**73,390**
TOTAL LIABILITIES	**87,229**
Net assets	**-20,764**
Non-controlling interests	**1,369**
Purchase consideration	**0**
Goodwill	**22,133**

As at the date of the acquisition, the fair value of identifiable intangible assets amounted to EUR 14,142 thousand, comprising customer relationships of EUR 9,660 thousand and order backlog of EUR 1,108 thousand.

Goodwill defined as residual value amounted to EUR 22,133 thousand. Goodwill comprises personnel, customer relationships not fulfilling criteria for capitalisation, unrecognised deferred tax assets on tax losses and future customers. Goodwill is not deductible in taxation.

The gross amount of acquired trade receivables was EUR 7,877 thousand, and the related loss allowance was EUR 14 thousand.

The transaction costs, not directly related to the share issue, amounted to EUR 324 thousand. These expenses are included in other operating expenses within the consolidated income statement and in cash flow from operating activities withing the cash flow statement.

The acquired business contributed revenue of EUR 78,848 and operating profit of EUR 258 thousand for the period between 31 July 2020 and 31 December 2020. Pro forma revenue would have been EUR 240,620 thousand and operating profit EUR 4,451 thousand, if the acquisition had been occurred on 1 January 2020.

Accounting policy

Business combinations are accounted for using the acquisition method. The consideration paid for the acquisition of a subsidiary comprises the fair value of the acquired assets.

The acquired identifiable assets and liabilities and contingent liabilities assumed are initially measured at their fair value at the acquisition date, except for a few exceptions. Any non-controlling interest in the acquired company is recognised in the amount corresponding non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Costs related to the acquisition are recognised as expenses as incurred, and are presented in other operating expenses within the income statement, except for costs related directly to the issue of equity instruments, which are recognised as reduction to equity.

The excess of the consideration, amount of any non-controlling interest in the acquired company and acquisition-date fair value of any previous equity interests in the acquired company, over the fair value of the acquired identifiable net assets is recognised as goodwill.

Key estimates and judgements

Measurement of intangible assets

Net assets acquired in business combinations are measured at fair value. Enersense's management has used judgement in the determination of the fair value of identifiable intangible assets at the date of the acquisition and the determination of the useful lives of the assets. Customer relationships and order backlog were recognised in connection with the acquisition of Empower. Their value was determined on the basis of estimated future cash flows. The management believes that the estimates and assumptions used are sufficiently reliable for determining the fair values.

3. Revenue and business areas

Enersense's chief executive officer (CEO) (chief operating decision maker, CODM) monitors the Group's results on the basis of the following segments, which also are the Group's reporting segments: Smart Industry, Power, Connectivity and International Operations. The CEO mainly reviews the results on the basis of revenue and EBITDA.

In the **Smart Industry** business, Enersense serves its customers by improving the reliability of their production plants and increasing the efficiency of their maintenance operations. Enersense develops digital solutions for improving productivity and takes responsibility for total maintenance and reliable operation of the production facilities of its long-term customers. Enersense provides special expertise in every project phase, such as resourcing and contracting services and subcontracting chain management services.

In the **Power** business, Enersense helps its 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.

In the **Connectivity** business, Enersense serves its customers by providing mobile and fixed network services and ensuring their operability. Enersense is involved in all phases of the lifecycles of data networks, as well as designing, building and maintaining for fixed and wireless data networks.

In the **International Operations** business, Enersense provides services for the energy sector and mobile and fixed network services in the Baltic countries, as well as industrial operation and maintenance services in Germany, France and the United Kingdom.

Items not allocated to business areas and eliminations include expenses of the following functions: Group finance, ICT, sourcing, personnel, legal, quality and communications.

Revenue by business area

EUR 1,000	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Smart Industry	78,371	51,629
Power	18,916	-
Connectivity	23,419	-
International Operations	26,754	6,429
Total	**147,460**	**58,057**

Enersense's revenue is mainly derived from services, projects and resourcing provided to Nordic and international companies operating in the industry, energy sector and telecommunication. In Enersense's services, the customer simultaneously receives and consumes the benefits of the service provided by Enersense, Enersense enhances an asset controlled by the customer or Enersense's services create an asset with no alternative use to Enersense, and Enersense has right to payment for the services provided to date. Majority of Enersense's revenue is recognised over time.
In 2020, Enersense had three individual customers, which accounted for over 10 % of the Group's revenue. The revenue derived from these customers were EUR 26,702 thousand in the Smart Industry business area, EUR 15,221 thousand in the Connectivity business area and EUR 15,049 thousand in the Power business area. In 2019, Enersense had one individual customer, which accounted for over 10 % of the Group's revenue. The revenue derived from this customer amounted to EUR 11,627 thousand in the Smart Industry business area.

Revenue by geographical areas by destination

EUR 1,000	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Finland	111,671	42,516
Other countries	35,789	15,541
Total	**147,460**	**58,057**

Transaction price allocated to performance obligation

EUR 1,000	31 Dec 2020	31 Dec 2019
Transaction price to be recognised as revenue later	56,751	-
To be recognised next year	46,218	-
To be recognised later	10,532	-

Transaction price to be recognised as revenue later corresponds with the transaction price allocated to performance obligations that are fully or partly unsatisfied at the end of the reporting date. These performance obligations will be recognised as revenue over the next 1–3 years.

EBITDA by business area

EUR 1,000	31 Dec 2020	31 Dec 2019
Smart Industry	6,208	1,298
Power	1,002	-
Connectivity	1,475	-
International Operations	1,730	-586
Eliminations and items not allocated to the business areas	-640	-660
Total	**9,775**	**52**

Reconciliation of EBITDA to operating profit (loss)

EUR 1,000	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
EBITDA	9,775	52
Depreciation, amortisation and impairment	-4,995	-1,017
Operating profit (loss)	**4,780**	**-965**

Contract assets and liabilities

EUR 1,000	31 Dec 2020	31 Dec 2019	1 Jan 2019
Contract assets[1)]	5,488	1,745	982
Contract liabilities (advances received)[2)]	3,607	-	-

[1)] For more information, see note 16. Trade and other receivables
[2)] For more information, see note 23. Trade and other payables

Contract assets include sales related to project deliveries not invoiced yet.

Non-current assets by geographical area

EUR 1,000	31 Dec 2020	31 Dec 2019	1 Jan 2019
Finland	55,488	7,763	7,467
Other countries	5,003	241	115
Total[1)]	**60,491**	**8,004**	**7,582**

[1)]Balance sheet non-current assets deducted by deferred tax assets and non-current financial assets. More information on note 10. Income taxes and 20. Financial risk and capital management.

Accounting policy

Revenue recognition

Enersense applies the IFRS 15 Revenue from contracts with customers standard five-step model to recognise revenue. Revenue is recognised to the amount that reflects the consideration, which the entity expects to be entitled in exchange for the transfer of goods or services. Revenue is recognised, when the control of the goods or services is transferred to the customer, either over time or at a point in time.

Enersense's revenue is derived from services, projects and resourcing. Enersense enters into a contract with the customer, which state each party's rights and obligations. Enersense may enter into a frame agreement with larger customers, which forms, together with the order and order confirmation, the customer contract under IFRS 15, and with smaller customers, the order and order confirmation form the customer contract under IFRS 15.

In Enersense's service contracts and resourcing services, the customer typically simultaneously receives and consumes the service provided by Enersense. Enersense applies the practical expedient of IFRS 15 and recognises revenue in the amount to which it has a right to invoice, if it has right to consideration from a customer in an amount that corresponds directly with the value to the customer the entity's performance completed to date.

Revenue is recognised over time in projects and other complete deliveries, in which Enersense creates or enhances an asset that the customer controls, or Enersense does not have an alternative use for the created asset and Enersense has an enforceable right to payment for performance completed to date, including incurred costs and reasonable margin. Progress towards complete satisfaction of the performance obligation is typically measured based on the ratio of the accumulated costs to total costs. Project forecasts, estimated total income and expenses are estimated at each reporting date.

Customer contracts may include variable considerations, such as sanctions, bonuses or discounts. The impact of variable considerations is estimated on a contract by contract basis, and revenue is recognised to the extent that Enersense is entitled to and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Business areas

operating decision maker (CDOM) for the purposes of allocating resources and assessing the performance of the business areas. Enersense reviews the performance of the business areas on the basis of revenue and EBITDA. In addition, Enersense reviews customer satisfaction, order backlog and occupational safety by business area.

Enersense defines EBITDA as the operating profit before depreciation, amortisation and impairment. Operating profit is defined as the profit (loss) for the period including income tax and the net effect of finance income and expenses.

Enersense's CEO reviews the financial results and financial position of the Group and the business areas and makes strategic decisions. The CEO is Enersense's chief operating decision maker.

Key estimates and judgements

Revenue recognition

Measurement of expected income and expenses, as well as the progress, requires estimates. As a part of the assessment, the management considers key contractual obligations, project schedules, identified risks and opportunities and changes in the estimated income and expenses. Actual expenses may differ from the estimates due to price increases, delays or additional materials and work required. The estimates are reviewed on each reporting date, and possible changes are recognised in the income statement in the period in which the change occurs. As a rule, actual income and expenses differ from the estimates.

4. Other operating income

Other operating income comprises, among others, income from administrative and restaurant services and gains on disposal of property, plant and equipment.

EUR 1,000	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Grants received	538	-
Income from administrative services	442	-
Gains on disposal of associated companies	220	-
Income from restaurant services	181	6
Derecognised trade payables	115	-
Gains on disposal of property, plant and equipment	75	-
Non-compete compensation	70	-
Other income	163	255
Total	**1 804**	**261**

Accounting policy

Government grants

Government grants are recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate when it is reasonably certain that the terms and conditions of the grants are complied with and the grants will be received. Government grants related to the acquisition of property, plant and equipment are deducted from the acquisition cost of the asset. The impact on the income statement is recognised through a decreased depreciation cost of the asset.

5. Materials and services

Materials and services comprise purchases of materials and supplies made during the financial year, change in inventories and external services. Enersense's purchases include tools and supplies used in the maintenance and repair of production facilities, prefabricated steel structures, civil engineering materials, mechanical devices, steel and pipe supplies and spare parts for power transmission networks and wind power and other power stations. Enersense's external services mainly include subcontracting of digital and mobile services, electric and automation installations, excavation, design services, auditing and leased staff.

EUR 1,00	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Purchased materials and supplies	-12,536	-1,185
Change in inventories	-115	7
External services	-46,676	-15,048
Total	**-59,327**	**-16,226**

6. Employee benefit expenses

Enersense Group has approximately 2,400 employees in 40 countries. The table below presents the employee benefit expenses and obligations under defined benefit plans. The remuneration of the members of the management team and the CEO and the members of the Board of Directors is presented in the note 26. Related parties.

Employee benefit expenses

EUR 1,000	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Wages and salaries	-57,760	-31,670
Pension costs – defined contribution plans	-7,361	-5,272
Pension costs – defined benefit plans	-4	-
Other employee benefit expenses	-4,848	-1,657
Total	**-69,973**	**-38,599**

Average number of employees

	31 Dec 2020	31 Dec 2019
Average number of employees at the end of the period	2,336	884

Defined benefit plans

In Finland, the Group has defined benefit based group pension insurances from the pension insurance companies Mandatum Life and OP. The defined benefit parts of the group pension insurances are retirement pension based on the salary at the time of retirement and funeral allowance, as well as annual index increase of the pension. The insurances cover 96 people, of which 11 are still employed by the Group. The employer may be required to pay insurance premiums towards the group pension insurances, if the assets of the insurance are not sufficient to cover the benefits promised to the beneficiaries.

The assets of the group pension insurances are based on the insurance premiums paid by the employer and the yield accrued on them. The annual insurance premium is determined on the basis of the annual pension accrual and the annual index increases of the pension.

Risks related to the defined benefit plans

If the bond yields used as the basis of the discount rate change, the Group may be required to change the discount rate. This would have an effect both on the net liability under the defined benefit plan and the item recognised due to the remeasurement within the comprehensive income.

Inflation

The pensions under the group pension insurances are linked to the development of inflation, and an increase in the inflation would increase the obligations under the defined benefit plan.

Life expectancy

The Group's obligations under the defined benefit plan are linked both to employees in working age and number of retired people. Due to this, an increase in the life expectancy may increase the pension obligations.

Net defined benefit obligations in the balance sheet

EUR 1,000	2020	2019
Defined pension benefit plan liabilities	1 654	-
Defined pension benefit plan assets	-1,219	-
Total	**435**	**-**

Changes in the present value of the defined benefit plan obligations

EUR 1,000	2020	2019
Present value of the defined benefit plan obligations as at 1 Jan	-	-
Business combinations	1,582	-
Interest cost	5	-
Current service cost	4	-
Benefits paid	-46	-
Actuarial (gains) losses	109	-
Present value of the defined benefit plan obligations as at 31 Dec	**1,654**	**-**

Changes in the fair value of the defined benefit plan assets

EUR 1,000	2020	2019
Plan assets as at 1 Jan	-	-
Business combinations	1,197	-
Interest income	4	-
Benefits paid	-46	-
Actuarial gains (losses)	56	-
Contributions by employer	8	-
Plan assets as at 31 Dec	**1,219**	**-**

Items recognised in the income statement

EUR 1,000	2020	2019
Service cost	-4	-
Net interest cost	-1	-
Total	**-5**	**-**

Other impacts resulting from remeasurement of items recognised in the comprehensive income

EUR 1,000	2020	2019
Actuarial gain (loss) on plan assets	56	-
Actuarial gain (loss) on plan liabilities – change in the financial assumptions	-108	-
Actuarial gain (loss) on plan liabilities – adjustments based on experience	-1	-
Total	**-53**	**-**

The plan is an insurance accepted under IAS 19.8, and it is not possible to prepare a more detailed breakdown of the plan assets.

According to Enersense's estimate, the expected contributions to the plans will be EUR 20 thousand in 2021.

The weighted average duration of defined benefit obligations is 18 years.

Principal actuarial assumptions

	2020	2019
Discount rate (%)	0.4	-
Increase in pensions (%)	1.6	-
Inflation (%)	1.3	-
Life expectancy for pensioners at the age of 65:		
Male	21.4	-
Female	25.4	-

Sensitivity analysis (an impact of a change of a single actuarial assumption on the defined benefit obligation)

EUR 1,000	2020	2019
Change in pension increase:		
Increase of 0,5%	129	-
Decrease of 0.5%	-116	-
Change in discount rate:		
Increase of 0.5%	-136	-
Decrease of 0.5%	155	-

The sensitivity analysis described above is based on a change in an assumption presented while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions, the same method has been applied as when calculating the pension obligation recognised in the balance sheet.

Accounting policy

Defined contribution plans

In the defined contribution plans, the contributions are made to an insurance company or a corresponding party. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised in the income statement as an expense for the financial period, which the payment pertains to.

Defined benefit plans

The Group has defined benefit plans in Mandatum Life and OP Life Assurance Company Ltd, and it pays them insurance premiums to fund pension cover.

Items resulting from remeasurement, which include actuarial gains and losses, are recognised immediately in the balance sheet for the period through other items of the comprehensive income, when they incur. The items resulting from remeasurement are not recognised in the income statement in the later financial periods.

Expenses based on previous work performance are recognised in the income statement using the earlier of the dates below:

- the date of the amendment or decrease of the plan;
- the date when the Group recognises reorganisation expenses or benefits related to the termination of the employment under the IAS 37.

Net interest is calculated by applying the discount rate to the net liability or asset under the defined benefit plan. The Group recognises the following changes in the net liability under the defined benefit plan in the consolidated income statement:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements recognised in the employee-benefit expenses;
- Net interest expense or income recognised in financial expenses.

The Group's defined benefit obligations and the related service cost have been calculated using projected unit credit method. In defined benefit plans, the liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets. The discount rate has been determined using Bloomberg € EU Corporate indices. The estimated duration of the benefit obligation has been taken into consideration. The market based inflation expectations have been determined using inflation-linked swaps.

Key judgements

Actuarial assumptions of the defined benefit plan obligations

Calculation of the pension obligations requires actuarial assumptions (such as discount rate and assumption on inflation), the determination of which requires judgement of the management. The assumptions applied may materially differ from the actual outcome due to, among other things, changes in the market conditions. Changes in such assumptions have an effect on the amount of pension liabilities and pension expenses in the future.

7. Depreciation, amortisation and impairment

EUR 1,000	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Intangible assets		
Customer relationships	-405	-
Development costs	-152	-49
Intangible rights	-25	-5
Other intangible assets	-913	-29
Total	**-1,496**	**-82**
Property, plant and equipment		
Land[1]	-5	-
Buildings and structures	-1,580	-603
Machinery and equipment	-1,674	-331
Other tangible assets	-78	-
Total	**-3,337**	**-934**
Impairment by asset group		
Other intangible assets		
Other intangible assets	-114	-
Property, plant and equipment		
Machinery and equipment	-49	-
Total	**-162**	**-**
Total depreciation, amortisation and impairment	**-4,995**	**-1,017**

[1]Depreciation of land is related to leased land.

Accounting policy

Depreciation and amortisation is recognised in the income statement on a straight-line basis over the useful life of intangible assets and property, plant and equipment. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term. If Enersense is reasonably certain on exercising a purchase option, the right-of-use asset is depreciated over its useful life.

Depreciation and amortisation times

Property, plant and equipment	
Buildings and structures	10–30 years
Machinery and equipment	3–15 years
Other tangible assets	3–5 years
Intangible assets	
Customer relationships	10 years
Development costs	3–5 years
Intangible rights	5–10 years
Other intangible assets	1–10 years

The expected useful lives are reviewed at the end of each reporting period, and if they significantly differ from previous estimates, the useful lives are adjusted correspondingly.

8. Other operating expenses

Other operating expenses comprise purchased administration services, premises and facility expenses, ICT software and equipment expenses and voluntary personnel expenses. Other expenses comprise, among others, auditing and expert fees, office expenses and credit losses. Voluntary personnel expenses comprise costs related to maintenance of work ability, recreation, training and free-time activities of the employees.

EUR 1,000	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
ICT software and equipment expenses	-2,237	-186
Purchased administrative services	-2,101	-646
Voluntary personnel expenses	-983	-305
Vehicle expenses	-852	-71
Legal and other consulting services	-846	-302
Marketing expenses	-548	-497
Premises and facility expenses	-484	-74
Other expenses related to acquisitions	-324	-
Travel expenses	-202	-328
Other expenses	-2,441	-1,065
Total	**-11,019**	**-3,473**

Enersense International Oyj's annual general meeting elects the auditor for the Group annually. KPMG Oy Ab was elected as the Group's auditor in the 2020 annual general meeting.

Auditor remuneration

EUR 1,000	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Audit services	-225	-24
Other advisory services	-173	-36
Tax advisory services	-27	-3
Total	**-425**	**-62**

Auditor remuneration include the fees paid to the auditors of each Group company.

In addition to the audit services, other services provided by KPMG Oy Ab amounted to EUR 200 thousand for the financial year 2020 (2019: EUR 38 thousand). The services comprised tax advisory services of EUR 27 thousand (2019: EUR 3 thousand) and other services of EUR 173 thousand (2019: EUR 36 thousand). Other services included advisory services of EUR 125 thousand related to the business acquisition.

9. Finance income and costs

EUR 1,000	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Finance income		
Interest income and other finance income	50	17
Total	**50**	**17**
Financial expenses		
Interest expenses from instalment debt	-162	-
Interest expenses from other borrowings	-812	-299
Interest expenses from lease liabilities	-151	-41
Foreign exchange rate losses	-1	-
Commission fees	-846	-85
Total	**-1,972**	**-424**
Total finance income and costs	**-1,921**	**-407**

Other interest expenses include, among others, interest for late payments. Commission fees include a fee of EUR 400 thousand paid to the bank due to a covenant breach, as well commissions for guarantees and factoring fees.

10. Income tax

Income tax expense comprises current income tax based on the taxable income for the period and deferred tax expense.

EUR 1,000	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Current tax on profit for the period	-433	-46
Prior year adjustments	1	1
Total current income tax expense (income)	**-433**	**-46**
Change in deferred tax assets	322	58
Change in deferred tax liabilities	-370	-12
Deferred tax expense (income)	**-48**	**47**
Income tax expense (income)	**-480**	**1**

The table below sets forth the reconciliation of income tax expense recognised in the consolidated income statement to income tax calculated using the effective tax rate in Finland (20 % for all review periods):

Reconciliation of effective tax rate

EUR 1,000	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Profit (loss) before taxes	2 859	-1 372
Tax calculated at Finnish tax rate 20%	-572	274
Effect of other tax rates of foreign subsidiaries	9	-
Effect of non-deductible expenses	-75	-6
Effect of tax-free income	6	1
Valuation of deferred tax assets	149	-269
Prior year adjustments	1	1
Other adjustments	3	-
Income tax expense (income)	**-480**	**1**

Deferred tax assets and liabilities

EUR 1,000	1 Jan	Recognised in income statement	Recognised in other comprehensive income	Business combinations	31 Dec
2020					
Deferred tax assets					
Intangible assets and property, plant and equipment	1	-35	-	362	328
Post-employment benefits	-	-1	11	77	87
Tax losses	603	328	-	1,400	2,330
Lease contracts	1	4	-	-	6
Provision for credit losses	97	0	-	3	100
Other items	-	26	-	-	26
Total	**703**	**322**	**11**	**1,841**	**2,877**
Netting of deferred taxes	-17				2,307
Deferred tax assets, net	**685**				**570**
Deferred tax liabilities					
Intangible assets and property, plant and equipment	-17	-364	-	-1,885	-2,266
Lease contracts	-	0	-	-	0
Other items	-	-6	-	-35	-41
Total	**-17**	**-370**	**-**	**-1,920**	**-2,307**
Netting of deferred taxes	17				2,307
Deferred tax liabilities, net	**-**				**0**

The main temporary differences between accounting and taxation are related to the customer relationships recognised in connection with the acquisition of Empower. The acquisition of Empower is described in note 2. Business combinations. The Group has tax losses, of which a deferred tax asset of EUR 2,330 has been recognised. The recognition of deferred tax assets is mainly based on offsetting temporary differences.

EUR 1,000	1 Jan	Recognised in income statement	31 Dec
2019			
Deferred tax assets			
Intangible assets and property, plant and equipment	2	-0	1
Tax losses	536	67	603
Lease contracts	-	1	1
Bad debt provision	107	-10	97
Total	**644**	**58**	**703**
Netting of deferred taxes	-6		-17
Deferred tax assets, net	**639**		**685**

EUR 1,000	1 Jan	Recognised in income statement	31 Dec
Deferred tax liabilities			
Intangible assets and property, plant and equipment	-6	-12	-17
Total	**-6**	**-12**	**-17**
Netting of deferred taxes	6		17
Deferred tax liabilities, net	**-**		**-**

Tax losses

EUR tuhatta	Tax losses carried forward 31 Dec 2020	31 Dec 2019	1 Jan 2019	Recognised deferred tax assets 31 Dec 2020	31 Dec 2019	1 Jan 2019	Unrecognised deferred tax assets 31 Dec 2020	31 Dec 2019	1 Jan 2019
Expiring in 5–10 years	99,882	4,055	3,239	2,330	603	536	17,646	208	112
Total	**99,882**	**4,055**	**3,239**	**2,330**	**603**	**536**	**17,646**	**208**	**112**

Accounting policy

Income tax

The income tax expense or income is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences. The current income tax charge is calculated on the basis of the tax rates in effect in the countries in which the Group operates.

Tax charge is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax assets and liabilities are offset when there is a legally enforceable right to offset and intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill or from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available to utilise those temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to the same taxation authority.

Key estimates and judgements

Recognition of income tax
Income tax expense (income) in the income statement consist of current tax based on the taxable income for the period and deferred tax. The taxes are recognised in the income statement unless they relate items recognised directly in other comprehensive income or equity. Taxes based on the taxable income for the period are calculated based on taxable income in accordance with the tax rates effective in each country at the reporting end date. The tax charge is adjusted for any prior year tax adjustments. Management evaluates positions taken in tax returns with respect to circumstances, in which applicable tax regulation is subject to interpretation. Current tax liabilities recognised in such cases are based on the management's estimates. Estimating the total amount of income tax expense at the Group level requires significant judgement, and therefore the amount of final tax charge includes uncertainty.

Recognition of deferred tax assets for tax losses
Determining to which extent deferred tax assets can be recognised requires management judgement. The Group's management has used judgement when determining if deferred tax asset should be recognised for an unused tax loss carry forward or unused tax credits. Recognition is done only to the extent that it is probable that future taxable profits will be available against which the tax loss carry forwards or tax credits can be utilised.

The estimate of the future taxable profits is based on Enersense's strategy, forecasts and evaluation of uncertainties. Enersense's management monitors the Group's financial position and assesses the future development on a monthly basis. The amount of deferred tax assets recognised for the tax loss carry forwards and unused tax credits are reviewed at the end of each reporting period.

11. Intangible assets

EUR 1,000	Goodwill	Customer relation-ships	Develop-ment costs	Intangible rights	Other intangible assets	Advance payments and assets under construction	Other intangible assets total
2020							
Cost as at 1 Jan	4,244	-	227	43	107	17	395
Business combinations	22,133	9,660	1,275	88	2,459	660	14,142
Additions	-	-	320	-	73	224	616
Disposals	-	-	-100	-3	-333	253	-181
Impairment charge	-	-	-	-	-114	-	-114
Reclassifications	-	-	397	-	20	-418	-
Exchange differences	-	-	-	-2	-	-	-2
Cost as at 31 Dec	**26 376**	**9,660**	**2,119**	**127**	**2,213**	**737**	**14,856**
Accumulated amortisation and impairment as at 1 Jan	-	-	-128	-9	-29	-	-166
Amortisation	-	-405	-152	-25	-913	-	-1 496
Disposals	-	-	25	3	344	-	372
Accumulated amortisation and impairment as at 31 Dec	**-**	**-405**	**-255**	**-32**	**-597**	**-**	**-1,290**
Carrying amount as at 1 Jan	4,244	-	99	34	78	17	229
Carrying amount as at 31 Dec	**26,376**	**9,255**	**1,864**	**95**	**1,615**	**737**	**13,566**

Other intangible assets mainly comprise customer relationships and development costs identified in the acquisition of Empower. For more information on the acquisition of Empower, see note 2. Business combinations.

EUR 1,000	Goodwill	Development costs	Intangible rights	Other intangible assets	Advance payments and assets under construction	Other intangible assets total
2019						
Cost as at 1 Jan	4,244	164	21	78	-	263
Additions	-	64	22	29	17	132
Cost as at 31 Dec	**4,244**	**227**	**43**	**107**	**17**	**395**
Accumulated amortisation and impairment as at 1 Jan	-	-79	-4	-	-	-84
Amortisation	-	-49	-5	-29	-	-82
Accumulated amortisation and impairment as at 31 Dec	**-**	**-128**	**-9**	**-29**	**-**	**-166**
Carrying amount as at 1 Jan	4,244	84	17	78	-	179
Carrying amount as at 31 Dec	**4,244**	**99**	**34**	**78**	**17**	**229**

Goodwill impairment testing

The management monitors goodwill on the level of the four operating segments presented in note 3. The Group tests annually, if the basis for goodwill still exists and the cash flows forecasted are still recoverable. The goodwill impairment testing was carried out for all review periods. The cash flow forecasts used in the calculations are based on the budget approved by the management and the forecast for the next four years. The period after the forecast period is determined by extrapolating the cash flows using the likely annual growth rate at the time of the testing.

The Group has analysed the sensitivity of test results to the changes of the key assumptions as a part of the impairment testing. The test results are most sensitive to changes in the forecasted EBITDA and discount rate. The management estimates that no reasonably possible change in the discount rate used or in future earnings would cause the carrying amount of the goodwill to exceed its recoverable amount in any of the tested operating segments.

The key assumptions used in the value-in-use calculations:

31 Dec 2020	Increase in revenue, forecast period	Terminal growth assumption	Operating profit margin (%), forecast period	Forecasted operating profit margin (%), terminal value	Pre-tax discount rate
Smart Industry	-15.1–6.0%	1.0%	6.7–7.8%	7.1%	9.7%
Power	4.0–25.2%	1.0%	-1.4–4.4%	1.1%	9.5%
Connectivity	-13.2–13.7%	1.0%	-4.1–8.4%	3.4%	9.6%
International Operations	2.0–67.6%	1.0%	2.8–3.8%	3.3%	10.5%
31 Dec 2019					
Smart Industry	2.0–10.8%	1.0%	2.2–2.2%	2.0%	7.9%
1 Dec 2019					
Smart Industry	2.0–22.6%	1.0%	-0.4–2.1%	1.5%	8.3%

Accounting policy

Goodwill

Goodwill arises from the acquisition of subsidiaries and represents the excess of the consideration transferred over the fair value of the acquired net assets. Goodwill is recognised in intangible assets at cost less any accumulated impairment losses incurred. Goodwill is not amortised but tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

Customer relationships

Customer relationships acquired in business combinations are recognised at fair value at the acquisition date. As their lifetime is limited, they are recognised at cost less accumulated amortisation and impairment losses.

Development costs

Development costs that are directly attributable to the design, testing and implementation of identifiable and unique assets controlled by the Group are recognised as intangible assets in the balance sheet where the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use
- the Group intends to complete the intangible asset and use or sell it
- the Group is able to use or sell the intangible asset
- the Group can demonstrate how the intangible asset will generate probable future economic benefits
- the Group has adequate technical, financial and other resources available to complete the development and use or sell the intangible asset, and
- the Group is able to measure the expenditure attributable to the development of the intangible asset reliably.

Capitalised development costs include direct employee costs, an appropriate portion of relevant overheads, and direct purchases.

Capitalised development costs are recognised as at cost less accumulated amortisation and impairment losses. Amortisation is commenced when the asset is ready for use.

Intangible rights and other intangible assets

Intangible rights and other intangible assets are recognised in the balance sheet at the cost less accumulated amortisation and impairment losses.

Estimated useful lives of intangible assets are as follows:

• Customer relationships	10 years
• Development costs	3–5 years
• Intangible rights	5–10 years
• Other intangible assets	1–10 years

Impairment

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation. Instead, they are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. Impairment loss recognised on goodwill will not be reversed in later financial periods.

Key estimates and judgements

Impairment testing

The Group's management has estimated the useful life of the customer relationships recognised on the acquisitions. Useful lives are estimated at each balance sheet date and adjusted when necessary.

Property, plant and equipment is tested for impairment whenever events or changes in circumstances indicate that an asset might be impaired (this is assessed at least at the end of each reporting period). The impairment test is based on calculations in which the recoverable amount of a cash-generating unit (CGU) is determined. The recoverable amount is the higher of CGU's fair value less costs of disposal and value in use. The value-in-use model is based on discounted cash flows which are expected to recover from the asset.

Key estimates and judgement used in value-in-use calculations is presented below:

- forecasting of future cash flows – these are based on the latest five years forecasts approved by the management and reflect expectations of revenue growth, operating expenses, EBITDA margin, capital expenditure and cash flows, based on past experience and management's expectation of future market changes.
- discount rates applied to those cash flows – pre-tax discount rates used are the weighted average expense of capital determined by current market inputs at the time of review. The adjusted after-tax discount rate is translated to a pre-tax rate for each cash generating unit (CGU) based on the specific tax rate applicable to where the CGU operates.
- the expected long-term growth rates – cash flows beyond the five year period are extrapolated using estimated growth rates. The growth rates are based on the expected long-term performance of each CGU in their respective market and are consistent with the long-term average growth rates of the market for energy solutions.

Estimates and judgements are subject to change as a result of changing economic and operational conditions. Actual cash flows may therefore differ from forecasts and could result in changes in the recognition of impairment charges in future periods.

Goodwill's carrying amount is written down to its recoverable amount if goodwill's carrying amount is greater than its estimated recoverable amount. Any impairment charge is recognised in the income statement if the carrying amount of a CGU exceeds its recoverable amount. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Other intangible assets are tested by assessing the recoverable amount of each individual asset or, if this is not possible, then the recoverable amount of the cash generating unit (CGU) to which the asset belongs. CGUs are the lowest levels at which assets are grouped and generate separately identifiable cash flows.

Impacts of the COVID-19 pandemic have been taken into account in the determination of the cash flows.

Enersense's management considers it unlikely that any change in the material assumptions would result in the carrying amount of a CGU exceeding its recoverable amount.

12. Property, plant and equipment

EUR 1,000	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and assets under construction	Total
2020						
Cost as at 1 Jan	**5**	**2,349**	**1,417**	**2**	**-**	**3,773**
Business combinations	138	5,545	11,511	354	178	17,727
Additions	-	906	1,045	9	3	1,963
Disposals	-	-	-333	-71	-106	-510
Reclassifications	-	60	169	-	-5	224
Exchange differences	-	-	-0	-	-	-0
Cost as at 31 Dec	**143**	**8,861**	**13,810**	**294**	**69**	**23,177**
Accumulated depreciation and impairment as at 1 Jan	-	-603	-545	-	-	-1,148
Depreciation	-5	-1,580	-1,674	-78	-	-3,337
Disposals	-	-	260	64	-	324
Impairment charge	-	-	-49	-	-	-49
Reclassifications	-	-	-183	-	-	-183
Exchange differences	-	-	0	-	-	0
Accumulated depreciation and impairment as at 31 Dec	**-5**	**-2,183**	**-2,191**	**-14**	**-**	**-4,393**
Carrying amount as at 1 Jan	**5**	**1,746**	**872**	**2**	**-**	**2,625**
Carrying amount as at 31 Dec	**138**	**6,677**	**11,619**	**280**	**69**	**18,784**

EUR 1,000	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and assets under construction	Total
2019						
Cost as at 1 Jan	**5**	**1,582**	**1,012**	**2**	**-**	**2,601**
Additions	-	767	405	-	-	1,172
Exchange differences	-	-	-	-	-	-
Cost as at 31 Dec	**5**	**2,349**	**1,417**	**2**	**-**	**3,773**
Accumulated depreciation and impairment as at 1 Jan	-	-	-214	-	-	-214
Depreciation	-	-603	-331	-	-	-934
Accumulated depreciation and impairment as at 31 Dec	**-**	**-603**	**-545**	**-**	**-**	**-1,148**
Carrying amount as at 1 Jan	**5**	**1 582**	**798**	**2**	**-**	**2,387**
Carrying amount as at 31 Dec	**5**	**1,746**	**872**	**2**	**-**	**2,625**

Right-of-use assets are included in the property, plant and equipment in the balance sheet. For more information on the rights-of-use assets, see note 13. Lease contracts. The increase in the financial year 2020 is mainly related to new lease contracts on buildings and structures and machinery and equipment.

Accounting policy

Land is recognised in property, plant and equipment at cost. Other property, plant and equipment is recognised in the balance sheet at cost less accumulated depreciation and any impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated using the straight-line method over the estimated useful life of the asset.

The estimated useful lives of property, plant and equipment are:

- Buildings and structures 10–30 years
- Machinery and equipment 3–15 years
- Other tangible assets 3–5 years

The residual values and useful lives of assets are reviewed at the end of each reporting period and adjusted if required. If an asset's carrying amount is greater than its estimated recoverable amount, the carrying amount it is written down immediately to its recoverable amount. Gains and losses on disposal are determined by comparing sales proceeds with carrying amount and recognised in the income statement.

The impairment testing is presented in note 11. Intangible assets.

13. Lease contracts

Enersense mainly leases premises, apartments, passenger vehicles, vans, trucks and tools. The lease contracts on premises and apartments are typically in effect until further notice. The lease contracts on vehicles and tools are typically for a fixed term. The contracts may include extension or termination options. Majority of the premise lease contracts include index clauses, which are typically based on the consumer price index or the property maintenance cost index. These are not included in the measurement of the lease liability until they realise.

The balance sheet shows the following amounts relating to lease contracts:

EUR 1,000	31.12.2020	31.12.2019	1.1.2019
Land	133	-	-
Buildings and structures	6,515	1,746	1,582
Vehicles	2,222	315	247
Other	74	-	-
Total	**8,944**	**2,061**	**1,829**
Lease liabilities			
Current	3,473	1,014	737
Non-current	5,517	1,051	1,092
Total	**8,990**	**2,065**	**1,829**

Additions to the right-of-use assets during the 2020 financial year were EUR 1.4 million (2019: EUR 0.9 million). In connection with the acquisition of Empower, EUR 7.6 million of right-of-use assets were recognised in property, plant and equipment. For more information on the acquisition of Empower, see note 2. Business combinations.

The maturity of the lease liabilities is presented in note 20. Financial risk and capital management.

The income statement shows the following amounts relating to leases:

EUR 1,000	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Depreciation charge of right-of-use assets[1]		
Land	-5	-
Buildings and structures	-1,549	-603
Vehicles	-519	-138
Other	-8	-
Total depreciation charge of right-of-use assets	**-2,082**	**-741**
Interest expense[2]	**-151**	**-41**
Expense relating to short-term leases[3]	-795	-709
Expense relating to leases of low value leases[3]	-676	-10
The total cash outflow from leases	**-3,704**	**-1,501**

[1] Included in the line item Depreciation and amortisation in the income statement.
[2] Included in the line item Finance expenses in the income statement.
[3] Included in the line item Other expenses in the income statement.

Enersense has entered into lease contracts on premises and vehicles with the lease term starting in 2021.

Accounting policy

At the contract inception, Enersense assesses whether the arrangement is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Enersense recognises a right-of-use asset and a corresponding lease liability at contract commencement for leases where it is a lessor. The contract commencement date is the date on which the asset is available for use by the lessee.

Enersense measures the lease liability at the commencement by discounting the future lease payments to their present value. The lease payments include fixed payments, variable lease payments based on an index or a rate, residual value guarantees, which are expected to be payable by Enersense and the exercise price of a purchase option, if Enersense is reasonably certain to exercise the option. Penalties for terminating the lease are included in the lease liability measurement if the lease term reflects that Enersense will use the termination option.

Enersense discounts lease payments using the interest rate implicit in the lease. If that rate cannot be readily determined, Enersense uses the incremental borrowing rate, i.e. the rate that Enersense would have to pay to borrow over a similar term, and with a similar security to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Interest expense on lease liabilities is presented in the cash flow from operating activities.

After the lease commencement, lease liability is measured at amortised cost using the effective interest method. Lease liability is remeasured, when the lease payments change due to, for example, index change, exercising of option included in the lease are reassessed or to reflect other lease modifications.

Right-of-use assets are measured at cost comprising the initial amount of the lease liability, any lease payments made at or before the contract commencement, any initial direct costs and restoration costs. Right-of-use assets are depreciated using the straight-line method over the shorter of the asset's useful life and lease term. If Enersense is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the asset's useful life.

Enersense applies the short-term and low value asset exemptions provided by the standard. Short-term leases are leases with a lease term of 12 months or less. Low value assets include, among others, tools and ICT equipment. Lease payments associated with those leases are recognised as an expense on a straight-line basis. Enersense does not separate non-lease components from lease components in the premise, apartment and vehicle leases.

Enersense does not have significant activities as a lessor.

Key estimates and judgements

Lease term determination
Enersense's lease contracts may be in effect until further notice or they may include extension or termination options. Enersense considers all facts and circumstances that create an economic incentive to exercise an extension option. Such reason include, for example, the need of the asset in Enersense's business, leasehold improvements and costs required to replace the leased asset.

The lease term is reassessed if a significant event or change in circumstances occurs.

Incremental borrowing rate determination

The Group determines the incremental borrowing rate on the basis of the loan interests agreed with financial institutions and in accordance with the requirements of IFRS 16 to ensure that the rate used reflects the lease commencement date, lease term, leased assets and operating environment.

14. Investments accounted for using the equity method

The table below sets forth Enersense's associates and joint ventures.

		% of ownership interest		
Name of the company	**Country of incorporation**	**31 Dec 2020**	**31 Dec 2019**	**1 Dec 2019**
Empower 4Wind OÜ	Estonia	60%	-	-
Smaragdus Oy	Finland	-	20.3%	20.9%
Suomi Teline Oy	Finland	25%	25%	25%
Yrittäjien Voima Oy	Finland	40%	40%	40%
Harku Sindi JV OÜ	Estonia	50%	-	-

Empower 4Wind OÜ is an Estonian company providing maintenance and repair services for wind turbines.

Smaragdus Oy is a Finnish engineering company. Smaragdus Oy was disposed of in December 2020.

Suomi-Teline Oy is a Finnish company providing scaffolding.

Yrittäjien Voima Oy is a Finnish limited liability company procuring power and energy for its shareholders. Yrittäjien Voima Oy has a shareholding in Voimaosakeyhtiö SF, which in turn has a shareholding in Fennovoima Ltd.

Harku Sindi JV OÜ is an Estonian company, which has built a power line in Estonia. The company is not active at present.

Share of the result of the investments accounted for using the equity method is presented above operating profit, as they are considered as strategic investments and a material part of Enersense's business.

The tables below set forth a summary of the financial information of the associates and joint ventures. The figures below reflect the figures presented in the financial statements of the associates and joint ventures, not the share of Enersense of their results.

	Assets	Liabilities	Revenue	Profit (loss) for the period
2020				
Empower 4Wind OÜ	1,537	283	2,477	169
Suomi Teline Oy	4,616	3,950	6,413	46
Yrittäjien Voima Oy	1,036	-	11	-2
Harku Sindi JV OÜ	7,680	7,677	-	0
2019				
Smaragdus Oy	15,341	13,985	20,853	-51
Suomi Teline Oy	4,220	3,600	6,835	197
Yrittäjien Voima Oy	864	-	10	-1

	Assets	Liabilities
1 Jan 2019		
Smaragdus Oy	7,365	6,679
Suomi Teline Oy	2,843	2,421
Yrittäjien Voima Oy	866	1

Investments in associates and joint ventures

EUR 1,000	2020	2019
Carrying amount as at 1 Jan	905	770
Business combinations	699	-
Additions	-	110
Disposals	-204	-6
Share of the result for the period	67	31
Carrying amount as at 31 Dec	**1,467**	**905**

Transactions with the associates and joint ventures

EUR 1,000	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Sales of goods and services	2	105
Purchases of goods and services	-103	-300
Interest income	64	6

Open balances with the associates and joint ventures

EUR 1,000	31 Dec 2020	31 Dec 2019	1 Jan 2019
Loan receivables	150	535	205
Trade and other receivables	4 553	1	-

Main terms and conditions of the receivables under the capital loan

Capital loan can be repaid and interest paid only to the extent that the total amount of all capital loans in the Company's unrestricted equity at the time of the payment exceeds the Company's loss confirmed for the previous financial year or presented in the balance sheet in more recent financial statements. In accordance with the law, the capital loan is not secured. Agreements on the capital loans are executed in a written form.

Enersense had a capital loan receivable of EUR 150 thousand from Suomi Teline Oy as at 31 December (31 December 2019 and 1 January 2019: no loan receivable). The loan carries an annual interest of 8% , and its entire capital will be repaid in one instalment on 31 March 2023 within the limits permitted by the Finnish Limited Liability Companies Act.

Enersense had a capital loan receivable of EUR 535 thousand from Smaragdus Oy as at 31 December 2019 (1 January 2019: EUR 205 thousand). The loan carries an annual interest of 8%, and the term of the loan is 5 years from drawing the loan or the sale of shares of Smaragdus Oy held by Enersense. The capital loan receivable was repaid in connection with the sale of Smaragdus Oy.

Accounting policy

Associates

Associates are companies in which the Group has significant influence but not control or joint control. Usually this is based on a shareholding entitling to 20% – 50%of the voting rights. Investments in associates are initially recorded at acquisition cost and subsequently accounted for using the equity method.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition changes in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate exceeds the carrying amount of its interest in the associate, the Group does not recognise losses exceeding the carrying amount, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's share of the profit for the period of its associates is calculated on the basis of its shareholding and presented in the consolidated income statement as a part of the operating profit.

The Group determines at each reporting date whether there is any indication that the investment in the associate is impaired.

Joint ventures
Joint ventures are companies, in which the parties with joint control have title to the net assets of the arrangement. Investments in joint ventures are initially recorded at acquisition cost and subsequently accounted for using the equity method.

Receivables under the capital loan

Capital loans are initially recognised at fair value and subsequently accounted for using the effective interest method, as the cash flows from equity loan receivables only comprise payment of the principal and interest, and Enersense's business model for them is the generation of cash flows.

Impairment of capital loan receivables is determined using a three-phase model. If the credit risk of the loan receivable is considered low or it has not increased significantly, the loan receivable is in the phase 1 and the impairment is recognised on the basis of the expected credit loss during the next 12 months. If the credit risk has increased significantly, the receivable is transferred to the phase 2 and the credit loss is determined on the basis of the expected credit loss over the remaining maturity of the loan receivable. The debtor's financial difficulties, default or a delay of payment for over 30 days are indications of a significant increase in the credit risk of the financial asset. Receivables under default are transferred to the phase 3. Enersense defines that a receivable is under default if the payments are delayed by over 90 days or there are other indications of the insolvency of the debtor. Impairment is presented in other expenses within the income statement. In the review period, capital loan receivables have been in the phase 1, and expected credit loss from them has not been significant.

Receivables are derecognised as final credit losses when their payment cannot be reasonable expected. Indications that the payment cannot be reasonably expected include, among others, inability of the debtor to agree on a payment schedule with the Group and the probability of bankruptcy.

The credit risk related to financial assets and the management of the credit risk are described in note 20. Management of financial risks and capital.

Key judgements

Classification of associates
Empower 4Wind OÜ

The management utilises judgement when assessing if the Company has control, joint control or significant influence over companies, in which its shareholding is under 100%. Despite the majority interest, Empower 4Wind OÜ has been accounted for using the equity method due to the decision-making process based on the unanimity of the shareholders. The decision-making process is based on the stipulations of the shareholder agreement of Empower 4Wind OÜ.

15. Inventory

EUR 1,000	31 Dec 2020	31 Dec 2019	1 Jan 2019
Materials and supplies	1,892	373	365
Work in progress	1,673	-	-
Total	**3,566**	**373**	**365**

Enersense recognised inventories as an expense EUR 59,327 thousand during the financial period (2019: EUR 16,226 thousand). The cost is included in the materials and services in the income statement. Write-downs of inventories were recognised EUR 35 thousand during the financial period (2019: no write-downs). No write-downs were reversed during the financial period (2019: no reversals).

Accounting policy
Inventories are recognised at the lower of cost and net realisable value. Depending on the nature of the inventory, cost is measured using the first-in, first out (FIFO) method or the weighted average cost method. The cost of materials and supplies comprises the purchase price and freight costs. Work in progress comprises direct wages and salaries and social security expenses and an appropriate portion of overhead expenditure related to work in progress. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

16. Trade and other receivables

EUR 1,000	31 Dec 2020	31 Dec 2019	1 Jan 2019
Non-current			
Pledged account	600	-	-
Trade receivables	62	-	-
Other receivables	298	2	2
Total	**960**	**2**	**2**
Current			
Trade receivables	19,631	7,310	6,161
Factored trade receivables	4,552	2,545	1,418
Other financial assets[1)]	1,539	278[2)]	240[2)]
Other receivables	216	58	125
Prepaid expenses and accrued income	6,684	1 821	1,060
Total	**32,623**	**12,012**	**9,004**
Material items in prepaid expenses and accrued income			
Contract assets	5,488	1,745	982
Prepaid expenses	1,058	74	38
Other	138	2	40
Total	**6,684**	**1,821**	**1,060**

[1)] Other financial assets include security and guarantee payments, among other things.
[2)] Other financial assets as at 31 December 2019 and 1 January 2019 include loan receivables of EUR 92 thousand from associates.

The pledged account of EUR 600 thousand as at 31 December 2020 is an additional security required by Nordea in connection with the acquisition of Empower. The account will remain pledged as long as Enersense has financing from Nordea.

Accounting policy

The Group's financial assets comprise trade receivables, other financial receivables, cash and cash equivalents (see note 17. Cash and cash equivalents) and loan receivables (see note 14. Investments accounted for using the equity method). They are classified as financial assets measured at amortised cost, as these financial assets are held to collect contractual cash flows and the cash flows are solely payments of principal and interest. The Group's financial assets are measured at amortised cost using the effective interest method.

Loan receivables and other receivables are initially measured at fair value. Trade receivables are initially recognised at transaction price. Interest income is included in finance income. Financial assets are derecognised from the balance sheet, when the rights to receive cash flows have expired or have been transferred to another party and substantially all the risks and rewards of the ownership has been transferred to the other party. Gain or loss arising from the derecognition of the asset is recognised in the income statement and presented in finance income.

Factoring

The carrying amount of trade receivables includes receivables under a factoring arrangement. In accordance with this arrangement, Enersense has transferred the relevant receivables to a factoring company against cash assets, and cannot sell or pledge these receivables. When the risk of payment delays and credit risk remain at Enersense, the transferred trade receivables are still recognised in their entirety in the consolidated balance sheet. The payment under the factoring agreement is presented as a secured loan. Group views, that the business model of holding receivables for generating cash flows is still applicable to these receivables, and as such, they are still recognised at amortised cost.

Enersense has also factoring arrangements, in which substantially all of the risks and rewards have been transferred to the factoring company. Such trade receivables are recognised in the balance sheet only for a short time before they are sold, and they are recognised at fair value in the income statement. They are included in the level 3 of the fair value hierarchy, as their fair values are not based on observable inputs. The fair value does not differ significantly from the initial cost. The fair value hierarchy is described in note 21. Borrowings. Change in the fair value is presented in other income or expenses, and the factoring finance expenses are presented in finance costs.

Impairment of financial assets

Expected credit losses related to financial assets are assessed on a forward-looking basis.

For trade receivables and contract assets Enersense applies the simplified approach, in which credit loss is recognised on the basis of the expected lifetime losses of the trade receivable or the contract asset. Enersense has determined expected loss rates for trade receivables based on past due dates taking into account special characteristics and risks of the receivables. The amount of expected credit loss is based on the management's best estimate on the expected defaults. The credit loss model takes into account the previous payment behaviour of customers and available forecasts (such as the development of COVID-19 pandemic) and their possible impact on the credit rating and payment behaviour of customers, as well as possible securities and credit insurances.

Receivables are derecognised as final credit losses when their payment cannot be reasonable expected. Indications that the payment cannot be reasonably expected include, among others, inability of the debtor to agree on a payment schedule with the Group and the probability of bankruptcy.

Credit risk arising from financial assets, management of credit risk and the provision matrix of trade receivables are described in note 20. Financial risks and capital management.

17. Cash and cash equivalents

EUR 1,000	31 Dec 2020	31 Dec 2019	1 Jan 2019
Cash and cash equivalents	17,694	1,276	2,608

Accounting policy

Cash and cash equivalents comprise cash and bank deposits available on demand.

18. Equity

EUR 1,000	31 Dec 2020	31 Dec 2019	1 Dec 2019
Share capital	80	80	80
Reserve for invested unrestricted equity	15,602	8,290	8,290
Legal reserve	313	313	313
Translation differences	-363	4	0
Retained earnings	-1,794	-61	1,876
Profit (loss) for the period	2,039	-1,262	-1,937
Total equity attributable to owners of the parent company	**15,877**	**7,363**	**8,622**
Non-controlling interests	1,768	-314	-205
Total equity	**17,645**	**7,050**	**8,417**

Number of shares

Pcs	2020	2019
Number of shares as at 1 Jan	5,947,729	5,947,729
Directed share issue	3,600,000	-
Number of shares as at 31 Dec	**9,547,729**	**5,947,729**

Share capital

Enersense International Oyj has one series of shares. One share carries one vote at the general meeting. Enersense International Oyj's share capital was EUR 80,000 as at 31 December 2020 (31 December 2019 and1 January 2019: EUR 80,000), and the number of shares was 9,547,729 as at 31 December 2020 (31 December 2019 and 1 January 2019: 5,947,729). Enersense International Oyj's shares are listed in the Nasdaq First North Growth Market, and the shares are included in the book-entry securities system maintained by Euroclear Finland Oy. The Company does not hold its own shares.

Reserve for invested unrestricted equity

The reserve for invested unrestricted equity includes the subscription price for shares as provided by the Finnish Limited Liability Companies Act, unless the company has explicitly decided otherwise.

The share issue carried out in connection with the acquisition of Empower increased the reserve for invested unrestricted equity by EUR 8.0 million net of expenses related to share issue of EUR 0.7 million. The share issue increased the number of shares by 3,600,000. For more information on the acquisition of Empower, see note 2. Business combinations.

Legal reserve

The legal reserve comprises the amounts transferred from distributable funds under the articles of association or on the basis of the decision of the general meeting.

Translation differences

Translation differences resulting from translation of the financial statements of foreign subsidiaries are recognised in the other comprehensive income and accrued in a separate equity reserve. The cumulative amount is reclassified to the income statement when the net investment is disposed of.

Accounting policy

Incremental costs directly attributable to the issuance of new shares are presented in equity as a deduction to consideration received.

19. Earnings per share

	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Earnings per share		
Profit (loss) for the period attributable to the owners of the Company	2,038,724	-1,262,303
Weighted average number of shares outstanding during the period	7,423,139	5,947,729
Earnings per share (EUR)	**0.27**	**-0.21**

In 2020 and 2019, Enersense did not have instruments with a diluting impact on the earnings per share. The share issue completed in connection with the acquisition of Empower increased the reserve for invested equity by EUR 7,992 thousand deducted by with the costs attributable to the share issue of EUR 679 thousand. The share issue increased the number of shares by 3,600,000.

Accounting policy

Earnings per share (EPS) is calculated by dividing the profit attributable to owners of the parent by the weighted average number of the shares outstanding during the financial period. Diluted earnings per share is calculated using the same principles as for undiluted earnings per share, except for that the calculation takes into account the Group's possible commitments to issue new shares in the future.

20. Financial risk and capital management

Enersense is exposed to liquidity, credit, foreign exchange and interest rate risks in its business operations. Enersense's financial risk management aims to decrease the effect of changes in the financial market to the Company's results, operations and balance sheet structure.

Enersense's financing function reports regularly to the Group management on identified financial risks and measures by which the Group aims to protect itself against potential risks. The Group's financing function also supports business areas in the managing their financial risks. The business areas provide the Group's financing function up-to-date information on their financial position and cash management in order to ensure efficient management of financing and liquidity risks.

Credit risk

Enersense's credit risk relates to customers with outstanding receivables or with long-term contracts. Credit risk may realise when a customer cannot fulfil its contractual obligations. Enersense checks the credit rating and solvency of significant new customers before entering to contracts with them and monitors actively the credit ratings and solvency of the customer base. The Group also hedges credit risk by selling trade receivables to a third party, which carries the credit risk arising from the trade receivables purchased by it. Enersense does not have any material continuing involvement in these transferred receivables. Enersense also manages the credit risk with advance payments and front-loaded payment schedules in projects. Furthermore, the Group has a credit insurance covering a part of its receivables. The credit insurance covers 90% of the credit risk of the insured receivables.

Trade receivables and contract assets

Trade receivables are recognised in the balance sheet at original invoiced amount less expected credit loss. For determining expected credit losses, trade receivables and contractual assets are grouped based on their credit risk characteristics and aging category. The model applied to expected losses is based on a provision matrix, in which the expected credit losses are calculated by applying historical credit losses and management estimates on future development of the past due status of the outstanding trade receivables. Expected credit loss is recognised immediately in the income statement. Enersense writes off trade receivables as fully impaired, when collecting the receivable has proved to be unsuccessful. This takes place when, for example, a collection partner gives a recommendation for a write-offs, the debtor fills for bankruptcy or a payment schedule cannot be agreed upon with the customer facing solvency issues.

Contract assets are related to uninvoiced work in progress, and their risk profile is similar to the trade receivables for similar contracts. Therefore, Enersense's management has assumed that the expected credit loss rate of contract assets is reasonably close to the trade receivables not fallen due.

Credit loss provision

	Not due	Under 30 days due	30–60 days due	61–90 days due	Over 90 days due	Total
31 Dec 2020						
Expected loss rate	0%	1%	3%	3%	14%	
Gross carrying amount	21,372	1,346	568	374	650	**24,310**
Credit loss provision	0	-9	-16	-12	-89	**-126**
Net carrying amount	21,372	1,337	551	362	561	**24,184**

	Not due	Under 30 days due	30–60 days due	61–90 days due	Over 90 days due	Total
31 Dec 2019						
Expected loss rate	0%	1%	12%	13%	15%	
Gross carrying amount	7,908	1,282	461	160	155	**9,967**
Credit loss provision	0	-15	-54	-20	-24	**-112**
Net carrying amount	7,908	1,267	408	141	132	**9,855**

	Not due	Under 30 days due	30–60 days due	61–90 days due	Over 90 days due	Total
1 Jan 2019						
Expected loss rate	0%	2%	13%	15%	46%	
Gross carrying amount	6,405	710	112	351	152	**7,730**
Credit loss provision	-	-13	-15	-52	-70	**-151**
Net carrying amount	6,405	697	97	299	82	**7,579**

Credit loss provisions reconciliation

	31 Dec 2020	31 Dec 2019
Credit loss provision as at 1 Jan	**112**	**151**
Change in credit loss provision recognised in the income statement	61	-18
Receivables written off during the year as uncollectible	-47	-21
Credit loss provision as at 31 Dec	**126**	**112**

Credit loss provision on loan receivables

Enersense's loan receivables amounted to EUR 153 thousand as at 31 December 2020 (31 December 2019: EUR 570 thousand, 1 January 2019: EUR 210 thousand), which mainly comprised of capital loan receivables from associates. Bases on the management estimation, the credit risk of the loans has not increased and the expected credit loss in not significant. The loans are expected to be repaid according to the agreed payment schedule. Enersense's management monitors the probability of the repayment of the loan receivables, and a provision for credit loss will be recognised, if there is a basis for the provision. The amounts and main terms and conditions of the capital loan receivables are described in note 14. Investments accounted for using the equity method.

Cash and cash equivalents and other deposits are with solvent banks, and the Company does not consider that they carry a significant credit risk. They are highly liquid investments and no expected credit losses have been recognised for them.

Liquidity risk

Enersense's liquidity risk comprises refinancing and liquidity risks. Refinancing risk relates to a situation where Enersense would not have sufficient liquid assets available to repay the loans as they fall due or the refinancing cannot be arranged with favourable terms and conditions. Enersense aims to protect itself against refinancing risk by diversifying the maturity distribution of the loan portfolio and by assessing the portion of short-term financing and the Group's long term financing needs. As at 31 December 2020, Enersense had only short-terms bank loans maturing in 2021. On 4 May 2021, Enersense completed negotiations on a new financing arrangement comprising two senior loans together with several bank guarantee and factoring limits. The senior loans and bank guarantees agreed as a part of the new financing arrangement will be available to Enersense, when the practical measures required for drawing have been carried out. The nominal amount of each senior loan is EUR 6 million, and they will mature in 2026. Going forward, Enersense will have factoring facilities with a total limit of EUR 41.5 million, including new facilities with the limit of EUR 27 million. For more information on the new financing arrangements, see note 30. Events after the balance sheet date.

Liquidity risk arises in a situation where Enersense would not have sufficient liquid assets available to meet its obligations. Enersense maintains adequate liquidity with short-term and long-term cash forecasts and by arranging additional financing when necessary. Enersense continuously strives to forecast and monitor the financing needs of its operations to ensure that Enersense has sufficient liquid assets to finance its operations and meet its obligations.

Sources of financing

Cash and cash equivalents in Enersense's balance sheet amounted to EUR 17.7 million as at 31 December 2020 (31 December 2019: EUR 1.3 million, 1 January 2019: EUR 2.6 million). Trade receivables amounted to EUR 24.2 million as at 31 December 2020 (31 December 2019: EUR 9.6 million, 1 January 2019: EUR 7.6 million). The committed credit facilities available to Enersense amounted to EUR 1.7 million as at 31 December 2020 (31 December 2019: EUR 2.1 million, 1 January 2019: EUR 1.4 million). EUR 11.0 million was utilised as at the balance sheet date, which will mature during 2021.

Enersense has utilised the VAT payment period extension granted by the Finnish Tax Administration with a lower interest rate due to the COVID-19 situation. Enersense had such VAT payment arrangements with the Tax Administration amounting to EUR 2.5 million as at 31 December 2020 (31 December 2019 and 1 January 2019: no such payment arrangements), of which EUR 0.5 million was presented as non-current liabilities. The arrangement carries an interest of 2.5% per annum. The arrangements are presented in the maturity table below, as the Group considers them as part of the financing of its operations. The instalment debts presented in the table relate to acquired vehicles.

The Group had accrued value added tax liabilities amounted to EUR 13 million as at 31 December 2020. Of this, EUR 8.1 million was accrued value added tax liabilities to the Group's subsidiaries from the centralised business acquisitions with the maturity date 31 December 2020. The Group's subsidiaries have agreed a payment scheme with the tax administration, based on which the Group's subsidiaries will pay the value added tax liability in twelve equal instalments. In addition, one of the subsidiaries has agreed a payment scheme for EUR 1.2 million value added tax liability that will be paid in twelve equal instalments. These liabilities have been presented in the below maturity table.

Maturities of financial liabilities

EUR 1,000	2021	2022	2023	2024	2025	2026	Total contractual cash flows	Carrying amount
31 Dec 2020								
Borrowings excluding instalment debts	12,877	83	-	-	-	-	12,960	12,561
Instalment debts	1,769	1,634	1,897	241	9	-	5,551	5,380
Payment arrangements with the Tax Administration	1,974	531	-	-	-	-	2,505	2,443
Lease liabilities	3,680	2,924	2,274	288	156	149	9,471	8,990
Trade and other payables[1]	32,078	6	-	-	-	-	32,078	32,078
Total	**52,378**	**5,178**	**4,171**	**529**	**165**	**149**	**62,565**	**61,452**

[1] Excluding liabilities not classified as financial liabilities (except VAT liabilities), such as liabilities related to employee benefits or accruals. Their amount is presented in note 23. Trade and other payables.

EUR 1,000	2020	2021	2022	2023	2024	2025	Total contractual cash flows	Carrying amount
31 Dec 2019								
Borrowings excluding instalment debts	3,695	83	-	-	-	-	3,778	3,778
Lease liabilities	806	610	432	281	-	-	2,129	2,065
Trade and other payables[1)]	5,587	-	-	-	-	-	5,587	5,587
Total	**10,088**	**693**	**432**	**281**	**-**	**-**	**11,494**	**11,430**

[1)] Excluding liabilities not classified as financial liabilities (except VAT liabilities), such as VAT liabilities, liabilities related to employee benefits or accruals. Their amount is presented in note 23. Trade and other payables.

EUR 1,000	2019	2020	2021	2022	2023	2024	Total contractual cash flows	Carrying amount
1 Jan 2019								
Borrowings excluding instalment debts	2,140	83	-	-	-	-	2,223	2,223
Lease liabilities	595	480	375	261	187	-	1,898	1,829
Trade and other payables[1)]	4,271	-	-	-	-	-	4,271	4,271
Total	**7,006**	**563**	**375**	**261**	**187**	**-**	**8,392**	**8,324**

[1)] Excluding liabilities not classified as financial liabilities (except VAT liabilities), such as VAT liabilities, liabilities related to employee benefits or accruals. Their amount is presented in note 23. Trade and other payables.

The figures presented in the table above are undiscounted and they include interest and other contractual payments to the creditors.

Market risks

Foreign exchange risk

Enersense is exposed to foreign exchange rate risks, with Swedish krona being the most significant foreign currency due its Swedish branches which has trade receivables and payables denominated in foreign currencies. Enersense does not have loans nominated in foreign currencies. Enersense does not actively hedge its foreign exchange risks, as its operating income and expenses are mainly in the same currency, which results in a natural hedge. The transaction risk is not material.

The Company is exposed to translation risk, when the equity, goodwill or fair value adjustments are denominated in a currency differing from the functional currency of the parent company. The Company's exposure to the translation risk is not significant. The Company has not hedged its translation risk.

Interest rate risk

Enersense is exposed to interest rate risk due to financing arrangements with floating interest rates and the availability of the financing. Changes in the macroeconomic environment or the general conditions of the financial markets may have a negative effect on the availability, pricing and other terms and conditions of the financing. Increase in the interest rate level could have a direct effect on the price or the available financing and the expenses of the Company's existing financing agreements. Enersense has not hedged its interest rate risk, as the risk is not considered to be significant at the prevailing interest rate level.

Enersense's loans from financial institutions with floating interest rate amounted to EUR 12.6 million as at 31 December 2020 (31 December 2019: EUR 2.3 million, 1 January 2019: EUR 2.2 million). The amount of financing with fixed interest rate has been very small. The interest rate sensitivity of the profit for the financial year 2020 after tax would have been EUR 63 thousand (2019: EUR 32 thousand) assuming that the interest rate level would have risen by 50 basis points with other factors remaining unchanged. Enersense has not presented the impact of a decrease in the interest rates, as the Euribor is negative.

Financial assets and liabilities by category

	Note	31 Dec 2020 At amortised cost	31 Dec 2020 At fair value through profit and loss	31 Dec 2019 At amortised cost	31 Dec 2019 At fair value through profit and loss	1 Jan 2019 At amortised cost	1 Jan 2019 At fair value through profit and loss
Financial assets							
Non-current assets							
Loan receivables	14	150	-	443	-	113	-
Pledged account	16	600	-	-	-	-	-
Trade receivables	16	62	-	-	-	-	-
Total non-current assets		**812**	**-**	**443**	**-**	**113**	**-**
Current assets							
Trade receivables	16	19,631	-	7,310	-	6,161	-
Factored trade receivables – pledged as security for financial liabilities	16	2,230	-	417	-	573	-
Factored trade receivables – to be derecognised	16		2,322		2,128		845
Other financial assets	16	1,539	-	278	-	240	-
Cash and cash equivalents	17	17,694	-	1,276	-	2,608	-
Total current assets		**41,094**	**2,322**	**9,281**	**2,128**	**9,582**	**845**
Total assets		**41,906**	**2,322**	**9,724**	**2,128**	**9,695**	**845**
Financial liabilities							
Non-current liabilities							
Borrowings	21	9,233	-	1,134	-	1,176	-
Trade payables	23	6	-	-	-	-	-
Total non-current liabilities		**9,239**	**-**	**1,134**	**-**	**1,176**	**-**
Current liabilities							
Borrowings	21	17,697	-	4,709	-	2,877	-
Trade payables	23	18,964	-	4,850	-	3,630	-
Total current liabilities		**36,661**	**-**	**9,559**	**-**	**6,507**	**-**
Total liabilities		**45,900**	**-**	**10,693**	**-**	**7,683**	**-**

Reconciliation of financial liabilities

	Loans	Lease liabilities	Total
Liabilities as at 1 Jan 2019	**2,223**	**1,829**	**4,052**
Cash flows from financing			
Proceeds from borrowings	3,205	-	3,205
Prepayment of borrowings	-1,650	737	-2,387
Acquisitions – lease agreements	-	973	973
Liabilities as at 31 Dec 2019	**3,778**	**2,065**	**5,843**
Business combinations	16,911	7,676	24,587
Cash flows from financing			
Proceeds from borrowings	1,539	-	1,539
Prepayment of borrowings	-4,288	-2,112	-6,400
Acquisitions – lease agreements	-	1,361	1,361
Liabilities as at 31 Dec 2020	**17,940**	**8,990**	**26,930**

Capital management

Enersense's capital management aims to achieve high return on the capital invested by its shareholders and support the Company's business with optimal capital structure. Enersense's management and the Board of Directors monitor on a monthly basis the Group's solvency and net gearing determined in accordance with the FAS. Enersense manages capital structure by using equity and external financing and managing capital expenditures and working capital tied to the operations.

Enersense's loans contain covenants related to the Company's liquidity, solvency and profitability. The covenants are measured based on the FAS, and they are reported to the financiers twice a year. The covenants are calculated consistently with the key figures monitored by the management.

Enersense did not comply with the covenant related to solvency as at 1 January 2019, 31 December 2019 and 31 December 2020. Further, the acquisition of Empower Group breached a then contract clause which prohibited business combinations. Enersense's bank loans have been presented as current liabilities, as the Group's main financier is entitled to demand the repayment of the bank loans due to the breaches of the covenant. The main financier has waived its right to demand the repayment after the balance sheet date. Enersense's creditor had waived its rights related to the covenant breaches also in 2020. As a result of the negotiations, the parties agreed on an increase in interest margin and an additional payment of EUR 400 thousand.

Covenants

	Covenant limit	31 Dec 2020	31 Dec 2019	1 Jan 2019
Covenants included in the financing agreements				
Equity ratio	>35%	14,52%	33%	46,25%
Interest-bearing debt[1] / EBITDA	<2,5	2,47	neg.	neg.

[1] Interest-bearing debt does not include factoring liabilities.

The Group's subsidiary has a separate financing agreement, which includes a covenant related to the subsidiary's sufficient liquidity. The subsidiary complied with the covenant related to liquidity as at 31 December 2020, 31 December 2019 and 1 January 2019.

21. Borrowings

EUR 1,000	31 Dec 2020 Carrying amount	31 Dec 2019 Carrying amount	1 Jan 2019 Carrying amount
Non-current borrowings			
Instalment debt	3,717	83	83
Lease liabilities	5,517	1,051	1,092
Total non-current borrowings	**9,233**	**1,134**	**1,176**
Current borrowings			
Bank loans	11,000	3,403	1,739
Instalment debt	1,663	-	-
Lease liabilities	3,473	1,014	737
Factoring liabilities	1,561	292	401
Total current borrowings	**17,697**	**4,709**	**2,877**
Total	**26,930**	**5,843**	**4,052**

Fair value of short-term bank loans equals their carrying amount, as they are payable on demand. Enersense has estimated that the fair value of also other financial liabilities substantially equals their carrying amount, as the borrowings are on market terms and the impact of discounting is insignificant. The loan's interest rate vary between 2.25% and 3.5%. The bank loans are classified as level 3 in the fair value hierarchy due to the use of unobservable inputs.

The hierarchy levels are as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period and included in level 1.

Level 2: If all significant inputs required to the fair value an instrument are observable, but the value is not based on market prices quoted on active markets, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Accounting policy

Enersense's borrowings are classified as financial liabilities measured at amortised cost. Borrowings are initially measured at fair value, net of transaction costs incurred. Subsequently, borrowings are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of borrowings using the effective interest method. Fees paid on the establishment of loan facility are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party, and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the income statement as finance income or expense.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Key estimates and judgements

Financial liability recognised for the obligation to acquire shares of Empower Fidelitas UAB
In accordance with the shareholders' agreement of Empower Fidelitas UAB, the shareholder that previously owned 100% of the share capital is required and entitled to sell the shares he holds to Empower if he leaves the company. Enersense's shareholding in the company is 75%. The valuation of the financial liability is based on the average EBIT multiplied by six.

The change in the value of the purchase obligation under the shareholders' agreement of Empower Fidelitas UAB, EUR 40 thousand, is recognised in other operating income for the financial period ended 31 December 2020. Current liability recognised for the obligation amounted to EUR 327 thousand in the balance sheet as at 31 December 2020.

22. Provisions

EUR 1,000	Warranty provisions	Loss provisions	Other provisions	Total
2020				
1 Jan	-	-	-	-
Business combinations	1,534	1,039	424	2,997
Additions	237	1,056	-	1,293
Used during the year	-341	-950	-51	-1,342
Reversals of unused provisions	-901	-	-	-901
Exchange rate differences	1	24	1	27
31 Dec	**530**	**1,170**	**374**	**2,073**
Current	370	1,170	52	1,592
Non-current	159	-	322	481
Total	**530**	**1,170**	**374**	**2,073**

Enersense did not have any provisions as at 31 December 2019 and 1 January 2019.

Warranty provisions mainly include provisions related to projects. The majority of the provisions are estimated to realise during the next year.

Other provisions include, among others, expenses related to disputes and legal proceedings. The Group prepares to such expenses, when their amount can be reliably estimated and their realisation is probable. Enersense has recognised a provision of EUR 322 thousand related to an ongoing legal dispute related to an alleged breach of competition legislation. The provisions comprise legal expenses. For more information on the legal disputes, see note 27. Contingent liabilities and assets and commitments.

Accounting policy

A provision is recognised in the balance sheet, when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Provisions are presented as current liabilities if amounts are expected to be settled within 12 months from the end of the reporting period. Otherwise provisions are presented as non-current liabilities. Provisions are measured at the present value of management's best estimate of the expenditure expected to be required to settle the present obligation at the end of the reporting period.

Warranty provisions
The Group offers warranties for its products in the customer contracts. The warranty period is usually 24 months. The amount of warranty provisions is estimated on the basis of historical warranty costs. The amount of warranty provision is estimated on a project by project basis at each reporting date.

Loss provisions

The Group recognises a provision of onerous contracts, when the estimated total expenses, including material and labour expenses and external services, exceed the total proceeds of the contract. A probable loss is recognised as an expense immediately when it has been identified. The amount of the provisions will be the lower of the cost to fulfilling the contract or the costs to exit or breach it. The amount of loss provision is assessed on a contract by contract basis at each reporting date.

Key estimates and judgements

Estimation of the amount and timing of the provision

Estimate of the financial impact of a past event requires judgement from the Group management based on prior similar events and, in certain cases, statements of external experts. The amounts provisions are reviewed regularly and adjusted as necessary to reflect the best estimate at the review date. Actual expenses may differ from the estimates.

23. Trade and other payables

EUR 1,000	31 Dec 2020	31 Dec 2019	1 Jan 2019
Non-current liabilities			
Trade payables	6	-	-
Other liabilities	7	-	-
Total	**12**	**-**	**-**
Current liabilities			
Trade payables	16,530	4,177	2,882
Advances received	3,607	-	-
VAT liability	13,012[1)]	737	641
Other liabilities	2,434	672	748
Accruals	30,534	4,391	3,729
Total	**66,118**	**9,978**	**8,000**
Material items under accruals			
Accrued personnel expenses	21,556	4,138	3,363
Accrued subcontractor and other expenses	8,613	245	263
Accrued interest expenses	164	-	-
Other accruals	201	8	103
Total	**30,534**	**4,391**	**3,729**

[1)] Includes the VAT of centralised purchases for the operations, and due to this, the financial year cumulative VAT liability falls due at the same time. The overdue VAT is paid in even instalments over the next year. Does not include the VAT repayment liability linked to the COVID-19 presented in in the balance sheet line Payment arrangement with the Tax Administration.

Other current liabilities include the financial liability of EUR 0.3 million related to the share purchase obligation of the non-controlling interests of Empower Fidelitas UAB.

Accounting policy

Trade and other payables are classified as financial liabilities recognised at amortised cost. They are initially measured at fair value and subsequently at amortised cost using the effective interest method. The carrying amount of trade and other payables is considered to equal their fair value due to their short maturity. The liabilities are unsecured, and they are usually paid within 30 days after their initial recognition. The carrying amount of trade payables and other financial liabilities included in these balance sheet line items is presented in note 20. Financial risks and capital management.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Advances received are contract liabilities until the Group fulfils the performance obligation promised to the customer.

24. Group structure

The table below sets forth the Group's subsidiaries:

Tytäryritys	**Country of incorporation**	**Group ownership as at 31 Dec 2020 (%)**	**Group ownership as at 31 Dec 2019 (%)**	**Group ownership as at 1 Jan 2019 (%)**
Enersense AS	Norway	100%	100%	100%
Enersense Engineering Oy	Finland	100%	100%	100%
Enersense GmbH	Germany	100%	100%	100%
Enersense Henkilöstöpalvelut Oy1)	Finland	-	100%	100%
Enersense HSE Oy	Finland	90%	90%	90%
Enersense Hungary Kft.	Hungary	80%	80%	80%
Enersense Irmak Insaat Proje Yönetimi Sanayi ve Ticaret A.Ş.	Turkey	50.1%	50.1%	50.1%
Enersense Ltd2)	UK	100%	100%	-
Enersense Oy	Finland	100%	100%	100%
Enersense Painting Oy	Finland	100%	81%	81%
Enersense SAS	France	100%	100%	100%
Enersense Solutions Oy	Finland	100%	100%	100%
Enersense Technologies Oy	Finland	100%	100%	100%
Enersense Works Oy	Finland	100%	100%	100%
Liability Act Information Office Finland Oy	Finland	100%	100%	100%
Nordic Business Partners Oy	Finland	100%	100%	100%
Process Communication Finland Oy	Finland	100%	100%	75%
Värväämö Oy	Finland	100%	100%	100%
Empower IN Oy	Finland	100%	-	-
Empower AS	Estonia	100%	-	-
Empower Fidelitas UAB	Lithuania	75%	-	-
Empower Invest Oy	Finland	100%	-	-
Empower Oyj	Finland	100%	-	-
Empower PN Oy	Finland	100%	-	-
Empower SIA	Latvia	49%	-	-
Empower TN Oy	Finland	100%	-	-

[1)] Enersense Henkilöstöpalvelut Oy was merged to Värväämö Oy on 30 April 2020.
[2)] Enersense Ltd was incorporated on 16 August 2019.

In addition, the Group has branches in Sweden, Germany and Latvia (31 December 2019 and 1 January 2019: in Sweden and Germany).

Accounting policy

Subsidiaries
Subsidiaries are companies over which the Group has control. The Group controls a company where the Group is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power to direct the activities of the company. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Transactions between the Group companies, including internal receivables and liabilities, income and expenses and unrealised profits are eliminated. Unrealised losses are eliminated unless the transaction provides evidence of an impairment the transferred asset.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement on changes in equity and the balance sheet.

Key estimates and judgements

Classification of Group companies
The Group's management utilises judgement when assessing if Enersense has control, joint control or significant influence in companies, in which its shareholding is under 100%.

Empower SIA is a Latvian company specialised on design, construction and maintenance of power transmission lines, substations and wind farms, and Enersense has a shareholding of 49% in it. Despite Enersense's shareholding, Empower SIA is accounted for as a subsidiary under the IFRS, as Enersense has a purchase option, which can be exercised at any time, resulting in control in the company. The are no financial limitations for exercising the purchase option.

Empower 4Wind OÜ's treatment in accounting is described in section 14. Investments accounted for using the equity method.

25. Non-controlling interests and transactions with non-controlling interests

Non-controlling interests

EUR 1,000	2020	2019
As at 1 Jan	-314	-205
Business combinations	1,369	-
Acquisitions	373	-
Share of the profit (loss) for the period	340	-109
As at 31 Dec	**1,768**	**-314**

On 30 December 2020, Enersense Group acquired 19% of Enersense Painting Oy's shares. After the acquisition, Enersense Group's ownership in Enersense Painting Oy is 100%.

On 30 April 2019, Enersense Group acquired 25% of Process Communication Finland Oy's shares. After the acquisition, Enersense Group's ownership in Process Communication Finland Oy is 100%.

The table below sets forth a summary of the impacts of the acquisitions on the equity attributed to the owners of Enersense International Oyj.

Transactions with non-controlling interests

EUR 1,000	2020	2019
Carrying amount of non-controlling interests acquired	-428	0
Consideration paid to non-controlling interests	0	0
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**-428**	**0**

Accounting policy

Transactions with non-controlling interests that do not result in a loss of control are treated as transactions with the equity owners of the Group. The difference between the consideration paid for shares acquired from non-controlling interests and the acquired share of the net assets of the subsidiary is recognised in equity. Correspondingly, gain or loss from a share sold to non-controlling interests is recognised directly in equity.

26. Related party transactions

Enersense's related parties include the associates, joint venture, members of the Board of Directors, the CEO, members of the management team and shareholders, who have significant influence on the Company. The related parties also include the family members of these individuals and entities, in which these individuals have either control or joint control.

CEO and management team remuneration

EUR 1,000	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Management team (excluding the CEO)	-1,052	-752
The CEO	-300	-163
Total	**-1,352**	**-915**

Board of directors remuneration

EUR 1,000	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Ahonen Sampo	-3	-12
Helander Sari	-8	-
Jokinen Päivi	-8	-
Kankaala Markku	-18	-
Kauppi Terhi	-	-4
Michelin Aaron	-6	-24
Plit Herkko	-14	-
Rötsä Kalervo	-17	-8
Schery Asko	-3	-8
Starck Ilkka	-3	-12
Suokas Petri	-14	-
Total	**-92**	**-68**

Transactions with the key management

EUR 1,000	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Sales of goods and services	-	0
Purchases of goods and services[1]	-365	-346
Total	**-365**	**-347**

[1] Includes purchases of key management services purchased from management service entities of EUR 156 thousand (2019: EUR 43 thousand).

Balances with the key management

EUR 1,000	31 Dec 2020	31 Dec 2019	1 Jan 2019
Trade and other payables	-14	-88	-

Until 17 March 2020, Enersense International Oyj was a part of Corporatum Group, the parent company of which is Corporatum Oy. The Company and the parent company Corporatum Oy entered into a service agreement, which terminated on 30 December 2020, and under the agreement, Corporatum Oy provided the Company services related to customer acquisition, M&As, financing and the development of the Group, among other things. The value of the related party transactions based on the agreement amounted to EUR 199 thousand in 2020 (2019: EUR 303 thousand).

Open balances and transactions with the associates and the joint venture are presented in note 14. Investments accounted for using the equity method.

27. Contingent liabilities and assets and commitments

Commitments

EUR 1,000	31.12.2020	31.12.2019	1.1.2019
Collaterals given			
Business mortgages	606,000	10,000	7,400
Real estate mortgages	3,600	-	-
Contract and delivery guarantees	12,651	-	500
Bank guarantees	2,038	-	-
Other guarantees	95	-	-
Pledges given			
On own behalf	100,079	250	1,446

Enersense has pledged the shares of its subsidiaries as securities for its loans. Project, delivery and bank guarantees mainly comprise guarantees granted by Enersense as securities for the projects.

Legal disputes

The Group companies are involved with ongoing disputes, and some of them are pending in general or administrative courts. The disputes are usually related to claims against Enersense for alleged erroneous performance, delays or damages caused to the customers particularly in the project business, or correspondingly Enersense's claims to its suppliers or due to the termination of delivery agreements. Enersense has not recognised a provision to the extent that Enersense considers it unlikely that the dispute or legal proceeding will result in a loss of financial resources.

In 2013, the Finnish Competition and Consumer Authority (FCCA) conducted an audit of Enersense International Oyj subsidiary Empower IN Oy (formerly Empower Oy) concerning Empower IN Oy's possible involvement, through its power line construction and design business, in activities that violated the Competition Act in Finland in the previous decade. The audit was requested by Empower IN Oy due to allegations brought to its attention, and as a result, the companies belonging to the Enersense Group, including Empower IN Oy, are released from any potential penalty charges. In its decision issued on 30 March 2016 (not legally valid), the Market Court rejected the proposal for penalty charges submitted by the FCCA as statute barred. The authority has appealed the case to the Supreme Administrative Court, which requested a preliminary ruling from the Court of Justice of the European Union (CJEU) on certain questions regarding the determination of the statute of limitations and the duration of the period of violation. On 14 January 2021, the CJEU issued a ruling whereby the anti-competitive effects of the alleged cartel will cease no later than on the date when the material characteristics of the procurement agreement and the total price paid for the contract have been finally determined, leaving the specification of the dates for the Supreme Administrative Court. In the view of Enersense, the preliminary ruling of CJEU supports the decision of the Market Court that the penalty charge claim is barred. Should the Supreme Administrative Court issue a legally valid ruling whereby Empower IN Oy is guilty of activities in violation of the Competition Act, this could result in damage claims against the company. In the view of Enersense, no evidence on the alleged cartel has been presented, and the Company has not breached the competition laws. Enersense considers it unlikely that this dispute will result in a loss of financial resources. The timing of the decision of the Supreme Administrative Court is not known at present.

Accounting policy

Contingent liabilities are possible obligations resulting from past events whose existence will only be confirmed by uncertain future events that are beyond the Group's control. Existing obligations that the settlement is not probable or the amount cannot be measured reliably, are also considered contingent liabilities. Contingent liabilities are presented in the notes to the financial statements.

28. First-time adoption of IFRS

The tables below set forth the impacts of the adoption of the IFRS on the consolidated income statement prepared in accordance with the FAS for the financial years ended 31 December 2019 and 31 December 2020, as well as the consolidated balance sheet as at 1 January 2019, 31 December 2019 and 31 December 2020.

Consolidated statement of comprehensive income 1 Jan–31 Dec 2019

EUR 1,000	FAS	Reclassifications [2.i), 2.k), 2.l)]	Business combinations and goodwill [4.,9.]	Leases [6.,9.]	Financing [7.a),7.b),9.]	Other adjustments [8.a),9.]	Total impact of change 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	502	-241	-	-	-	-	-241	261
Materials and services	-16,226	-	-	-	-	-	-	-16,226
Employee benefit expenses	-38,840	241	-	-	-	-	241	-38,599
Depreciation, amortisation and impairment	-1,144	-	882	-741	-	-13	128	-1,017
Other operating expenses	-4,277	-	-23	777	50	-	804	-3 473
Share of the profit or loss of investments accounted for using the equity method	31	-	-	-	-	-	-	31
Operating profit (loss)	**-1,897**	**-**	**859**	**36**	**50**	**-13**	**932**	**-965**
Finance income	17	-	-	-	-	-	-	17
Finance expense	-384	-	-	-40	-	-	-40	-424
Finance expenses, net	-367	-	-	-40	-	-	-40	-407
Profit (loss) before income taxes	**-2,264**	**-**	**859**	**-5**	**50**	**-13**	**892**	**-1,372**
Income tax expense	22	-	-14	1	-10	3	-21	1
Minority interest	109	-109	-	-	-	-	-109	-
Profit (loss) for the period	**-2,133**	**-109**	**845**	**-3**	**40**	**-11**	**762**	**-1,371**
Other comprehensive income								
Items that may be reclassified to profit or loss								
Translation differences		4	-	-	-	-	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**	**4**
Total comprehensive income for the period		**-105**	**845**	**-3**	**40**	**-11**	**766**	**-1,367**
Profit (loss) for the period attributable to:								
Owners of the parent company		-	845	-3	40	-11	871	-1,262
Non-controlling interests		-109	-	-	-	-	-109	-109
Profit (loss) for the period		**-109**	**845**	**-3**	**40**	**-11**	**762**	**-1,371**
Total comprehensive income for the period attributable to:								
Owners of the parent company		4	845	-3	40	-11	875	-1,258
Non-controlling interests		-109	-	-	-	-	-109	-109
Total comprehensive income for the period		**-105**	**845**	**-3**	**40**	**-11**	**766**	**-1,367**

Consolidated statement of comprehensive income 1 Jan–31 Dec 2020

EUR 1,000	FAS	FAS adjust-ments 1.b), 1.d), 1.e)	Reclassi-fications 2.i), 2.j), 2.k), 2.l)	Changes in the structure of consolidated financial statements 3.	Business combina-tions and goodwill 4.,9.	Leases 6.,9.	Financing 7.a), 7.c),9..	Other adjust-ments 8.a), 8.c), 8d),9.	Total impact of change to IFRS	IFRS
Revenue	**144,454**	**-**	**-**	**3,005**	**-**	**-**	**-**	**-**	**3,005**	**147,460**
Changes in inventories of finished goods and work in progress	348	-	-	-	-46	-	-	-	-46	302
Production for own use	549	-	-	-	-88	-	-	-	-88	461
Other operating income	1,904	-446	-125	401	-	-	40	30	-100	1 804
Materials and services	-59,298	-	171	-200	-	-	-	-	-29	-59,327
Employee benefit expenses	-67,761	-	125	-2,341	-	-	-	4	-2,212	-69,973
Depreciation, amortisation and impairment	-5,621	-	-	-366	3,150	-2,082	-	-76	626	-4 995
Other operating expenses	-13,356	494	-	115	-462	2,191	-1	-	2,338	-11,019
Share of the profit or loss of investments accounted for using the equity method	349	-	-	-282	-	-	-	-	-282	67
Operating profit (loss)	**1,569**	**49**	**171**	**331**	**2,553**	**109**	**39**	**-42**	**3,212**	**4,780**
Finance income	321	-	-192	-78	-	-	-	-	-270	50
Finance expenses	-1,943	-	21	102	-	-151	-	-1	-29	-1,972
Finance expenses, net	-1,622	-	-171	24	-	-151	-	-1	-299	-1,921
Profit (loss) before income taxes	**-53**	**49**	**-**	**355**	**2,553**	**-42**	**39**	**-43**	**2,912**	**2,859**
Income tax expense	-8	-358	-	-85	-41	4	0	9	-472	-480
Non-controlling interests	-49	-	340	-291	-	-	-	-	49	-
Profit (loss) for the period	**-110**	**-309**	**340**	**-21**	**2,512**	**-38**	**39**	**-34**	**2,489**	**2,379**
Other comprehensive income										
Items that may be reclassified to profit or loss										
Translation differences		-	-367	-	-	-	-	-	-367	-367
Items that will not be reclassified to profit or loss										
Remeasurements of post-employment benefit obligations		-	-	-	-	-	-	-42	-42	-42
Other comprehensive income for the period, net of tax		**-**	**-367**	**-**	**-**	**-**	**-**	**-42**	**-409**	**-409**
Total comprehensive income for the period		**-309**	**-27**	**-21**	**2,512**	**-38**	**39**	**-76**	**2,080**	**1,970**

EUR 1,000	FAS	FAS adjust-ments 1.b), 1.d), 1.e)	Reclassi-fications 2.i), 2.j), 2.k), 2.l)	Changes in the structure of consolidated financial statements 3.	Business combina-tions and goodwill 4.,9.	Leases 6.,9.	Financing 7.a), 7.c),9..	Other adjust-ments 8.a), 8.c), 8d),9.	Total impact of change to IFRS	IFRS
Profit (loss) for the period attributable to:										
Owners of the parent company		-309	-	-21	2,512	-38	39	-34	2,149	2,039
Non-controlling interests		-	340	-	-	-	-	-	340	340
Profit (loss) for the period		**-309**	**340**	**-21**	**2,512**	**-38**	**39**	**-34**	**2,489**	**2,379**
Total comprehensive income for the period attributable to:										
Owners of the parent company		-309	-367	-21	2,512	-38	39	-76	1 740	1,630
Non-controlling interests		-	340	-	-	-	-	-	340	340
Total comprehensive income for the period		**-309**	**-27**	**-21**	**2,512**	**-38**	**39**	**-76**	**2,080**	**1,970**

Consolidated balance sheet as at 1 Jan 2019

EUR 1,000	FAS[1)]	Reclassi-fications 2.c), 2.e), 2.f)	Business combina-tions and goodwill[4]	Leases[6.,9.]	Financing 7.a),7.b),9.	Other adjust-ments 8.a), 8.e), 9..	Total impact of change to IFRS	IFRS
ASSETS								
Non-current assets								
Goodwill	4,244	-	-	-	-	-	-	4,244
Other intangible assets	179	-	-	-	-	-	-	179
Property, plant and equipment	537	-	-	1,829	-	20	1,850	2,387
Investments accounted for using the equity method	770	-	-	-	-	-	-	770
Loan receivables	177	-	-	-	-64	-	-64	113
Trade and other receivables	11	-4	-	-	-6	-	-10	2
Deferred tax assets	536	-	-	-	107	-4	103	639
Total non-current assets	**6,454**	**-4**	**-**	**1,829**	**38**	**16**	**1,880**	**8,334**
Current assets								
Inventories	365	-	-	-	-	-	-	365
Trade receivables	8,046	-	-	-	-467	-	-467	7,579
Current income tax receivables	-	158	-	-	-	-	158	158
Other receivables	1,579	-154	-	-	-	-	-154	1,425
Cash and cash equivalents	2,608	-	-	-	-	-	-	2,608
Total current assets	**12,599**	**4**	**-**	**-**	**-467**	**-**	**-463**	**12,135**
TOTAL ASSETS	**19,053**	**-0**	**-**	**1,829**	**-429**	**16**	**1,416**	**20,469**
EQUITY AND LIABILITIES								
Equity								
Share capital	80	-	-	-	-	-	-	80
Reserve for invested unrestricted equity	8,290	-	-	-	-	-	-	8,290
Other reserves	313	-	-	-	-	-	-	313
Translation differences	-4	-	-	-	-	4	4	0
Retained earnings	2,276	-	17	-	-429	12	-401	1,876
Profit (loss) for the period	-1,937	-	-	-	-	-	-	-1,937
Total equity attributable to owners of the parent	**9,018**	**-**	**17**	**-**	**-429**	**16**	**-396**	**8,622**
Non-controlling interests	-205	-	-	-	-	-	-	-205
Total equity	**8,813**	**-**	**17**	**-**	**-429**	**16**	**-396**	**8,417**

EUR 1,000	FAS[1)]	Reclassi-fications 2.c), 2.e), 2.f)	Business combina-tions and goodwill 4	Leases 6.,9.	Financing 7.a),7.b),9.	Other adjust-ments 8.a), 8.e), 9..	Total impact of change to IFRS	IFRS
Statutory provisions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Badwill	**17**	**-**	**-17**	**-**	**-**	**-**	**-17**	**-**
Liabilities								
Non-current liabilities								
Borrowings	1,454	-1,371	-	-	-	-	-1,371	83
Lease liabilities	-	-	-	1,092	-	-	1,092	1,092
Other liabilities	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-	-
Total non-current liabilities	**1,454**	**-1,371**	**-**	**1,092**	**-**	**-**	**-278**	**1,176**
Current liabilities								
Borrowings	769	1,371	-	-	-	-	1,371	2,140
Lease liabilities	-	-	-	737	-	-	737	737
Advances received	-	-	-	-	-	-	-	-
Trade payables	2,882	-	-	-	-	-	-	2,882
Current income tax liabilities	-	-	-	-	-	-	-	-
Other liabilities	5,118	-	-	-	-	-	-	5,118
Provisions	-	-	-	-	-	-	-	-
Total current liabilities	**8,769**	**1,371**	**-**	**737**	**-**	**-**	**2,108**	**10,877**
Total liabilities	**10,223**	**-**	**-**	**1,829**	**-**	**-**	**1,829**	**12,052**
TOTAL EQUITY AND LIABILITIES	**19,053**	**-**	**-**	**1,829**	**-429**	**16**	**1,416**	**20,469**

[1)]FAS balance sheet as at 31 Dec 2018

Consolidated balance sheet as at 31 December 2019

EUR 1,000	FAS	FAS adjust-ments 1.a)	Reclassi-fications 2.b), 2c), 2.e), 2.f)	Business combina-tions and goodwill 4.	Leases 6.,9.	Financing 7.a),7.b),9.	Other adjust-ments 8.a), 9.	Total impact of change to IFRS	IFRS
ASSETS									
Non-current assets									
Goodwill	3,382	-	-	862	-	-	-	862	4,244
Other intangible assets	211	-	17	-	-	-	-	17	229
Property, plant and equipment	557	-	-	-	2,061	-	7	2,068	2,625
Investments accounted for using the equity method	1,235	-330	-	-	-	-	-	-330	905
Loan receivables	203	330	-	-	-	-90	-	240	443
Trade and other receivables	242	-	-4	-	-	-237	-	-240	2
Deferred tax assets	603	-	-	-	1	97	-16	83	685
Total non-current assets	**6,433**	**-**	**14**	**862**	**2,062**	**-230**	**-9**	**2,699**	**9,133**
Current assets									
Inventories	373	-	-	-	-	-	-	-	373
Trade receivables	10,014	-	-	-	-	-159	-	-159	9,855
Current income tax receivables	-	-	100	-	-	-	-	100	100
Other receivables	2,271	-	-114	-	-	-	-	-114	2,157
Cash and cash equivalents	1,276	-	-	-	-	-	-	-	1,276
Total current assets	**13,935**	**-**	**-14**	**-**	**-**	**-159**	**-**	**-173**	**13,762**
TOTAL ASSETS	**20,368**	**-**	**-**	**862**	**2,062**	**-389**	**-9**	**2,526**	**22,894**

EUR 1,000	FAS	FAS adjust-ments[1.a)]	Reclassi-fications[2.b), 2c), 2.e), 2.f)]	Business combina-tions and goodwill[4.]	Leases[6.,9.]	Financing[7.a),7.b),9.]	Other adjust-ments[8.a), 9.]	Total impact of change to IFRS	IFRS
EQUITY AND LIABILITIES									
Equity									
Share capital	80	-	-	-	-	-	-	-	80
Reserve for invested unrestricted equity	8,290	-	-	-	-	-	-	-	8,290
Other reserves	313	-	-	-	-	-	-	-	313
Translation differences	4	-	-	-	-	-	-	-	4
Retained earnings	335	-	-	17	-	-429	16	-396	-61
Profit (loss) for the period	-2,133	-	-	845	-3	40	-11	871	-1,262
Total equity attributable to owners of the parent	**6,888**	**-**	**-**	**862**	**-3**	**-389**	**6**	**475**	**7,363**
Non-controlling interests	-314	-	-	-	-	-	-	-	-314
Total equity	**6,575**	**-**	**-**	**862**	**-3**	**-389**	**6**	**475**	**7,050**
Statutory provisions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Badwill	**14**	**-**	**-**	**-14**	**-**	**-**	**-**	**-14**	**-**
Liabilities									
Non-current liabilities									
Borrowings	1,104	-	-1,021	-	-	-	-	-1,021	83
Lease liabilities	-	-	-	-	1,051	-	-	1,051	1,051
Other liabilities	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	14	-	-	-14	-	-
Provisions	-	-	-	-	-	-	-	-	-
Total non-current liabilities	**1,104**	**-**	**-1,021**	**14**	**1,051**	**-**	**-14**	**30**	**1,134**
Current liabilities									
Borrowings	2,674	-	1,021	-	-	-	-	1,021	3,695
Lease liabilities	-	-	-	-	1,014	-	-	1,014	1,014
Advances received	-	-	-	-	-	-	-	-	-
Trade payables	4,177	-	-	-	-	-	-	-	4,177
Current income tax liabilities	9	-	15	-	-	-	-	15	23
Other liabilities	5,815	-	-15	-	-	-	-	-15	5,800
Provisions	-	-	-	-	-	-	-	-	-
Total current liabilities	**12,675**	**-**	**1,021**	**-**	**1,014**	**-**	**-**	**2,035**	**14,711**
Total liabilities	**13,779**	**-**	**-**	**14**	**2,065**	**-**	**-14**	**2,065**	**15,845**
TOTAL EQUITY AND LIABILITIES	**20,368**	**-**	**-**	**862**	**2,062**	**-389**	**-9**	**2,526**	**22,894**

Consolidated balance sheet as at 31 Dec 2020

EUR 1,000	FAS	FAS adjustments [1.b), 1.c), 1.d)]	Reclassifications [2.a), 2.d), 2.e), 2.g), 2.h)]	Changes in the structure of consolidated financial statements [3.]	Business combinations and goodwill [4., 9.]	Changes in the share of non-controlling interests [5]	Leases [6.,9.]	Financing [7.a), 7.b), 7.c), 9.]	Other adjustments [8.a), 8.b), 8.c), 8.d), 9.]	Total impact of change to IFRS	IFRS
ASSETS											
Non-current assets											
Goodwill	31,341	428	-	97	-4,383	-428	-	-	-679	-4,964	26,376
Other intangible assets	5,488	-	-124	13	8,188	-	-	-	-	8,078	13,566
Property, plant and equipment	8,308	-	124	1,478	-	-	8,944	-	-68	10,476	18,784
Investments accounted for using the equity method	2,151	-	-	-684	-	-	-	-	-	-684	1,467
Loan receivables	987	-	-600	-	-	-	-	-237	-	-837	150
Trade and other receivables	362	-	600	28	-	-	-	-30	-	598	960
Deferred tax assets	603	-	-	-	1,724	-	6	100	-1,863	-33	570
Total non-current assets	**49,240**	**428**	**-**	**931**	**5,530**	**-428**	**8,949**	**-167**	**-2,610**	**12,633**	**61,873**
Current assets											
Inventories	3,620	-	-	-54	-	-	-	-	-	-54	3,566
Trade receivables	23,217	-	-	1,140	-	-	-	-173	-	967	24,184
Current income tax receivables	-	-	158	-	-	-	-	-	-	158	158
Other receivables	7,532	-	-158	1,096	-	-	-	-60	30	908	8,439
Cash and cash equivalents	17,804	-	-	-110	-	-	-	-	-	-110	17,694
Total current assets	**52,172**	**-**	**-**	**2,072**	**-**	**-**	**-**	**-233**	**30**	**1,869**	**54,041**
TOTAL ASSETS	**101,412**	**428**	**-**	**3,003**	**5,530**	**-428**	**8,949**	**-400**	**-2,580**	**14,502**	**115,914**
EQUITY AND LIABILITIES											
Equity											
Share capital	80	-	-	-	-	-	-	-	-	-	80
Reserve for invested unrestricted equity	16,280	-	-	-	-	-	-	-	-679	-679	15,602
Other reserves	313	-	-	-	-	-	-	-	-	-	313
Translation differences	-775	412	-	-	-	-	-	-	-	412	-363
Retained earnings	-1,765	-34	-	87	1,460	-428	-3	-767	-345	-29	-1,794
Profit (loss) for the period	-110	-309	-	-21	2,512	-	-38	39	-34	2,149	2,039
Total equity attributable to owners of the parent	**14,023**	**69**	**-**	**66**	**3,972**	**-428**	**-41**	**-727**	**-1,057**	**1,854**	**15,877**
Non-controlling interests	706	-	-	1,062	-	-	-	-	-	1,062	1,768
Total equity	**14,729**	**69**	**-**	**1,128**	**3,972**	**-428**	**-41**	**-727**	**-1,057**	**2,916**	**17,645**
Statutory provisions	**2,073**	**-**	**-2 073**	**-**	**-**	**-**	**-**	**-**	**-**	**-2,073**	**-**
Badwill	**11**	**-**	**-**	**-**	**-11**	**-**	**-**	**-**	**-**	**-11**	**-**

EUR 1,000	FAS	FAS adjustments [1.b), 1.c), 1.d)]	Reclassifications [2.a), 2.d), 2.e), 2.g), 2.h)]	Changes in the structure of consolidated financial statements [3.]	Business combinations and goodwill [4., 9.]	Changes in the share of non-controlling interests [5]	Leases [6., 9.]	Financing [7.a), 7.b), 7.c), 9.]	Other adjustments [8.a), 8.b), 8.c), 8.d), 9.]	Total impact of change to IFRS	IFRS
Liabilities											
Non-current liabilities											
Borrowings	4,152	-	-518	82	-	-	-	-	-	-436	3,717
Lease liabilities	-	-	-	-	-	-	5,517	-	-	5,517	5,517
Payment arrangement with the Tax Administration	-	-	518	-	-	-	-	-	-	518	518
Other liabilities	12	-	-	-	-	-	-	-	-	-	12
Deferred tax liabilities	389	-	-	-	1,569	-	0	-	-1,958	-389	0
Employee benefit obligations	-	-	-	-	-	-	-	-	435	435	435
Provisions	-	-	481	-	-	-	-	-	-	481	481
Total non-current liabilities	**4,554**	**-**	**481**	**82**	**1,569**	**-**	**5,517**	**-**	**-1,523**	**6,126**	**10,680**
Current liabilities											
Borrowings	15,134	-	-1,035	125	-	-	-	-	-	-910	14,224
Lease liabilities	-	-	-	-	-	-	3,473	-	-	3,473	3,473
Advances received	3,593	-	-	14	-	-	-	-	-	14	3,607
Trade payables	16,213	-	-	317	-	-	-	-	-	317	16,530
Payment arrangement with the Tax Administration	-	-	1,926	-	-	-	-	-	-	1,926	1,926
Current income tax liabilities	-	358	-102	-	-	-	-	-	-	257	257
Other liabilities	45,105	-	-789	1,337	-	-	-	327	-	875	45,980
Provisions	-	-	1 592	-	-	-	-	-	-	1,592	1,592
Total current liabilities	**80,045**	**358**	**1,592**	**1,793**	**-**	**-**	**3,473**	**327**	**-**	**7,544**	**87,589**
Total liabilities	**84,598**	**358**	**2,073**	**1,875**	**1,569**	**-**	**8,990**	**327**	**-1,523**	**13,671**	**98,269**
TOTAL EQUITY AND LIABILITIES	**101,412**	**428**	**-0**	**3,003**	**5,530**	**-428**	**8,949**	**-400**	**-2,580**	**14,502**	**115,914**

The following section presents a summary of the impacts of the adoption of the IFRS on Enersense's consolidated statement of comprehensive income and consolidated balance sheet. Sections 3. Changes in the structure of consolidated financial statements and 4. Business combinations and goodwill are mainly related to the acquisition of Empower. For more information on the acquisition of Empower, see note 2. Business combinations.

1. Adjustments to the financial statements prepared in accordance with the FAS

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

1. a) The loan of EUR 330 thousand granted to an associate was transferred from investments accounted for using the equity method to non-current loan receivables in the balance sheet as at 31 December 2019.

1. b) The goodwill under FAS of EUR 428 thousand arisen in connection with the acquisition of non-controlling interests is recognised in equity as a decrease on retained earnings as at 31 December 2020. In the income statement other operating expenses related to the acquisition of non-controlling interests were decreased by EUR 49 thousand for the year ended 31 December 2020.

1. c) Translation differences were increased and retained earnings were decreased as a FAS adjustment by EUR 412 thousand in the balance sheet as at 31 December 2020 in connection with the translation of the net assets of the Swedish branch and the elimination of the equity as at the acquisition date.

1. d) Current income tax liabilities and income tax expenses were increased by EUR 358 thousand in the balance sheet as at 31 December 2020 and the income statement for the year ended 31 December 2020.

1. e) Other operating income and other expenses were decreased by EUR 466 thousand as a FAS adjustment in connection with the elimination of intra-Group sale of intangible assets in the income statement for the year ended 31 December 2020.

2. Changes in the presentation

The following reclassifications were made in order to align the presentation of FAS financial statements information with the IFRS financial statements presentation:

2. a) The leasehold improvement costs were reclassified from intangible assets under the FAS to property, plant and equipment under the IFRS. Due to the reclassification, EUR 124 thousand was transferred from intangible assets to property, plant and equipment in the balance sheet as at 31 December 2020.

2. b) Prepayments of property, plant and equipment were reclassified from current other receivables under the FAS to other intangible assets. Due to the reclassification, EUR 17 thousand was transferred to other intangible assets in the balance sheet as at 31 December 2019.

2. c) EUR 4 thousand was transferred from non-current trade and other receivables to current other receivables in the opening balance sheet as at 1 January 2019 and in the balance sheet as at 31 December 2019.

2. d) Pledged account was reclassified from non-current loan receivables under the FAS to non-current trade and other receivables. Due to the reclassification, EUR 600 thousand was transferred to non-current trade and other receivables in the balance sheet as at 31 December 2020.

2. e) Current tax receivables based on the current taxable income for the period were reclassified from current other receivables to their own line in the balance sheet, and current tax liabilities based on the current taxable income for the period were reclassified from other liabilities to their own line in the balance sheet. Due to the reclassification, EUR 158 thousand was transferred to current tax receivables based on the current taxable income for the period in the opening balance sheet as at 1 January 2019. In the balance sheet as at 31 December 2019, EUR 100 thousand was transferred to current tax receivables based on the current taxable income for the period and EUR 15 thousand to current tax liabilities based on the current taxable income for the period. In the balance sheet as at 31 December 2020, EUR 158 thousand was transferred to current tax receivables based on the current taxable income for the period and EUR 102 thousand to current tax liabilities based on the current taxable income for the period.

2. f) Bank loans were reclassified from non-current liabilities to current liabilities due to the covenant breaches. Due to the reclassification, EUR 1,371 thousand was transferred in the opening balance sheet as at 1 January 2019 and EUR 1,021 in the balance sheet as at 31 December 2019.

2. g) VAT payment arrangement with the Tax Administration related to the COVID-19 was reclassified from non-current and current borrowings and current other liabilities under the FAS to separate non-current and current payment arrangement with the Tax Administration line items. Due to the reclassification, EUR 518 thousand was transferred from non-current borrowings and EUR 1,035 thousand from current borrowings to the corresponding payment arrangement with the Tax Administration line items, and EUR 891 thousand was transferred from other current liabilities to current payment arrangement with the Tax Administration in the balance sheet as at 31 December 2020.

2. h) In the FAS financial statements, provisions are presented on a separate line item under equity and before non-current liabilities. In the IFRS financial statements, provisions are presented as a separate line item within non-current and current liabilities. Due to the reclassification, EUR 481 thousand was transferred to non-current provisions and EUR 1,592 was transferred to current provisions in the balance sheet as at 31 December 2020.

2. i) Meal allowance charged from the employees presented as other income in the FAS financial statements was reclassified to employee benefit expenses. Due to the reclassification, EUR 241 thousand was transferred to employee benefit expenses in the income statement for the year ended 31 December 2019 and EUR 125 thousand in the income statement for the year ended 31 December 2020.

2. j) Realised and unrealised foreign exchange differences presented in finance income and expenses under FAS were reclassified to materials and services. Due to the reclassification, EUR 192 thousand was transferred from finance expenses and EUR 21 thousand from finance income. The net impact of the transfer on materials and services was EUR 171 thousand in the income statement for the year ended 31 December 2020.

2. k) In the FAS financial statements, minority interests are presented in the consolidated statement of comprehensive income on a separate line item before profit or loss for the period. In the IFRS financial statements, non-controlling interests' share of the results is included in the profit (loss) for the period, and profit (loss) attributable to the owners of the parent and non-controlling interests is presented separately. Due to the reclassification, EUR 109 thousand was transferred from minority interests to profit (loss) for period in the income statement for the year ended 31 December 2019 and EUR 340 thousand in the income statement for the year ended 31 December 2020.

2. l) Other comprehensive income items are not presented the FAS financial statements. In the IFRS financial statements, change in translation differences is presented in other comprehensive income in items that may be reclassified to profit or loss. Due to the reclassification, EUR 4 thousand was transferred in other comprehensive income to items that may be reclassified to profit or loss for the year ended 31 December 2019 and EUR -367 thousand in the income statement for the year ended 31 December 2020.

3. Changes in the structure of consolidated financial statements

Enersense's shareholding in Empower SIA was 49% as at 31 December 2020. The company was accounted for as an associate under the FAS and consolidated using the equity method. Under the IFRS, Empower SIA is accounted for as a subsidiary, of which the share of 51% is allocated to non-controlling interests. Enersense is considered to have control in Empower SIA on the basis of the purchase option included in the shareholders' agreement which can be exercised at any time. Empower and Empower SIA were acquired on 31 July 2020, and due to this, the change in the presentation did not have an impact on Enersense's comparative figures. Empower and Empower SIA have been consolidated to Enersense since the acquisition date.

Consolidation of Empower SIA had the following impact on the income statement for the financial year ended 31 December 2020:

EUR 1,000	**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
Finance income	25
Finance expenses	-1
Income tax expense	-85
Profit for the period attributable to non-controlling interests	-326
Profit (loss) for the period	**-21**

Consolidation of Empower SIA had the following impact on the balance sheet as at 31 December 2020:

EUR 1,000	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	**66**
Non-controlling interests	1,564
Total equity	**1,630**
Liabilities	
Non-current borrowings	82
Current borrowings	125
Advances received	14
Trade liabilities	401
Other liabilities	1,536
Total liabilities	**2,158**
TOTAL EQUITY AND LIABILITIES	**3,788**

Enersense has a shareholding of 60% in Empower 4Wind OÜ. Under FAS, the company was accounted for as a subsidiary and consolidated line by line in the consolidated figures, allocating the share of 40% to non-controlling interests. Under IFRS, Empower 4Wind OÜ is accounted for as an joint venture. The arrangement is based on an agreement, under which all significant decisions require unanimity of the shareholders. The arrangement gives title to the net assets of Empower 4Wind OÜ, and it is consolidated to the Group using the equity method under the IFRS. The items consolidated line by line using the subsidiary accounting are be reversed for the period between 1 August 2020 and 31 December 2020. Empower and Empower 4Wind OÜ were acquired on 31 July 2020, and due to this, the change in the presentation did not have an impact on Enersense's comparative figures. Empower has been consolidated to Enersense since the acquisition date.

Accounting of Empower 4Wind OÜ as a joint venture had the following impact on the income statement for the financial year ended 31 December 2020:

EUR 1,000	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
Finance income	-103
Finance expenses	103
Profit for the period attributable to non-controlling interests	35
Profit (loss) for the period	**0**

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

EUR 1,000	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**
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. Business combinations and goodwill

Enersense International Oyj has utilised the exemption under the IFRS 1 and did not apply the IFRS 3 Business combinations to the business acquisitions completed before the adoption of the IFRS. Due to this, goodwill in the FAS opening balance sheet as at 1 January 2019 was transferred to the IFRS balance sheet as at 1 January 2019. Under the IFRS, goodwill is not amortised, but tested for impairment at least annually. The IFRS 3 standard is applied to all business combinations completed on 1 January 2019 or after.

Enersense acquired the entire share capital of Empower Oyj on 31 July 2020.

The table below sets forth the IFRS adjustments in the amount of goodwill in the balance sheet as at 31 December 2020, 31 December 2019 and 1 January 2019:

EUR 1,000	Reference	**31 Dec 2020**	**31 Dec 2019**	**1 Jan 2019**
Goodwill (FAS)		**31,341**	**3,382**	**4,244**
FAS adjustments:				
Acquisition of the non-controlling interests	1b)	428	-	-
IFRS adjustments:				
Reversal of goodwill amortisation	i)	4,521	862	-
Acquisition of the non-controlling interests	ii)	-428	-	-
Accounting policy adjustments related to the acquired entity	iii)	2,206		
Adjustments to the fair value of intangible assets	iii)	-10,768	-	-
Adjustments to the fair value of inventories	iii)	-46		
Deferred taxes related to the fair value adjustments	iii)	125	-	-
Capitalised transaction expenses	iii)	-1,003	-	-
Goodwill (IFRS)		**26,376**	**4,244**	**4,244**

i) Under the IFRS, goodwill arising from business combinations is not amortised, but tested for impairment annually and always when there are indications that goodwill may be impaired. Under the IFRS, badwill arising in connection with business combination is not recognised, and instead, it is recognised directly in the income statement.

As an IFRS adjustment, amortisation of goodwill and decrease of badwill of EUR 882 thousand in total recognised in the income statement included in the FAS financial statements for the year ended 31 December 2019 were reversed. In addition, the change in Värväämö's additional acquisition price of EUR 23 thousand was transferred from goodwill to other operating expenses. In the balance sheet as at 31 December 2019, these adjustments increased goodwill by EUR 862 thousand and decreased group badwill by EUR 14 thousand. In the balance sheet as at 31 December 2019, the badwill of EUR 17 thousand was transferred to retained earnings.

As an IFRS adjustment, amortisation of goodwill and decrease of badwill of EUR 3,656 thousand in total recognised in the income statement included in the FAS financial statements for the year ended 31 December 2020 were reversed. The reversal of amortisation increased goodwill by EUR 4,521 thousand and decreased badwill by EUR 11 thousand as at 31 December 2020..

ii) The increase of EUR 428 thousand in goodwill, which arose in connection with the acquisition of non-controlling interests of Enersense Painting Oy under the FAS, was adjusted to retained earnings as at 31 December 2020. Under the IFRS, the increase in shareholdings are accounted for within equity.

iii) Acquisition of Empower Oyj:

Net assets acquired in connection with the acquisition of the entire share capital of Empower Oyj as at the acquisition date 31 July 2020 were adjusted to correspond Enersense's accounting policies. This had an impact of EUR 2,206 thousand on goodwill. The amount was allocated as follows:

- Derecognition of capitalised development costs of EUR 1,809 thousand resulted in a corresponding increase in goodwill. Capitalised costs related to projects, which are not intended to be completed. The adjustment of these development costs has a positive impact of EUR 188 thousand to the income statement for the year ended 31 December 2020 mainly due to lower amortisation.
- Recognition of provision for credit losses under the IFRS increased goodwill by EUR 14 thousand.
- Financial liability related to the purchase option of non-controlling interests increased goodwill by EUR 367 thousand.
- Net liability recognised in connection with defined benefit obligations increased goodwill by EUR 385 thousand.
- Adjustment to accruals increased goodwill by EUR 135 thousand. This had an impact of EUR 135 thousand to the income statement for the year ended 31 December 2020.
- Tax impact of the adjustments related to accounting policies decreased goodwill by EUR 416 thousand.
- Consolidation of Empower SIA as a subsidiary decreased goodwill by EUR 87 thousand.

Adjustments to fair value of intangible assets are related to the allocation of fair value of customer relationships and order backlog recognised in connection with the acquisition of Empower Oyj. The adjustment decreased goodwill by EUR 10,768 thousand. Customer relationships are amortised over 10 years and order backlog over one year. Amortisation of EUR 959 thousand was recorded as an IFRS adjustment in the income statement for the year ended 31 December 2020.

Empower Oyj's inventories as at the date of the acquisition were adjusted by EUR 46 thousand, which decreased goodwill. The adjustment to fair value of inventories is recognised on the basis of the turnover rate, and it has been recognised in full in the income statement for the year ended 31 December 2020 as a change in inventories of finished goods and in work in progress.

Deferred tax liability of EUR 1,525 thousand as at the date of the acquisition was recognised in connection with the adjustment to fair value. In addition, deferred tax asset of EUR 1,400 thousand as at the date of the acquisition was recognised for the confirmed losses. These tax entries increased goodwill by EUR 125 thousand in total in the balance sheet as at 31 December 2020. The deferred taxes in connection with the acquisition of Empower Oyj have been determined using the corporate tax rate of 20.0% in effect in Finland.

A share issue was executed in connection with the business combination. The transaction costs of EUR 1,003 thousand related to the acquisition of Empower and the issue of new shares were recognised in goodwill in the FAS financial statements. In the IFRS financial statements, the expense of EUR 679 thousand of the equity financing related to the acquisition have been adjusted as a deduction of the reserve for unrestricted equity. The transaction costs of EUR 324 thousand related to the acquisition of Empower Oyj were recognised in other operating expenses within the income statement for the year ended 31 December 2020.

5. Changes in the share of non-controlling interests

The increase of EUR 428 thousand in goodwill under the FAS in connection with the acquisition of the non-controlling interests in Enersense Painting Oy was adjusted in retained earnings as at 31 December 2020. Under IFRS, increases in the shareholding in subsidiaries are accounted for within equity.

6. Leases

In the FAS financial statements, Enersense has recognised costs for leases on a straight-line basis over the lease term and disclosed lease commitments as off-balance sheet commitments. In the IFRS financial statements Enersense recognises a right-of-use asset and a lease liability in the balance sheet according to the IFRS 16 for other than short-term leases or leases for which the underlying asset is of low value. The depreciation charge for right-of-use asset and the interest expense on lease liability are recognised as expense in the income statement.

In the opening balance sheet as at 1 January 2019, Enersense recognised as an IFRS adjustment an increase of EUR 1,829 thousand in property, plant and equipment, as well as non-current lease liability of EUR 1,092 thousand and current lease liability of EUR 737 thousand.

In the balance sheet as at 31 December 2019, Enersense recognised as an IFRS adjustment an increase of EUR 2,061 thousand in property, plant and equipment, as well as non-current lease liability of EUR 1,051 thousand and current lease liability of EUR 1,014 thousand. In the balance sheet as at 31 December 2020, Enersense recognised as an IFRS adjustment an increase of EUR 8,944 thousand in property, plant and equipment, as well as non-current lease liability of EUR 5,517 thousand and current lease liability of EUR 3,473 thousand.

In the income statement for the financial year 2019, depreciations, amortisations and impairments were increased by EUR 741 thousand, other operating costs were decreased by EUR 777 thousand and finance expenses were increased by EUR 40 thousand as an IFRS adjustments. In the income statement for the financial year 2020, depreciations, amortisation and impairments were increased by EUR 2,082 thousand, other operating costs were decreased by EUR 2,191 thousand and finance expenses were increased by EUR 151 thousand as an IFRS adjustments.

7. Financing

7. a) Enersense has started to apply the expected credit losses model under the IFRS, and as a result, credit losses are recognised at an earlier stage as compared to the FAS. Due to this IFRS adjustment, trade receivables were decreased by EUR 153 thousand in the opening balance sheet as at 31 December 2019, by EUR 112 thousand in the balance sheet as at 31 December 2019 and by EUR 126 thousand in the balance sheet as at 31 December 2020. A decrease of EUR 41 thousand was recognised in other operating expenses in the income statement for the year ended 31 December 2019 and an increase of EUR 1 thousand in other operating expenses in the income statement for the year ended 31 December 2020.

7. b) Enersense has recognised as an IFRS adjustment write-downs of loan receivables, trade and other receivables within non-current assets and trade and other receivables within current assets. As a result of the IFRS adjustment, non-current loan receivables were decreased by EUR 64 thousand, non-current trade and other receivables by EUR 6 thousand and current trade receivables by EUR 314 thousand in the opening balance sheet as at 1 January 2019. Non-current loan receivables were decreased by EUR 90 thousand, non-current trade and other receivables by EUR 237 thousand and current trade receivables by EUR 47 thousand in the balance sheet as at 1 December 2019. Non-current loan receivables were decreased by EUR 237 thousand, non-current trade and other receivables by EUR 30 thousand, current trade receivables by EUR 47 thousand and other current receivables by EUR 60 thousand in the balance sheet as at 1 December 2020. Other operating expenses were decreased by EUR 9 thousand in the income statement for the year ended 31 December 2019.

7. c) Enersense has recognised in other liabilities a liability related to the purchase option of the shares held by the non-controlling shareholder, which arose in connection with the acquisition of Empower. As a result of an IFRS adjustment, other current liabilities were increased by EUR 327 thousand in the balance sheet as at 31 December 2020. Based on the change in the liability, other operating income was increased by EUR 40 thousand in the income statement for the year ended 31 December 2020.

8. Other adjustments

8. a) Under the FAS, Enersense applied reducing balance depreciation method for property, plant and equipment. Under IFRS, straight-line method is applied in depreciation of property, plant and equipment. In the opening balance sheet as at 1 January 2019, Enersense recognised an increase of EUR 20 thousand in property, plant and equipment as an IFRS adjustment. Enersense recognised as IFRS adjustments an increase of EUR 7 thousand in property, plant and equipment in the balance sheet as at 31 December 2019 and a decrease of EUR 68 thousand in the balance sheet as at 31 December 2020.

As an IFRS adjustment, depreciations, amortisations and impairments were increased by EUR 13 thousand in the income statement for the year ended 31 December 2019 and by EUR 76 thousand for the year ended 31 December 2020.

8. b) Under the FAS, Enersense recognised costs related to share issue in goodwill. Under the IFRS, costs related to the issue of new shares are recognised as a decrease in equity. As an IFRS adjustment, Enersense recognised a decrease of EUR 679 thousand in goodwill and invested unrestricted equity in the balance sheet as at 31 December 2020.

8. c) Defined benefit obligations are not presented in FAS financial statements. Under the IFRS, liabilities and assets are recognised in the balance sheet for defined benefit obligations, service costs and interest expenses are recognised in the income statement and actuarial gains and losses are recognised in other comprehensive income. Enersense recognised as an IFRS adjustments EUR 435 thousand in employee benefit obligations and EUR 350 thousand in retained earnings within the balance sheet as at 31 December 2020.

In the income statement for the year ended 31 December 2020, the IFRS adjustment decreased employee benefit expenses by EUR 4 thousand and increased interest expenses by EUR 1 thousand. EUR 42 thousand was recognised in other comprehensive income adjusted with the tax effect.

8. d) Under the IFRS, government grants are recognised to the extent that it is reasonably certain that the requirements for the grants are satisfied and the grant will be received. Enersense recognised as an IFRS adjustment an increase of EUR 30 thousand in other receivables in the balance sheet as at 31 December 2020. In the income statement for the year ended 31 December 2020, EUR 30 thousand was recognised in other operating income.

8. e) In the adoption of the IFRS, Enersense has applied the exemption in the IFRS 1 First-time adoption of the International Financial Reporting Standard and assumed the translation differences to amount to zero as at the date of the transition to the IFRS. As an IFRS adjustment, Enersense transferred EUR 4 thousand from translation differences to retained earnings.

9. Deferred tax assets and liabilities and current income tax assets

Enersense has recognised the tax impact of the IFRS adjustments presented above in the IFRS income statement and balance using the corporate tax rate of 20.0% to the extent that the tax effect should be taken into account. The IFRS adjustment to deferred tax assets amounted to EUR 109 thousand in the opening balance sheet as at 1 January 2019, EUR 100 thousand in the balance sheet as at 31 December 2019 and EUR 1,931 thousand in the balance sheet as at 31 December 2020. The IFRS adjustment to deferred tax liabilities amounted to EUR 6 thousand in the opening balance sheet as at 1 January 2019, EUR 17 thousand in the balance sheet as at 31 December 2019 and EUR 1,575 thousand in the balance sheet as at 31 December 2020. As an IFRS adjustment, EUR 21 thousand was recognised as an expense in the income statement for the year ended 31 December 2019 and EUR 28 thousand in the income statement for the year ended 31 December 2020.

Under the IFRS, deferred tax assets and liabilities are offset, when the requirements of the IFRS standard are satisfied. In order to decrease its deferred tax assets and liabilities, Enersense recognised as an IFRS adjustment EUR 6 thousand in its opening balance sheet as at 1 January 2019, EUR 17 thousand as at 31 December 2019 and EUR 1,964 thousand as at 31 December 2020.

29. New Standards

Estimated impact of the new standards and interpretations on the consolidated financial statements in the future

Enersense has not adopted the following new standards and amendments, which have been published but are not in effect as yet. Enersense does not expect these standards and amendments to have a significant impact on the consolidated financial statements.

- IFRS 17 Insurance contracts
- Amendments in the standards IFRS 9 Financial instruments, IAS 39 Financial instruments: Recognition and measurement, IFRS 7 Financial instruments: Disclosures, IFRS 4 Insurance contracts and IFRS 16 Leases – Phase 2: IBOR Reform and its Effects on Financial Reporting
- Amendments to IAS 1 Presentation of financial statements: Classification of liabilities as current or non-current items
- Amendments to IAS 16 Property, plant and equipment: Revenue received before taking into use
- Amendments to IFRS 3 Business combinations: Reference to the conceptual framework of financial reporting
- Amendments to IAS 37 Provisions and contingencies: Onerous contracts – Unavoidable costs of fulfilling the contract
- Annual improvements in the IFRS in 2018–2020

30. Events after the balance sheet date

Directed share issue

Enersense International Oyj announced on 25 February 2021 that it may take any necessary capital market measures in connection with its possible transfer to the Nasdaq Helsinki. The Company's Board of Directors decided on 15 March 2021 to execute a share issue ("Share Issue"), with 2,075,000 new shares directed to Nidoco AB ("Nidoco"), a wholly owned subsidiary of Virala Oy Ab. Nidoco has subscribed to all the offered shares in the company, and its Board of Directors has approved the subscriptions. With the Share Issue, Enersense has a significant and experienced new long-term shareholder with strong expertise and the will and ability to support Enersense's growth. The Share Issue was executed based on the authorisation granted by the Annual General Meeting on 6 April 2020. The company will use the funds raised through the Share Issue to support its growth targets in accordance with its strategy by strengthening its balance sheet.

Through the Share Issue, the company will raise around EUR 15.0 million in gross assets before fees and expenses. The number of shares in the company will increase by 2,075,000 to a total of 11,622,729 shares. The shares offered through the Share Issue represent around 21.7% of all shares in the company before the issue, and around 17.9% of all shares in the company after the issue. The subscription price is EUR 7.23 per share, which is around 5.5% lower than the volume weighted average price for the period between the publication of the financial statements bulletin and the Share Issue (26 February to 12 March 2021), and around 11.8% lower than the closing price on the trading day immediately preceding the Share Issue (12 March 2021). The subscription price was paid on 15 March 2021 in accordance with the terms and conditions of the Share Issue, and will be recognised in full in the company's invested unrestricted equity reserve.

In connection with the arrangement, Nidoco and MBÅ Invest Oy, Enersense's largest shareholder, agreed to jointly propose at an Extraordinary General Meeting convened separately at a later date that Jaakko Eskola (b. 1958), MSc (Tech.), be elected as a new Board member. Extraordinary General Meeting was held on 16 April 2021 and at the same time Markku Kankaala was elected Vice Chairman of the Board of Directors.

During his career, Jaakko Eskola has served Wärtsilä for a long time, most recently as the President and CEO of Wärtsilä Oyj Abp from 2015 to 2021. He also serves as Vice Chair of the Board of Directors of Varma Mutual Pension Insurance Company. In addition, he has been nominated by the Shareholders' Nomination Committee of Neles Oyj for election as Chair of the Board of Neles, and by the Shareholders' Nomination Committee of Suominen Oyj for election as Chair of the Board of Suominen. He has also been nominated for election as a member of the Board of Cargotec Oyj, and has served as Chair of the Board of Ahlstrom-Munksjö Oyj, among other companies. He also serves as a Senior Industrial Advisor for Nidoco AB.

Change in the shareholding in Empower SIA

Empower Oyj, a subsidiary of Enersense International Oyj, has acquired a majority share in its Latvian subsidiary Empower SIA on 1 March 2021.

Empower SIA specialises in the design, construction and maintenance of transmission grids, electric substations and wind farms. In 2020, the company's revenue was approximately EUR 14.2 million (EUR 18.6 million in 2019), while its profit for the financial period 2020 was about EUR 0.5 million (EUR 1.2 million in 2019). The figures for 2020 are unaudited.

Empower SIA has approximately 210 employees.

Empower Oyj acquired a total of ten (10) shares in Empower SIA, thereby increasing its share of ownership from 49 per cent to 59 per cent of the company's share capital.

The sale price of the shares is EUR 257,324, which will be adjusted up or down on the basis of Empower SIA's net assets for the 2020 financial period once the company's financial statements for 2020 have been confirmed. The price will be paid in cash after the change in share ownership has been entered in the trade register in Latvia.

The sellers in the transaction are two individuals belonging to Empower SIA's executive management. They will continue to work for the company and will remain minority shareholders in Empower SIA with a 41 per cent holding.

New financing arrangement

On 4 May 2021 Enersense International Oyj concluded the negotiations on the financing its operations ("New Financing"). The company's new financing package consists of two senior loans and several bank guarantee and invoice financing facilities. The financing is used for developing operations and managing working capital. The senior loans and bank guarantee facilities made available as a part of the New Financing will be at Enersense's disposal, provided certain customary conditions precedents for utilisation have been fulfilled.

Enersense has negotiated the New Financing for replacing the short-term financing facilities of EUR 12.7 million in total with two financiers. The total amount of the senior loans is EUR 12 million. Each senior loan amounts to EUR 6 million and will mature in 2026.

In addition, Enersense has negotiated an extension to the maturity of its old bank guarantees of EUR 16.9 million and new guarantee facilities of EUR 20 million. Going forward, Enersense has bank guarantee facilities of EUR 36.9 million in total available.

The company also has invoice financing facilities totalling EUR 41.5 million. The new facilities account for EUR 27 million of the total.

The agreement on special terms and conditions signed by the Company's financiers, Enersense and Empower Oyj on 4 May 2021 also includes new covenants and restrictions on dividend distributions in the event that the terms and conditions of the financing agreements covered by the special terms agreement have been breached, the dividend distribution would lead to such breach or the dividend distribution could compromise the repayment of the financing.

Sale of Värväämö Oy

With a deed of sales signed on 6 May 2021, Enersense International Oyj agreed to sell the entire share capital of its subsidiary Värväämö Oy, which offers personnel services for the construction industry, to Citywork Oy. Founded in 2006, Citywork is a member of the Celebris Group and provides personnel services in the whole of Finland.

The completion of the transaction is subject to the fulfilment of the terms and conditions of the buyer's funder, agreed in the deed of sale. The transaction is expected to be completed by the end of June 2021.

The minimum price for all the shares will be EUR 2,000,000 and the maximum EUR 3,000,000, and the price consists of a basic purchase price of EUR 500,000, adjusted in accordance with the terms of the deed of sale, and an additional purchase price linked to the EBITDA of Citywork's support and personnel services business for the construction industry in 2022 and 2023. The achievement of the maximum purchase price will also be affected by the turnover of Citywork's construction support and personnel services business and Värväämö in the financial year 2021.

The purchase price will be paid in cash. When completed, the transaction will have no effect on Enersense's financial guidance or medium-term financial targets.

Värväämö Oy has around 380 employees. Värväämö specialises in employment services for the construction industry. In 2020, its turnover was EUR 13.1 million (EUR 16.5 million in 2019). In 2020, the company's EBITDA was approximately EUR -0.5 million (EUR 0.05 million in 2019) and its balance sheet total amounted to about EUR 2.2 million (EUR 2.1 million in 2019).

Enersense will not completely divest its personnel leasing services as the company will retain both know-how and an ability to scale resources internally.