



2022

**The Board of Directors'
Report and Financial
Statements**

Contents

This is a voluntary non-official English translation of Enersense's Board of Directors' Report and Financial Statements for 2022 in pdf-format. The official xHTML document in Finnish that complies with the ESEF (European Single Electronic Format) regulation has been published attached to a stock exchange release on 9 March 2023 and it is available on the company's website at www.enersense.com/press-releases/reports-and-presentations/.

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The figures in brackets refer to the corresponding period of the previous year unless otherwise stated. All figures and sums have been rounded off from the exact figures which may lead to minor discrepancies upon addition or subtraction.

The Board of Directors' Report

Operating environment in 2022

The ongoing energy transition is a global phenomenon that will change the energy system towards low-emission and renewable energy solutions. The impacts of the energy transition will be reflected in changes in energy production methods, and the transition will also shape society in many ways in the future, with various sectors becoming more closely intertwined. In 2022, long-term business drivers that support Enersense's business remained unchanged despite uncertainties related to the macroeconomy and business in general.

The Russian attack on Ukraine in February 2022 caused global geopolitical tensions and uncertainty to increase, and had a negative impact on global economic development. This was also reflected in Enersense's operating environment during 2022. The availability of certain materials decreased, especially during the first half of the year, and the lack of supply caused prices to fluctuate considerably, which is why some customers postponed project starts. As a result of the war, electricity and fuel prices, in particular, increased significantly. Although prices began to decrease markedly towards the end of the year and some raw material prices are back at their pre-war levels, inflation continues to be elevated in the markets that are relevant to Enersense. This is particularly evident in the Baltic countries, where high wage inflation has increased costs.

Increased uncertainty about economic development and the increase in interest rates caused by high inflation have had a negative impact on customers' investment environment. On the other hand, self-sufficiency in zero-emission energy solutions is being increased in Europe, which may cause significant projects to start earlier than planned. Overall, the general market situation in Enersense's business areas remained good in 2022, despite the impacts of the Russian attack on Ukraine. After a calmer summer, coronavirus infections began to increase towards the end of the year, but their impacts on business operations have been limited.

Financial result

ORDER BACKLOG

The order backlog grew by 42% and was EUR 415 (291) million. The order backlog increased significantly in the Smart Industry segment, where the third-quarter order backlog includes EUR 100 million of the agreement with the energy company Helen. Including the options to extend the agreement, the agreement totals EUR 200 million. The order backlog also developed strongly in the Power segment. In the Connectivity and International Operations segments, the order backlog decreased.

Order backlog by segment

MEUR	31.12.2022	31.12.2021	Change-%
Smart Industry	172	56	207
Power	70	52	34
Connectivity	57	64	-11
International Operations	116	120	-3
Group	415	291	42

REVENUE AND PROFITABILITY

Revenue by segment

EUR thousand	1-12/2022	1-12/2021
Smart Industry	72,721	85,499
Power	60,998	49,143
Connectivity	47,230	45,318
International Operations	87,007	58,999
Items not allocated to segments	81	152
Total	268,037	239,110

EBITDA by segment

EUR thousand	1-12/2022	1-12/2021
Smart Industry	268	15,388
Power	19,237	2,426
Connectivity	362	1,559
International Operations	-3,930	1,672
Items not allocated to segments	-3,726	-4,405
Total	12,210	16,639

Revenue by target area

EUR thousand	1-12/2022	1-12/2021
Finnish sites	178,319	177,229
International sites	89,717	61,881
Total	268,037	239,110

January–December 2022

Revenue increased by 12.1% and was EUR 268.0 (239.1) million. Revenue increased in all segments except Smart Industry.

EBITDA decreased by 26.6% and was EUR 12.2 (16.6) million. The EBITDA margin was 4.6 (7.0)%. EBITDA decreased year-on-year in all segments except Power. EBITDA for the financial period includes a total of EUR 14.0 million recognised from wind power projects, EUR 4.2 million in items consisting of the recognition of negative goodwill from the acquisition of Megatuuli Oy, a gain from the sale of Suomi Teline Oy and an adjustment to the contingent consideration related to the acquisition of Pori Offshore Constructions Oy. EBITDA was burdened by investments in offshore wind power and a new ERP system, with a total impact of EUR 6.1 million, EUR 1.2 million costs related to M&A as well as a EUR 3.5 million loss that was booked in the fourth quarter related to certain projects, the profitability of which was burdened mainly due to high inflation in the Baltics. As to other on-going projects, compensation regarding inflation has been agreed with customers, and inflation has been taken into account in new contracts. The comparison figure for 2021 includes EUR 2.0 million in gains from the sale of fixed assets, as well as a recognition of EUR 7.3 million in negative goodwill arising from the favourable acquisition of Pori Offshore Constructions Oy.

Adjusted EBITDA decreased by 29.0% and was EUR 13.7 (19.2) million or 5.1 (8.0)% of revenue. The net impact of items affecting comparability was EUR 1.4 million, mainly arising from costs related to the competition authority's processing costs regarding the Voimatel acquisition, which was cancelled in early 2023, provisions in personnel costs related to redundancies and process integration costs related

to the finalisation of the integration of Empower and Enersense. In the comparison period, the most significant items affecting comparability totalled EUR 2.6 million and were related to restructuring costs and the closing of the digital unit.

The operating profit decreased by 49.1% and was EUR 3.5 (6.8) million. The profit margin was 1.3 (2.9)%.

Some customers responded to the growing uncertainty in the global economy by postponing project starts, and the progress of some projects that had already started slowed down. The geopolitical situation and its ripple effects have also resulted in an increase in material costs. These factors arising from the global market situation contributed to lower profitability during the financial period.

The impacts of the coronavirus pandemic on Enersense's business operations decreased towards the summer, but sickness absences began to increase again towards the end of the year. The coronavirus pandemic has affected the company's profitability to some extent, but its impacts were minor in 2022.

More detailed segment-specific information is presented under "Segment reviews".

Financial position and cash flow

PROFIT BEFORE TAXES, RESULT FOR THE PERIOD AND EARNINGS PER SHARE

January–December 2022

Net financial expenses in January–December were EUR -3.1 (-3.3) million, including EUR 0.5 million in impairment related to the investment in Fennovoima by Yrittäjien Voima Oy, an associated company. The total liabilities related to Fennovoima may increase to EUR 1.2 million.

The result before taxes was EUR 0.4 million (3.5) in January–December, and the result for the period was EUR -2.4 million (4.0).

Undiluted earnings per share were EUR -0.13 (0.35).

CASH FLOW AND FINANCIAL POSITION

January–December 2022

Cash flow from operating activities in January–December was EUR 4.4 (-15.6) million.

Cash flow from investing activities in January–December was EUR -8.4 (11.5) million, including an EUR 10.4 million investment in P2X Solutions Oy.

Cash flow from financing activities in January–December was EUR 13.6 (15.5) million, which includes dividends paid, loan repayments and the convertible bond issued at the end of 2022, among other items.

The Group's cash and cash equivalents totalled EUR 38.7 (29.2) million at the end of the review period. Cash and cash equivalents increased by EUR 9.5 million compared with the comparison period and EUR 22.9 million from the end of September 2022.

The Group's balance sheet total stood at EUR 230,2 (146,7) million at the end of 2022. The growth is mainly explained by acquisitions.

Equity stood at EUR 62.6 (49.7) million at the end of 2022. Liabilities amounted to EUR 167,6 (97.0) million. At the end of the review period, the equity ratio was 28.8% (35.6), and net gearing was 19.0% (3.6). Return on equity in the review period was -4.3% (8.3).

FINANCIAL ARRANGEMENTS

New financing package

On 20 June 2022, Enersense announced that it had completed negotiations on a new financing package consisting of two senior loans, a revolving credit facility and several bank guarantee and accounts receivable financing facilities. The funding is used for operational development and working capital management.

The financing package includes two senior loans totalling EUR 10.5 million and maturing in 2026, as well as a committed revolving credit facility of EUR 5 million, which enables the company to reduce the impact of seasonal changes in working capital on its business operations.

In total, the company has access to accounts receivable financing facilities of EUR 44.2 million. The new facilities account for EUR 5.5 million of the total.

During the fourth quarter 2022, Enersense agreed on modifications on the covenant treatment in relation to the convertible bond with its financiers. It was agreed that the convertible bond is interpreted as subordinated loan and treated as equity when measuring adjusted equity. As regards to the covenant about interest bearing net debt to EBITDA, the convertible bond is treated as subordinated loan which is not accounted as interest bearing debt. In addition to this a minimum liquidity covenant (which will apply if the interest-bearing net debt to EBITDA -covenant is not fulfilled) will be applied alongside with the equity ratio covenant. Threshold value for the Minimum Liquidity covenant is 15 million euros and the company reports it to its financiers on a monthly basis. In addition, the company has the right to make adjustments of a maximum of 5 million euros during the year 2023 to Minimum Liquidity covenant related to certain adjustment items. The group fulfilled the covenants on 31 Dec 2022 and the management foresees that they will be fulfilled for 12 months forward.

In addition, the guarantee limit was increased by 5 million euros compared with the situation at the end of June and currently, Enersense has access to a total of EUR 45 million in guarantee limits.

At the end of 2022, Enersense had EUR 8.4 million in senior loans in use.

Convertible bond

On 1 December 2022, Enersense International Plc offered Senior Unsecured conditionally Convertible notes with a nominal value of around EUR 20–30 million to be subscribed for by selected professional investors and eligible counterparties. The notes are due on 15 January 2027. On 2 December 2022, the company announced that it had completed its offering of a convertible bond of EUR 26 million.

On 23 December 2022, in accordance with the Board of Directors' proposal, Enersense's Extraordinary General Meeting decided to authorise the Board to decide on the issue of special rights entitling their holders to shares in the company to the original subscribers of the convertible bond mentioned above and/or those who had purchased convertible notes after subscription, so that the notes can be converted into shares in accordance with the terms and conditions of the notes.

After the Extraordinary General Meeting, the company's Board of Directors decided, based on the authorisation granted by the Extraordinary General Meeting, to issue 260 special rights entitling their holders to shares in accordance with chapter 10, section 1 of the Limited Liability Companies Act. The special rights are tied to the convertible notes and cannot be separated from them.

Each note, with a nominal value of EUR 100,000, provides its holder with one special right. Each special right entitles its holder to 12,500 new shares in the company. The initial exchange price per share has been set at EUR 8.00. If all the convertible notes are exchanged for new shares in the company at the initial exchange price, the number of new shares in the company to be issued based on special rights will be no more than 3,250,000, or around 19.7% of the total number of shares on the date of the General Meeting (around 16.5% when the dilution effect is considered). The exchange price may be adjusted in accordance with the terms and conditions. If the exchange price is adjusted and the number of shares

issued based on the convertible notes needs to be increased, the increase in the number of shares to be issued will be determined separately in accordance with the Limited Liability Companies Act.

The special rights entitling their holders to shares were entered into the Trade Register on 27 December 2022.

Segment reviews

SMART INDUSTRY

The Smart Industry segment helps customers improve the reliability of their production plants and the efficiency of their maintenance operations. The segment develops digital solutions for improving productivity and provides resource and contracting services and subcontracting chain management services for domestic and international industry projects. The segment also offers offshore wind power solutions. The segment is divided into two units: Smart Services (maintenance and operation services and subcontracting chain management services) and Smart Operations (resource, project and contracting services).

MEUR	1-12/2022	1-12/2021	Change-%
Revenue	72.7	85.5	-14.9
EBITDA	0.3	15.4	-98.3
EBITDA-%	0.4	18.0	
Order backlog	172	56	207,1
Personnel (FTE)	638	769	

January–December 2022

The Russian attack on Ukraine in February 2022 led to global economic uncertainty, to which some customers in the Smart Industry segment's field of operation responded by postponing project starts. In addition, the progress of certain projects which had already started slowed down. The coronavirus pandemic was reflected more strongly in the Smart Industry segment's business operations during the first months of the year, but its impact decreased towards the summer. After a calmer summer, coronavirus infections increased in the early autumn, but this did not have a significant impact on business operations. The long-term business drivers created by the energy transition have remained unchanged.

The Smart Industry segment's revenue decreased by 14.9% and was EUR 72.7 (85.5) million. Revenue was burdened by the postponement of certain customer projects and the slower progress of certain projects which had already started. In addition, the Smart Operations unit's revenue was burdened by the lower volumes of the Olkiluoto 3 project in particular and the seasonality typical for project business. The Smart Services unit's revenue developed favourably. The Smart Industry segment's revenue for 2021 includes the Staff Leasing business, which was divested in June 2021.

The Smart Industry segment's EBITDA decreased by 98.3% and was EUR 0.3 (15.4) million. The decrease in EBITDA year-on-year was caused by the multiplier effects of the war in Ukraine, lower volumes in the Olkiluoto nuclear power plant project, and partly by the ramp-up costs related to the integration of Enersense Offshore. In the comparison period, EBITDA includes the recognition of EUR 7.3 million in negative goodwill from the favourable acquisition of Enersense Offshore Oy.

The average number of personnel in the Smart Industry segment was 638 769)person-years during the review period. The decline was mainly due to the decrease in the volumes of the Olkiluoto 3 project. In November 2022, Smart Industry segments head count increased by over 250 due to business transfer transaction with energy company Helen. This is not yet visible in the average number of head count for the full year. At the end of 2022, the head count of Smart Industry segment was 756.

Order backlog

The Smart Industry segment's order backlog stood at EUR 172 (56) million. Order backlog grew by EUR116 million or 207,1% year-on-year. The order backlog increased in all business units. The most significant growth came from the transfer of operation and maintenance services from the energy company Helen in a business transfer in the third quarter. In the fourth quarter, the company also received its first order related to offshore wind power projects. At the end of the year, the order backlog was EUR 16 million higher than at the end of the third quarter of 2022.

Significant orders received during the financial period included, for example, the following:

An order in December (press release on 23 December 2022) from the Danish Bladt Industries AS for structural components for three offshore substations. The project started with engineering and planning in December 2022, and the components will be delivered to Bladt Industries in Denmark in several batches between the fourth quarter of 2023 and the second quarter of 2024.

An extensive agreement (4 + 2 + 2 years) with the energy company Helen in August (stock exchange release on 31 August 2022) on strategic cooperation related to operation and maintenance, through which Helen will purchase operation and maintenance services for, for example, four power plants, 15 heating plants, six cooling and heat pump plants, more than 1,500 kilometres of district heating and cooling networks and around 60 kilometres of energy tunnels in the Helsinki metropolitan area. The maximum value of the acquisition is EUR 200 million, including the options to extend the agreement. On 11 October 2022, the Finnish Competition and Consumer Authority approved the business transfer related to the arrangement, and the agreement entered into force on 1 November 2022. The value of the agreement, excluding the optional years, has been recognised in the Smart Industry segment's order backlog.

A new agreement with Rauma Marine Constructions (RMC) in July (press release on 21 July 2022) on outfitting work for two new ferries at the Rauma shipyard. The agreement covers steel and pipeline installations and insulation work in the most demanding technical facilities (such as the main engine room and LNG tank area) of the ships ordered by TT-Line Company. The new agreement is a significant project for Enersense's Smart Works business. Its employment impact on the business operations is more than 150 person-years, and it strengthens Enersense's order backlog until the end of 2024.

In June (press release on 22 June 2022), an agreement with the Norwegian Drammen Yard, which sells and leases offshore wind power services, on the manufacture and delivery of four cable coil turntables to Norway. The turntables will be used for the manufacture and installation of electrical cables for wind power plants in demanding offshore conditions, for example. The cable coil turntables will be manufactured in Mäntyluoto in Pori and will be delivered in May–July 2023.

An agreement signed with Nordec Oy in April (press release on 28 April 2022) concerning surface treatment work related to steel structures and part of the welding work on the construction site of the Kruunuvuori bridge project in Helsinki. Nordec Oy serves as the steel structure contractor in the project.

POWER

The Power segment helps customers implement the energy transition through services that cover the entire life cycle of the energy sector. The services include the project development, design, construction and maintenance of transmission grids, electric substations, wind farms and solar farms. The segment also provides solutions for charging systems for electrically powered transport and electricity storage and is making significant investments in starting its own renewable energy production.

MEUR	1-12/2022	1-12/2021	Change-%
Revenue	61.0	49.1	24.1
EBITDA	19.2	2.4	692.9
EBITDA-%	31.5	4.9	
Order backlog	70	52	34,4
Personnel (FTE)	172	156	

January–December 2022

The Power segment's business growth drivers are strong, which continued to be reflected in the good level of demand during the financial period. The impacts of the coronavirus pandemic on the Power segment's operating environment have been minor.

The Power segment's revenue increased by 24.1% and was EUR 61.0 (49.1) million. The growth was driven by higher volumes in high-voltage transmission grid projects in particular.

The Power segment's EBITDA increased by 692.9% and was EUR 19.2 (2.4) million. The growth was driven by higher revenue and successful project management, as well as the recognitions from wind power projects. Recognitions in the EBITDA from wind power projects totalled EUR 14 million. EBITDA includes also a EUR 2.1 million recognition of negative goodwill from the acquisition of Megatuuli Oy. The Power segment's profitability has been good despite the cost increases caused by inflation, and its improved result reflects its investments in renewable energy projects.

The average number of personnel in the Power segment was 172 (156) person-years during the review period.

Wind and solar power project development

The development of Enersense's onshore wind power project portfolio was accelerated during 2022. At the end of 2022, the project portfolio was around 8,000 MW (9/2022: 3,000 MW), of which 1,500 MW will be developed in cooperation with Valorem. The projects in the feasibility study phase total around 6,500 MW, and projects totalling 1,400 MW are in the permit, land use and EIA phase.

The projects previously developed by Enersense's subsidiary Megatuuli Oy that have progressed to the construction and operation phase total 350 MW. For these projects, Enersense will receive development fees during 2022–2025, as announced on 3 February 2022.

Development of Enersense's solar power project portfolio was launched in 2022 and the size of the portfolio is around 60 MW. Enersense's renewable energy project development portfolio of approximately 8,000 MW enables the company to develop energy production of its own.

Order backlog

Demand in the Power segment continued to be strong, and the order backlog increased as expected from 2021.

The Power segment's order backlog stood at EUR 70 (52) million at the end of 2022. Its order backlog grew by EUR 18 million or 34.4% year-on-year. At the end of the year, the order backlog was EUR 5 million higher than at the end of the third quarter of 2022.

Significant orders received during the financial period included, for example, the following:

An order from the Swedish Drivmedelsteknik in December (press release on 22 December 2022) for four heavy-duty fast-charging sites for e-trucks. The contract includes an option for a fifth site. Including the option, the total value of the contract is more than EUR 1 million. The sites will be delivered in May and June 2023. The order is the first significant opening in the international markets for Unified Chargers, a Finnish manufacturer of fast charging stations and high-performance charging stations for electric cars.

A contract won in Fingrid's public procurement tendering in November (press release on 11 November 2022) concerning the construction of the Framnäs substation in Kirkkonummi. The switchgear will be implemented using climate-friendly SF6-free technology. The value of the contract is around EUR 3.5 million.

A contract won in Fingrid's public procurement tendering in October (press release on 17 October 2022) concerning a power line project in the Oulu region. The project will improve transmission capacity in the

Sea Lapland region and enable the connection of wind power to the grid. The project is estimated to take around two years to complete. The value of the contract is around EUR 7 million.

A main contractor agreement in September (press release on 7 September 2022) concerning Fingrid's Simojoki substation expansion project. The project is estimated to take around two years to complete, and its value is around EUR 12 million.

A contract won in Fingrid's tendering process in June (press release on 29 June 2022) concerning power line arrangements for the Valkeus substation and the replacement of the overhead earth wire for the Pirttikoski-Kokkosniva line. The construction work started at the beginning of 2023, and the project is scheduled to be handed over to the customer in the autumn of 2023.

A contract won in Elenia's tendering process in June (press release on 17 June 2022) concerning the construction of a new electricity transmission connection. The new power line will be around 24 kilometres long, and it will enable wind power to be connected to the electricity network in the region. The construction started in the autumn of 2022, and the project is scheduled to be handed over to the customer in late 2023.

A contract won in Fingrid's public procurement tendering in May (press release on 17 May 2022) concerning the Pyhänselkä–Herva section of the Aurora Line. The Aurora Line is a new electricity transmission link between Finland and northern Sweden. The construction started in the autumn of 2022, and the project is scheduled to be handed over to the customer in late 2024. The value of the contract is around EUR 16 million.

An agreement signed with the British renewable energy company Low Carbon in April (press release on 4 April 2022) concerning the construction of the Mörknässkogen wind farm in Vöyri. The wind farm consists of five power plants. Its construction began in the summer of 2022, and the project is scheduled to be completed in the autumn of 2023. Enersense's delivery includes the construction of roads and lifting areas in the farm, power plant foundations, the internal network and the substation as a turnkey delivery. The value of the contract is around EUR 7 million.

An agreement signed in March (press release on 17 March 2022) with Gigawatti Oy, the company responsible for S Group's wind power production, concerning maintenance and repair services for wind farms for 2022–2027. The agreement covers the wind farms' power lines and substations, as well as electrical and telecommunications networks. S Group is Finland's third largest producer of wind power, and Gigawatti Oy has a wind power portfolio of 271 MW. With the agreement, Enersense's maintenance operations will cover 1,600 MW, which is more than 50% of Finland's wind power.

A contract won in Fingrid's tendering process in January (press release on 21 January 2022) concerning power line arrangements in Savilahti, Kuopio. The contract includes the dismantling of the existing power lines of Fingrid and Kuopion Sähköverkko Oy and the construction of the new power lines, as well as the construction of a new landscape tower, 'Viäntö', which represents innovative design. The project was completed in November 2022.

CONNECTIVITY

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

MEUR	1-12/2022	1-12/2021	Change-%
Revenue	47.2	45.3	4.2
EBITDA	0.4	1.6	-76.8
EBITDA-%	0.8	3.4	
Order backlog	57	64	-11.0
Personnel (FTE)	347	345	

January–December 2022

In the first half of the year, operations were affected by the strike in the ICT sector, which caused major interruptions in production. The situation normalised during the final quarter of the year. Demand for fixed Fiber To The Home (FTTH) network projects increased considerably towards the end of the year.

The Connectivity segment's revenue increased by 4.2% and was EUR 47.2 (45.3) million.

The Connectivity segment's EBITDA decreased by 76.8% and was EUR 0.4 (1.6) million. Higher labour and material costs caused by inflation, a shortage of materials and the long strike in the ICT sector had a negative impact on EBITDA. In addition to this, EBITDA was burdened by costs relating to Voimatel acquisition preparations. Enersense announced in February 2023 that it withdraws from the acquisition.

Discussions have been carried out with customers on transferring the increase in costs to sales prices, but a full transfer to customer prices has not been possible. The transfer of price increases to customer prices is a key part of Connectivity's profitability improvement programme. In addition, the segment continues to implement extensive measures to achieve smooth and uninterrupted production and project deliveries.

The average number of personnel in the Connectivity segment was 347 (345) person-years during the review period.

Order backlog

The Connectivity segment's order backlog stood at EUR 57 (64) million at the end of 2022. Its order backlog decreased by EUR 8 million or 12.0% year-on-year. Compared with the end of the third quarter of 2022, its order backlog grew by EUR 14 million.

Due to the nature of the business operations, the order backlog does not grow steadily, because the majority of sales come from long-term framework agreements that are valid for several years.

Demand picked up during the financial period, especially in fixed Fiber To The Home (FTTH) network projects. One of the most significant orders received was a project agreement signed in December (stock exchange release, insider information on 9 December 2022) with Elisa, a Finnish telecom operator and provider of digital services, concerning the construction of Elisa's optical fibre network as a turnkey delivery. The project is part of Elisa's optical fibre network construction programme, and is scheduled for 2023–2025. Enersense's turnkey delivery includes project management, network design and construction, materials logistics and customer deliveries. The total value of the project is around EUR 30 million.

INTERNATIONAL OPERATIONS

The International Operations segment includes Enersense's international business operations in Germany, France, the United Kingdom and the Baltic countries.

MEUR	1-12/2022	1-12/2021	Change-%
Revenue	87.0	59.0	47.5
EBITDA	-3.9	1.7	-335.1
EBITDA-%	-4.5	2.8	
Order backlog	116	120	-2,9
Personnel (FTE)	590	579	

January–December 2022

The Russian attack on Ukraine in February 2022 and its impacts – such as the reduced availability of certain materials, the reorganisation of supply chains and high inflation rate – were reflected in the International Operations segment's operating environment in 2022. However, business demand drivers

have remained unchanged, which kept short-term demand at a high level. Business growth was limited by a lack of resources.

The International Operations segment's revenue increased by 47.5% and was EUR 87.0 (59.0) million. Revenue increased in the Baltic countries.

EBITDA fell into negative figures and was EUR -3.9 (1.7) million. EBITDA was burdened by a weak first half of the year and a EUR 3.5 million loss was booked related to certain projects, the profitability of which was burdened mainly due to high inflation in the Baltics. As to other on-going projects, compensation regarding inflation has been agreed with customers, and inflation has been taken into account in new contracts.

The average number of personnel in the International Operations segment was 590 (579) person-years during the review period.

Order backlog

The International Operations segment's order backlog stood at EUR 116 (120) million. Its order backlog decreased by EUR 4 million from the corresponding period of 2021 and EUR 5 from the third quarter of 2022. The level of orders received remained stable. Due to the nature of the business operations, the order backlog does not grow steadily, because the majority of sales come from major framework agreements and long-term projects that are valid for several years.

Significant orders received during the financial period included, for example, the following:

Two follow-up agreements signed with Enefit Connect in November (press release on 15 November 2022) concerning the maintenance of electricity networks. The agreements include the maintenance of electricity distribution networks, as well as troubleshooting and connecting solar parks in Estonia's Pärnu and Tartu-Jõgeva areas to the electricity distribution network. The work began in January 2023 in cooperation with Clougrupp and Terasteenused, Estonian companies specialising in electrical installations. The total value of the contracts is EUR 10.1 million, of which Enersense accounts for around EUR 5–6 million. The contracts will expire by the end of 2025.

A new agreement signed with the Latvian transmission system operator AS Augstsprieguma tīkls (AST) in October (press release on 5 October 2022) concerning the installation of synchronisation and inertial equipment in the electricity system on three sites in Latvia. The assignment will be carried out by a consortium between Enersense and an international energy company. Enersense will be responsible for the design and construction of the synchronous condenser stations, the construction of the access roads, the supply of materials and the installation work. Enersense's share of the contract is more than EUR 15 million.

An agreement signed with Siemens Energy in July (press release on 14 July 2022) concerning coatings for the Leipheim remote-controlled gas power plant under construction in southern Germany. The gas power plant is scheduled to be commissioned in August 2023.

A framework agreement signed with Svenska kraftnät, Sweden's national grid operator, in July (press release on 5 July 2022) concerning renovation and renewal work covering almost 30% of the Swedish national grid over a period of eight years.

A follow-up agreement signed with Enefit Connect in June (press release on 23 June 2022) concerning the maintenance of the electricity networks of Elektrilevi, Estonia's largest network operator. The two-year agreement includes the maintenance of electricity distribution networks, as well as troubleshooting, in the Saaremaa and Hiiumaa regions. The work started in July 2022. The value of the agreement is around EUR 6.4 million.

Group personnel

Enersense mainly operates in Finland, Germany, France, the United Kingdom and the Baltic countries. The Group had an average of 1,836 (1,942) employees during the review period.

The decrease in personnel was mainly due to a decline in the Smart Industry segment's volumes following the completion of the Olkiluoto 3 project. On the other hand, in November 2022, Smart Industry segments head count increased by over 250 due to a business transfer transaction which is not yet visible in the average number of head count.

At the end of 2022, the Group's total head count was 1,995.

Person-years (average over the period)

	1-12/2022	1-12/2021
Smart Industry	638	769
Power	172	156
Connectivity	347	345
International	590	579
Other	90	93
Group total	1,836	1,942

Governance

Enersense's Corporate Governance Statement as well as the Remuneration report for 2022 are published simultaneously with, but separately from, the Board of Directors' Report and they are available at www.enersense.com/investors/.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of Enersense International Plc was held on 4 April 2022. The AGM was held by applying exceptional meeting practices in accordance with the temporary Act of Parliament (375/2021) adopted to limit the spread of the COVID-19 pandemic.

The AGM adopted the financial statements for the financial period 1 January to 31 December 2021, including the consolidated financial statements. The AGM discharged the members of the Board of Directors and the CEO from liability for the financial period 1 January to 31 December 2021.

The AGM decided that, based on the balance sheet adopted for the financial period 1 January to 31 December 2021, a dividend of EUR 0.10 per share should be paid from the distributable funds of the company for the total amount of EUR 1,599,606.00, calculated on the basis of the outstanding shares on the date of the notice convening the Annual General Meeting. The dividend was decided to be paid in two installments: in May and November 2022.

The AGM was in favour of all the proposals made to the AGM. It approved the remuneration report and the remuneration policy for the company's governing bodies, in terms of which the resolution is advisory under the Limited Liability Companies Act.

The AGM authorised the Board to decide on the issue of shares against payment, as well as the issue of option rights and other special rights entitling their holders to shares under chapter 10, section 1 of the Limited Liability Companies Act, or combinations of all or some of the above, in one or more installments.

The AGM authorised the Board to decide on the acquisition and/or acceptance as pledge of the company's own shares.

More information about the authorisations granted to the Board of Directors is provided under "Authorisations of the Board of Directors" in this report.

The AGM decided that the Board of Directors should consist of six (6) members.

The AGM decided that KPMG Oy Ab, Authorised Public Accountants, should continue as the auditor, with Heli Tuuri, APA, as the principal auditor. The auditor's term of office ends at the close of the next AGM. The auditor will be paid a fee against a reasonable invoice approved by the Audit Committee.

More information about the resolutions of the AGM is provided in a stock exchange release issued on 4 April 2022 and on the company's website at www.enersense.com/investors/governance/general-meeting/.

BOARD OF DIRECTORS

In accordance with the proposal of the Shareholders' Nomination Board, the 2022 Annual General Meeting (AGM) decided to re-elect Jaakko Eskola, Sirpa-Helena Sormunen, Herkko Plit, Sari Helander, Päivi Jokinen and Petri Suokas as Board members. The Board members' term of office ends at the close of the first AGM following their election.

At its inaugural meeting immediately after the AGM, in accordance with the recommendation of the Nomination Board, the Board re-elected Jaakko Eskola as its Chair and elected Sirpa-Helena Sormunen as its Vice Chair.

In addition, from among its members, the Board elected Sari Helander as Chair of the Audit Committee and Päivi Jokinen and Petri Suokas as the other members of the Audit Committee.

Herkko Plit was elected as Chair of the Remuneration Committee, and Jaakko Eskola and Sirpa-Helena Sormunen were elected as the other members of the Remuneration Committee.

In accordance with the proposal of the Shareholders' Nomination Board, the AGM decided on the Board members' fees as follows:

- Annual fee of EUR 40,000 for the Chair
- Annual fee of EUR 30,000 for the Vice Chair
- Annual fee of EUR 25,000 for each member.

In addition, meeting fees for each meeting of the Board of Directors and its committees will be paid as follows:

- EUR 1,000 for Chairs of the Board of Directors and its committees
- EUR 500 for other members.

Travel expenses are reimbursed in accordance with the company's current travel policy.

EXTRAORDINARY GENERAL MEETINGS

Extraordinary General Meeting on 11 January 2022

Enersense International Plc held an Extraordinary General Meeting (EGM) on 11 January 2022. The EGM was held by applying exceptional meeting practices in accordance with the temporary Act of Parliament (375/2021) adopted to limit the spread of the COVID-19 pandemic.

The EGM decided, in accordance with the Board of Directors' proposal, to amend Section 3 of the Articles of Association, to authorise the Board of Directors to decide on the issue of shares for a directed share issue for the shareholders in Megatuuli Oy in proportion to the number of shares with voting rights in Megatuuli Oy that they sold in connection with the acquisition, to authorise the Board of Directors to accept the company's own shares as pledge and to transfer shares accepted as pledge.

More information about the authorisations granted to the Board of Directors is provided under "Authorisations of the Board of Directors" in this report.

Extraordinary General Meeting on 10 November 2022

Enersense International Plc held an Extraordinary General Meeting (EGM) in Pori on 10 November 2022.

The EGM decided to amend Section 7 of the Articles of Association and approve the merger by absorption of MBÅ Invest Oy.

As merger consideration, the shareholders in MBÅ Invest will receive new shares in Enersense in proportion to their current holdings. The merger as a whole and the provision of shares as merger consideration are conditional and will enter into force in connection with the registration of the merger. The planned date of implementation of the merger is estimated at 1 April 2023.

More information about the merger of MBÅ Invest with Enersense International Plc is provided in a stock exchange release issued on 23 September 2022.

In accordance with the Board of Directors' proposal, the EGM authorised the Board to decide on the issue of shares against payment, as well as the issue of option rights and other special rights entitling their holders to shares under chapter 10, section 1 of the Limited Liability Companies Act, or combinations of all or some of the above, in one or more installments.

More information about the authorisations granted to the Board of Directors is provided under "Authorisations of the Board of Directors" in this report.

Extraordinary General Meeting on 23 December 2022

Enersense International Plc held an Extraordinary General Meeting (EGM) in Helsinki on 23 December 2022. Its shareholders were also able to exercise their shareholder rights by voting in advance or by proxy.

In accordance with the Board of Directors' proposal, the EGM decided to authorise the Board to decide on the issue of special rights entitling their holders to shares in the company to the original subscribers of the company's EUR 26 million unsecured senior contingent convertible bond maturing on 15 January 2027 and/or those who had purchased convertible notes after subscription, so that the notes can be converted into shares in accordance with the terms and conditions of the notes.

More information about the authorisations granted to the Board of Directors is provided under "Authorisations of the Board of Directors" in this report.

The resolutions of the EGMs and the meeting documents are available on the company's website at www.enersense.com/investors/governance/general-meeting/.

AUTHORISATIONS OF THE BOARD OF DIRECTORS

Authorisations to issue shares

Enersense International Plc's Extraordinary General Meeting on 11 January 2022 authorised the Board of Directors to issue new shares in deviation from the shareholders' pre-emptive subscription right by means of a directed share issue to implement the acquisition of Megatuuli Oy. The maximum number of shares to be issued through the directed share issue is 2,675,000, which corresponds to around 19.9% of all the shares in the company on the date of General Meeting and 16.6% of all the shares in the company following the completion of the acquisition. The Board was granted the right to decide on all the terms and conditions of the directed share issue.

Enersense International Plc's Annual General Meeting on 4 April 2022 authorised the Board of Directors to decide on share issues in accordance with the Board's proposal. The maximum number of shares to be issued based on the authorisation is 1,599,600, which corresponds to around 10% of the total number of shares in the company at the time of the notice of the Annual General Meeting. The Board was granted the right to decide on all the terms and conditions of the share issue. The authorisation can be used to finance acquisitions or other investments included in the company's business operations, as well as to maintain and increase the Group's solvency, implement incentive schemes, expand the ownership base and develop the capital structure. The authorisation is valid until the close of the next AGM, but not beyond 30 June 2023.

Enersense International Plc's Extraordinary General Meeting on 10 November 2022 authorised the Board of Directors to decide on share issues in accordance with the Board's proposal. Based on the authorisation, a maximum of 500,000 new shares in the company and/or treasury shares (including shares issued based on special rights) can be issued, which corresponds to around 3.1% of the total number of shares in the company at the time of the notice of the General Meeting. The Board was granted the right to decide on all the terms and conditions of the share issue. The authorisation can be used to finance acquisitions or other investments included in the company's business operations, as well as to maintain and increase the Group's solvency, implement incentive schemes, expand the ownership base and develop the capital structure. The authorisation does not revoke previous unused authorisations concerning share issues. The authorisation is valid until the close of the next AGM, but not beyond 30 June 2023.

In accordance with the Board of Directors' proposal, Enersense's Extraordinary General Meeting on 23 December 2022 decided to authorise the Board to decide on the issue of special rights entitling their holders to shares in the company to the original subscribers of the company's EUR 26 million unsecured senior contingent convertible bond maturing on 15 January 2027 and/or those who had purchased convertible notes after subscription, so that the notes can be converted into shares in accordance with the terms and conditions of the notes. The maximum number of shares to be issued based on special rights is 3,575,000, which corresponds to around 21.7% of the total number of shares in the company (around 18.1% when the dilution effect is taken into account).

Authorisations concerning the acquisition and/or acceptance as pledge of the company's own shares

Enersense International Plc's Extraordinary General Meeting on 11 January 2022 authorised the Board of Directors to decide on the acceptance as pledge of the company's own shares and the transfer of shares accepted as pledge in accordance with the Board's proposal. Based on the authorisation, a maximum of 668,750 shares can be accepted, but not more than 10% of the total number of shares in the company. The Board decides how the shares will be accepted as pledge. The authorisation is valid until 29 June 2023.

Enersense International Plc's Annual General Meeting on 4 April 2022 authorised the Board of Directors to decide on the acquisition and/or acceptance as pledge of the company's own shares in accordance with the Board's proposal. Based on the authorisation, a maximum of 799,800 shares can be acquired and/or accepted as pledge, which corresponds to around 5% of the total number of shares in the company at the time of the notice of the Annual General Meeting. The Board decides how the shares will be acquired and/or accepted as pledge. The authorisation is valid until the close of the next AGM, but not beyond 30 June 2023. The Board of Directors did not use the authorisation during the financial period.

SHARE ISSUES

On 31 January 2022, Enersense announced that it had carried out a directed share issue conditional on the completion of the acquisition of Megatuuli Oy. The completion of the acquisition was announced on 1 February 2022. In connection with the acquisition, a total of 2,598,331 new shares in Enersense were provided as consideration to the sellers and subscribed for against the transfer of voting shares in Megatuuli. Based on the decision of Enersense's Board of Directors, the share issue was carried out in

deviation from the shareholders' pre-emptive right in accordance with the authorisation granted by the Extraordinary General Meeting on 11 January 2022.

Enersense announced on 20 June 2022 that it had signed an agreement to acquire all outstanding shares in Voimatel Oy, a company specialising in critical infrastructure and energy services, through an exchange of shares from KPY Cooperative, the owner of Voimatel Oy. The acquisition is conditional on approval from the Finnish Consumer and Competition Authority and the fulfillment of standard conditions for acquisitions. In connection with signing the deed of sale, Enersense carried out a directed share issue, through which Enersense's Board of Directors decided to issue, based on the authorisation granted by the Annual General Meeting on 4 April 2022, a maximum of 297,297 new shares to be subscribed for KPY Cooperative in deviation from the shareholders' pre-emptive right. The share issue was executed on 28 June 2022.

On 15 November 2022, Enersense announced that it had completed the acquisition of the entire share capital of Unified Chargers Oy. To pay the purchase price, through a directed share issue carried out in connection with the transaction, Enersense issued a total of 199,174 new shares in Enersense through an exchange of shares to be subscribed for by the shareholders of Unified Chargers Oy. Based on the decision of Enersense's Board of Directors, the share issue was carried out in deviation from the shareholders' pre-emptive right in accordance with the authorisation granted by the Extraordinary General Meeting on 10 November 2022.

On 23 December 2022, Enersense announced that its Board of Directors had decided, based on an authorisation granted by the Extraordinary General Meeting held on 23 December 2022, to issue 260 special rights entitling their holders to shares in the company under chapter 10, section 1 of the Limited Liability Companies Act. The special rights were granted free of charge, in deviation from the shareholders' pre-emptive subscription right, to the original subscribers of the company's EUR 26 million unsecured senior contingent convertible bond maturing on 15 January 2027 and/or those who had purchased convertible notes after subscription. The special rights are tied to the convertible notes and cannot be separated from them. The new shares to be issued by the company based on the special rights would be up to 3,250,000 shares, representing approximately 19.7% of the current total amount of Shares (approximately 16.5% on a fully diluted basis).

Share issues and changes in the number of shares in 2022

Date of registration	Event	Increase, pcs	Number of shares after the change
16 November 2022	Directed share issue: Unified Chargers	199,174	16,492,531
28 June 2022	Directed share issue: KPY Cooperative	297,297	16,293,357
1 February 2022	Directed share issue related to the acquisition of Megatuuli Oy	2,598,331	15,996,060

GROUP EXECUTIVE TEAM

At the end of 2022, Enersense's Group Executive Team consisted of the following members:

- Jussi Holopainen, President and CEO
- Mikko Jaskari, CFO
- Jaakko Leivo, EVP, Smart Industry
- Tommi Manninen, SVP, Communications and Public Affairs
- Hanna Reijonen, SVP, HR
- Juha Silvola, EVP, Power; Acting EVP, Connectivity
- Sami Takila, SVP, Legal, since 1 July 2022
- Margus Veensalu, EVP, International Operations

Johanna Nurkkala served as SVP, Legal, and a member of the Group Executive Team until 19 April 2022.

Shares and share trading

Shares in Enersense International Plc are traded on the Nasdaq Helsinki under ticker symbol ESENSE (ISIN code FI4000301585).

SHARE CAPITAL AND SHARES

At the end of the financial period, the company's share capital consisted of 16,492,531 shares, each of which provided its holder with one vote. The company's share capital was EUR 80,000 at the end of the financial period.

OWNERSHIP STRUCTURE

The number of registered shareholders in Enersense was 6,844 (6,957) at the end of 2022. The ten largest shareholders accounted for 71.33% of all shares on 31 December 2022. The proportion of book-entry shares was 0.7%.

More information about Enersense's largest shareholders and ownership structure is available in the section Shares and shareholders on page 56.

On 23 September 2022, Enersense International Plc and MBÅ Invest Oy signed an agreement on the merger of MBÅ Invest, Enersense's second largest shareholder, with Enersense International Plc. The purpose of the merger is to increase the transparency and equality of ownership and governance and simplify Enersense's ownership structure. MBÅ Invest's owners include members of Enersense's management and external investors. On 10 November 2022, Enersense International Plc's Extraordinary General Meeting decided to approve the merger by absorption of MBÅ Invest Oy in accordance with the merger plan registered on 23 September 2022 in the Trade Register maintained by the Finnish Patent and Registration Office, with no amendments. It is estimated that the merger will be completed by 1 April 2023.

MBÅ Invest Oy's proportion of all the shares in Enersense was 13.19% on 31 December 2022.

More information about the merger is provided in a stock exchange release at www.enersense.com/releases/enersense-international-plc-and-mba-invest-oy-have-signed-a-combination-agreement-concerning-the-merger-of-mba-invest-oy-with-enersense-international-plc/.

Management holdings

The members of the Board of Directors, the President and CEO, the members of the Group Executive Team and their controlled entities held a total of 464,945 shares at the end of the financial period, which represented 2.8% of all the shares in the Enersense International Plc on 31 December 2021.

In addition, Petri Suokas, a member of the Board of Directors, Jussi Holopainen, President and CEO, and Jaakko Leivo, a member of the Group Executive Team, held a total of 2,176,072 shares through MBÅ Invest, their related party company, at the end of the financial period, which represented 13.19% of all the shares in Enersense International Plc on 31 December 2022. More information about the management's and Board members' holdings is available on the company's website at www.enersense.com/investors/governance/.

Flagging notifications

During the review period, Enersense received nine flagging notifications in accordance with chapter 9, section 5 of the Securities Markets Act.

1. The shareholding of Joensuun Kauppa ja Kone Oy, an entity controlled by Kyösti Kakkonen, decreased to 8.64% of all shares and votes in Enersense on 1 February 2022.

2. The shareholding of MBÅ Invest Oy decreased to 14.09% of all shares and votes in Enersense on 1 February 2022.
3. The shareholding of Janne Vertanen and his controlled entities decreased to 8.57% of all shares and votes in Enersense on 1 February 2022.
4. The shareholding of Tomi Hyttinen and Taloustieto Incrementum Oy, an entity controlled by Tomi Hyttinen, decreased to 4.77% of all shares and votes in Enersense on 1 February 2022.
5. The shareholding of Verman Group Oy decreased to 8.40% of all shares and votes in Enersense on 1 February 2022.
6. The shareholding of Nidoco Ab, which belongs to the Virala Oy Ab Group, increased to 23.88% of all shares and votes in Enersense on 22 March 2022.
7. The shareholding of Nidoco Ab, which belongs to the Virala Oy Ab Group, increased to 25.01% of all shares and votes in Enersense on 16 June 2022.
8. The shareholding of Joensuun Kauppa ja Kone Oy, an entity controlled by Kyösti Kakkonen, decreased to 4.81% of all shares and votes in Enersense International Plc on 31 August 2022.
9. The shareholding of Ensto Invest Oy increased to 5.22% of all shares and votes in Enersense International Plc on 7 September 2022.

TREASURY SHARES

The company holds no treasury shares.

MARKET CAPITALISATION AND SHARE TURNOVER

Shares in Enersense International Plc are traded on the Nasdaq Helsinki under ticker symbol ESENSE (ISIN code FI4000301585). The market value of Enersense's shares was EUR 93.8 (91.6) million 31 December 2022.

The closing price of the shares was EUR 5.69 (6.84) on 31 December 2022. The volume-weighted average price (VWAP) of the shares during the review period was EUR 6.80 (8.63). The highest price was EUR 8.22 (12.00), and the lowest price was EUR 5.22 (5.96). The price of the share decreased by 7.9% from the end of 2021. During the review period, around 5.7 million shares in Enersense were traded on the Nasdaq Helsinki stock exchange, which corresponds to a turnover of around EUR 38.8 million. The average daily share turnover was 22,579 shares, which corresponds to an average daily turnover of around EUR 0.15 million.

SHARE-BASED INCENTIVE SCHEMES

Enersense International Plc's Board of Directors decided in February 2022 on two new share-based incentive schemes for the Group's key personnel. The purpose is to align the key personnel's goals with those of the shareholders to increase the company's value in the long term and to engage key personnel in the company and provide them with competitive incentive schemes based on earning and accumulating shares in the company.

Share-based incentive scheme for 2022–2025

The share-based incentive scheme for 2022–2025 has one performance period, which consists of the 2022–2023 financial years. Rewards within the scheme will be based on the total absolute return on the company's share for the 2022–2023 financial years, the Group's cumulative euro-denominated adjusted EBITDA for the 2022–2023 financial years and the share of renewable and zero-emission energy of

revenue. The rewards to be paid in accordance with the scheme are estimated at the value of a maximum of 211,000 shares in Enersense International Plc, including the cash portion.

The target group of the scheme consists of around 40 people, including the President and CEO and the other members of Enersense International Plc's Group Executive Team.

Restricted share plan for 2022–2024

Rewards within the restricted share plan for 2022–2024 are based on a valid employment contract or executive agreement and the continuation of the employment or service relationship during the vesting period. Rewards will be paid after the vesting period, which lasts for 24 to 36 months. The plan is only intended for specifically designated key people.

The rewards to be allocated based on the restricted share plan for 2022–2024 correspond to the value of a maximum of 10,000 shares in Enersense International Plc, including the cash portion.

By end of the fiscal year this share plan was not in place.

More information about the company's share-based incentive schemes is provided in a stock exchange release issued on 28 February 2022.

Related party transactions

MBÅ Invest Oy

On 23 September 2022, Enersense International Plc and MBÅ Invest Oy signed an agreement on the merger of MBÅ Invest, Enersense's second largest shareholder, with Enersense International Plc. The merger constitutes a related party transaction for Enersense, because MBÅ Invest is a related party entity that exercises significant control over Enersense. In addition, Petri Suokas, a member of Enersense's Board of Directors, Jussi Holopainen, Enersense's President and CEO, and Jaakko Leivo, a member of Enersense's Group Executive Team, are shareholders of MBÅ Invest. Petri Suokas and Jussi Holopainen also serve as members of MBÅ Invest's Board of Directors.

Enersense's Board of Directors has estimated that the related party transaction is in line with the company's interests and is subject to standard commercial terms. Petri Suokas, Jussi Holopainen and Jaakko Leivo have not participated in discussions or decision-making concerning the merger on Enersense's Board of Directors. The related party transaction is supported by all Board members who are not in a related party relationship with MBÅ Invest or the matter to be decided on. It is estimated that the merger will be completed by 1 April 2023.

P2X Solutions Oy

In December 2021, the company announced an agreement on an equity investment in P2X Solutions Oy, a producer of green hydrogen. The investment was implemented in February 2022 at around EUR 13 million, of which EUR 10.4 million was paid by 31 December 2022. In connection with the investment, Enersense subscribed for new shares in P2X so that its holding in P2X is around 16.3% after any options. Herkko Plit, a member of Enersense's Board of Directors, is one of the largest shareholders in P2X through a company in which he exercises control, and he exercises joint control in P2X. Enersense treats P2X as an associated company. In addition to its shareholding, Enersense holds a seat at P2X's Board.

More detailed description of related party transactions in Note 26 to the financial statements.

Business strategy and long-term financial targets

Enersense is a key contributor to the energy transition through its profitable and growing business operations. Enersense's strategic goal is to expand in the value chain from being a broad-based service company in the energy sector to being a producer of zero-emission energy and a key green energy company. Enersense's strategic focus areas for 2023–2027 are:

Capture growth in energy transition

Enersense focuses on growth in energy transition by building wind and solar PV generation business, penetrating offshore wind foundation markets, and ramping up EV charging business. Opportunities in energy storage are also examined.

Develop and maintain efficient core business operations

Continuous improvement of the end-to-end business operations are ensured in order to drive customer value, competitiveness and profitability. Smooth integration of acquired businesses is also ensured.

Ensure skilled people and expertise to make a difference

The best expertise and competences for current and new businesses is built, and new talents are acquired to join the company to fill the identified gaps.

Develop and accelerate Enersense way of working (eWoW)

Company wide leadership principles, common operational model, and digitalized processes across the businesses are built to provide solid foundation for growth.

Develop ESG as core of Enersense's operations

Environmental, social and governance targets and actions are developed and deployed in the core of business to foster responsibility, and to comply with regulatory, customer and investor requirements. In 2023, Enersense aims to create a carbon roadmap that gives guidelines to reaching carbon neutrality by 2030.

TARGET IN 2027	SITUATION IN 2022
Revenue of EUR 500 million, of which <ul style="list-style-type: none"> • strategic development projects 100 MEUR • own energy production 100 MEUR • core business operations 300 MEUR. 	The Group's revenue, 268 MEUR, mainly consists of revenue from its core business operations.
EBITDA of EUR 100 million, of which <ul style="list-style-type: none"> • strategic development projects 35 MEUR • own energy production 35 MEUR • core business operations 30 MEUR. 	The Group's adjusted EBITDA, 13.7 MEUR.
Proportion of zero-emission and low-emission projects ¹⁾ of revenue: 75–80%.	Proportion of zero-emission and low-emission projects of revenue: 66%.
Own energy production in total 600–700 MW.	For the time being, the company has no energy production of its own. Onshore wind power project development portfolio increased to 8,000 MW (9/2022: 3,000 MW), which gives a solid ground on which to build our own production.
Dividend policy: The company's goal is to distribute at least 30% of earnings per share as dividends.	Enersense's Board of Directors proposes to the Annual General Meeting to be held on 4 April 2023 that funds be distributed as a return of capital of EUR 0.10 to shareholders.

¹⁾ Enersense's own Key Performance Indicator "Proportion of zero-emission and low-emission projects of revenue" includes all such Enersense's business activities which the company has defined as taxonomy eligible according to the EU taxonomy for sustainable finance. In addition to this, the KPI includes such Enersense's business activities which, according to the company's evaluation, contribute to the energy transition and improve the energy efficiency of Enersense's customers business activities, but which, according to current evaluation, are not taxonomy eligible. These activities include Enersense's business activities relating to nuclear power, mobile network services and LNG-projects. Analysis on the company's taxonomy eligible and taxonomy aligned activities will be presented in the Board of Directors' Report, which will be published in week beginning on 6 March 2023.

Research and development

The Group's development expenses are related to improving production efficiency, harmonising and improving the efficiency of the ways of working and operating methods of people and processes, as well as product development through the acquisition of Unified Charger Oy. The Group has not had any research activities.

Development expenses in 2022 totalled EUR 0.7 (0.3) million, or 0.3% (0.1) of revenue. Of the development expenses, EUR 0.2 (0.3) million were recognised as costs in the income statement, and EUR 0.6 (0.0) million were capitalised on the balance sheet, of which EUR 0.6 million were through acquisitions.

Investments and M&A

Investments in fixed assets excluding lease liabilities totalled EUR 1.6 (0.6) million in 2022 and were mainly related to machinery and equipment.

Two financial investments supporting the company's strategy were made during the year, totalling EUR 11.2 (0.1) million.

In December 2021, the company announced an agreement on an equity investment in P2X Solutions Oy, a producer of green hydrogen. The investment was implemented in February 2022. Through P2X Solutions, Enersense is involved in reducing the emissions of heavy transport using hydrogen and synthetic fuels and in enabling electricity storage opportunities created by green hydrogen. In the summer of 2022, Enersense acquired a 10% holding in Parkkisähkö Oy, which supplies charging systems for buildings, companies and public spaces.

In 2022, investments in company and business acquisitions totalled EUR 20.3 (1.6) million, of which EUR 19.6 million was carried out through an exchange of shares. The net assets of the acquired companies totalled EUR 20.7 million and increased Enersense's goodwill by EUR 1.7 million to EUR 27.9 million.

The acquisition of Megatuuli Oy, a developer of onshore wind power projects, and the related share transaction announced in December 2021 were completed in February 2022. With the acquisition of Megatuuli, Enersense continued to expand its role in the value chain for renewable energy production projects. A business transfer between Enersense and the Helen energy company, through which certain operation and maintenance services were transferred to Enersense, was completed in October 2022. The service agreement negotiated in connection with the arrangement, through which Helen will purchase the services in question from Enersense, entered into force on 1 November 2022. In October, Enersense announced that it had further specified the focus areas of its growth strategy and would focus on zero-emission transport alongside onshore and offshore wind power and solar energy. At the same time, Enersense announced that it had acquired Unified Chargers Oy, a Finnish start-up manufacturing fast and high-power charging stations for electric vehicles. This strengthens Enersense's presence in the value chain for charging solutions for electric transport. The acquisition was completed in November 2022.

More information about M&A, branches and changes in the Group's structure is provided in Note 24 to the financial statements.

Statement of non-financial information 2022

This statement of non-financial information has been prepared in accordance with chapter 3a of the Finnish Accounting Act (1336/1997), which is based on Directive 2014/95/EU. The statement also includes the information referred to in Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088. Enersense International Plc's Board of Directors has approved the statement as part of the Board of Directors' report.

SUSTAINABILITY MANAGEMENT

Responsibilities and governance

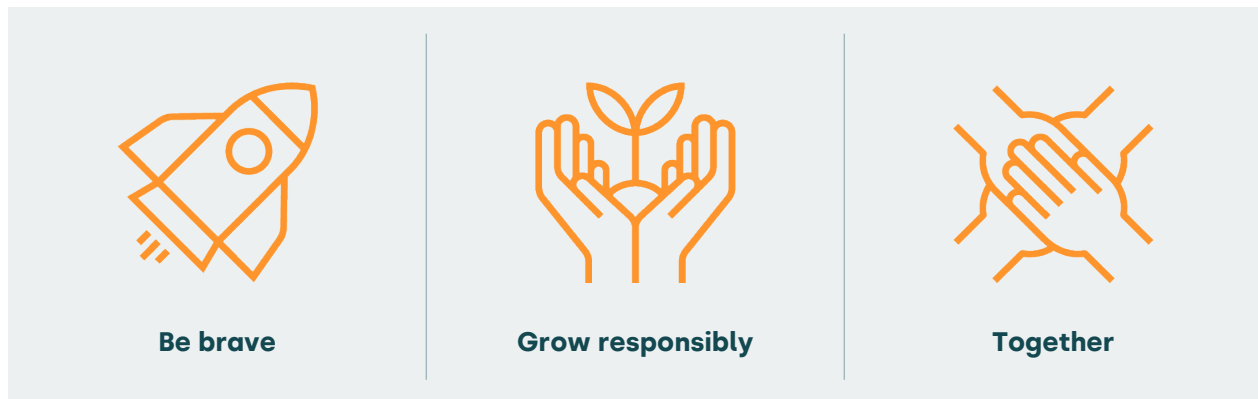
Sustainability is part of Enersense's strategy. Enersense's Board of Directors approves the company's strategy and has the highest responsibility for managing sustainability at Enersense. The Board processes and monitors matters related to sustainability as part of the strategy and reporting processes and decides on the company's long-term strategic and financial targets. Under the leadership of the President and CEO, Enersense's Group Executive Team is responsible for operational sustainability management, in addition to setting annual targets and integrating them into operations.

Guiding principles for operations

In all its operations, Enersense complies with the applicable laws, regulations and statutory requirements. In all its business operations, the company acknowledges the highest international agreements and ethical requirements, including the following key agreements and requirements:

- The UN Guiding Principles on Business and Human Rights
- The ILO Declaration on Fundamental Principles and Rights at Work
- The OECD Guidelines for Multinational Enterprises.

Enersense's operating culture is based on the company's values. In addition, the company's operating culture is based on its Code of Conduct and Supplier Code of Conduct.



The Board of Directors approves the Code of Conduct and other guidelines (policies) applicable to the whole Group. The Group Executive Team approves internal guidelines and policies concerning specific operating methods applicable to the whole Group. The company has also confirmed its Supplier Code of Conduct, which is binding on its suppliers.

The Code of Conduct specifies the common principles that Enersense's employees must follow in their day-to-day work. The Code determines Enersense's approach to ethical business practices, human and labour rights and environmental values. The jointly agreed operating principles promote profitable business operations and a culture of responsibility and integrity, prevent unlawful and unethical conduct, and strengthen our stakeholders' confidence. Every employee is responsible for studying and following the Code of Conduct. Each new employee must complete an online course related to the Code of Conduct at the beginning of their employment relationship.

Enersense requires all its suppliers to comply with good business practice and Enersense's Supplier Code of Conduct as it stands at the time in question. The Supplier Code of Conduct determines Enersense's common good business practices, which are based on its values. It also includes guidelines on compliance with laws and rules, fair competition, anti-bribery and anti-corruption, respect for human and labour rights, and environmental considerations. Suppliers must also ensure that their own suppliers and subcontractors comply with Enersense's Supplier Code of Conduct or the supplier's own, similar guidelines when providing products or services to Enersense. Enersense monitors compliance with the Code and audits its suppliers according to a prioritised plan.

Enersense's key principles and policies guiding sustainability work are as follows:

Code of Conduct	Supplier Code of Conduct	Risk management policy	Personnel policy
Occupational health and safety policy	Competition law policy	Procurement policy	Environmental policy

Enersense's management system supports the implementation of its Code of Conduct and sustainable operating culture. The management system is based on certified environmental management standards (ISO 14001:2015), occupational safety and health standards (ISO 45001:2018) and quality management standards (ISO 9001:2015).

The management system is the way in which Enersense manages, steers and continuously improves various elements of business operations to achieve its targets. The management system consists of policies, processes and operating methods. These are ways of working that have been jointly agreed on within the company.

The certification processes for the environmental system, occupational health and safety system and quality system were harmonised during 2022, and most of the Group's operations were integrated into a single certificate. At the same time, the certificates were expanded to cover a larger part of our operations. During 2023, we will explore opportunities to integrate companies that are currently separately certified or uncertified into the same process.

In terms of revenue, 98% of Enersense's operations were covered by the ISO 14001:2015, ISO 45001:2018 and ISO 9001:2015 certificates in 2022 (2021: ISO 14001 89%, ISO 45001 81% and ISO 9001 89%).

Risk management

Risk management is an integral part of day-to-day decision-making, the management system and the control and reporting procedures at Enersense. Sustainability themes are integrated into the company's risk management. Risks are assessed as part of strategic and operational processes and governance. The risk management process also takes into account the impacts caused by any external threats. Enersense follows a risk management policy approved by the Board of Directors. The policy is based on the COSO ERM framework and the ISO 31000 standard. The President and CEO and the Group Executive Team are responsible for the implementation of risk management and for ensuring sufficient resources for risk management. They report to the Board of Directors on matters related to risk management. The heads of business operations and Group functions are responsible for the appropriate organisation of risk management in their areas of responsibility.

Risks associated with the sustainability theme are discussed in the relevant sections of this statement.

The most significant risks and uncertainties related to the company's business operations are discussed in section Major risks and uncertainties on page 47.

More information about risk management at Enersense is available on the company's website at www.enersense.com/investors/governance/risk-management/.

Reporting malpractices

Enersense's whistleblowing service offers an opportunity to address any issues and report suspected misconduct or violations of the company's values, Code of Conduct and Supplier Code of Conduct confidentially. This is an important tool for reducing risks and maintaining trust, because it helps the company detect and respond to potential misconduct at an early stage.

In 2022, the company did not receive any reports on suspected violations under the Whistleblower Directive through the whistleblowing service.

KEY GUIDING SUSTAINABILITY THEMES FOR OPERATIONS

Enersense engages in appropriate and transparent dialogue with its stakeholders through various channels. In a materiality assessment carried out in 2021, taking care of people, ensuring profitable business growth and promoting the energy transition were highlighted as the most material sustainability themes guiding the Group's operations.

Based on the materiality assessment, Enersense approaches sustainability from two perspectives:

1. Sustainability impacts arising through the company's business operations

Enersense provides services that enable its customers to build a sustainable energy system and promote the production of renewable forms of energy. In the industrial sector, the company serves as its customers' partner and contributes to steering the sector's operations in a more efficient and sustainable direction through renewal. Enersense is also building critical energy and information network infrastructure for society and extending the life cycle of built infrastructure through service and maintenance operations. In terms of materiality, the sustainability impacts arising through Enersense's business operations represent the company's most significant impacts on sustainable development and its promotion.

2. Internal sustainability impacts related to the company's own operations and operating methods

The internal sustainability impacts of Enersense's own operations are primarily related to occupational safety and other HR matters. Its most significant environmental impacts arise from the energy consumption of transport, maintenance and other traffic, emissions, waste management, the handling of chemicals and the energy management of facilities. In terms of materiality, the impacts of Enersense's own operations on society and the environment are markedly smaller when compared with its work with customers.

UN Sustainable Development Goals

In accordance with the UN's 2030 Agenda for Sustainable Development, Enersense is committed to working to create a more sustainable future. The company's operations promote the following five UN Sustainable Development Goals:

	<p>We are developing renewable energy projects and our goal is also to own and produce renewable energy.</p>
	<p>We have set ambitious growth and profitability targets for our business operations, and are increasing the share of zero-emission energy in our business operations. Diversity, equality and inclusion are important parts of our management and ethical principles.</p>
	<p>We contribute to building a sustainable energy system, and we promote the production of renewable energy forms and innovative solutions related to charging infrastructure for electric vehicles and foundations for wind power plants in particular.</p>
	<p>We secure the functioning of electricity infrastructure in society, and we contribute to reducing the adverse environmental impacts of cities and towns by providing services and technology for charging infrastructure for electric vehicles.</p>
	<p>We implement services and projects related to the energy transition and data communications infrastructure, through which we are strongly involved in combatting climate change. We are also committed to reducing the climate impacts of our own operations.</p>

BUSINESS MODEL

Enersense's operating activities are divided into four business segments: Power, Connectivity, Smart Industry and International Operations.

Power

The Power segment implements the energy transition by providing customers with 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 operations include the development of wind and solar power projects independently and with partners, and the long-term goal is to remain the owner of some power plants. The business operations also include turnkey deliveries of fast charging systems for electric transport based on proprietary technologies, as well as installation and life-cycle services for electric transport related to other equipment suppliers' technologies. In the development and implementation of renewable energy projects, as well as construction and maintenance business operations, the main market area is Finland. However, the target market for electric transport is Europe and selected countries globally.

Connectivity

The business operations consist of design, installation, modernisation and life-cycle services for data communications infrastructure. Services are provided for both fixed and mobile infrastructure, and major customers include data network operators in Finland.

Smart Industry

The business operations consist of the implementation of operation and maintenance services and construction project services and the provision of resources for the industrial, maritime and energy sectors. The business operations include both long-term partnership agreements with customers and one-off projects. The main market area is Finland, but projects have also been implemented in other Nordic countries. The Smart Industry business also includes offshore business operations, which involve turnkey deliveries of foundations for wind power plants (EPC: engineering, procurement, construction) and other deliveries of large metal structures for the needs of industry and the construction sector.

International Operations

The business operations include construction and maintenance services for customers in the electricity network and telecommunications sectors. The business operations also include selected international projects in industry and the energy sector. The Baltic countries are the main market area, but projects have also been implemented in Germany, France and Great Britain, for example.

Operating environment

The energy transition and the green transition are global phenomena increasingly driven by stricter EU-level and national climate targets, the legislation and steering mechanisms related to the targets and the opportunities offered by clean, but at the same time competitive technologies. As a result of the recent changes in the geopolitical situation, much attention has also been paid to matters related to energy self-sufficiency, which also promotes the energy transition.

The climate targets and the related political and financial instruments steer investments towards energy systems based on low-emission and renewable energy. The energy transition is also driven by competitive energy production technologies, especially wind and solar power, which enable a cost-effective transition towards low emissions. The climate targets and renewable and local energy are also linked to energy self-sufficiency, and renewable energy sources can be used to end or reduce dependence on imported fossil fuels.

Energy and electricity production will be increasingly based on renewable energy sources, which means local and decentralised but also weather-dependent production. A sustainable and effective energy system calls for investments in energy production plants and transmission grids, as well as short- and long-term energy storage systems. Electricity production based on renewable energy enables the energy transition in other sectors through electrification and green hydrogen: the electrification of transport calls for charging infrastructure, emissions from industrial processes are cut through electrification or by using hydrogen instead of coal, and various heat pump solutions are used for heating buildings. In addition, industrial processes are being made more energy- and resource-efficient.

Energy systems and various end users – industry, transport and heating – will be even more closely linked together. The effective and reliable transfer of data between different sectors plays a key role in controlling, optimising and developing systems smartly and effectively. The up-to-date and reliable data transfer infrastructure of society is a key enabler of the energy transition, and its significance is highlighted during crises.

The ongoing transition is creating significant business opportunities for companies in different parts of the value chain, and the development will be accelerated by the level of ambition and goals, particularly in the EU and Finland. In the short term, uncertainty and risks may be caused by the general

economic situation, inflation, geopolitical instability and their impact on the energy markets and systems.

Risks and opportunities related to climate change

Enersense provides services for all stages of the energy transition. Through the services that the company provides to its customers, it contributes to combatting climate change and has identified both opportunities and risks in this respect.

Opportunities related to the energy transition:

The implementation of the energy transition creates a huge need for investments in clean technology and a sustainable energy system (wind power, solar power, battery storage, green hydrogen, electricity transmission, carbon capture and electrification solutions related to processes, transport and heating as well as investments in energy efficiency). Increasing weather fluctuations increase pressure to strengthen critical infrastructure such as local energy production and energy transmission, as well as storage.

Risks related to the energy transition:

Changes in environmental, climate and energy regulations and legislation may cause uncertainty in customers' investment behaviour and decision-making. Stricter regulations may also increase costs through increased reporting requirements, for example, and some customers' business operations may decrease if the requirements related to regulations cannot be met. The purpose of climate regulations is to steer capital towards sustainable investments. Consequently, investments in companies that are not pioneers in environmental, climate and energy matters may decrease. Different requirements in different countries (e.g. EU vs. non-EU) have also been identified as a risk, particularly in terms of international procurement chains.

Value creation

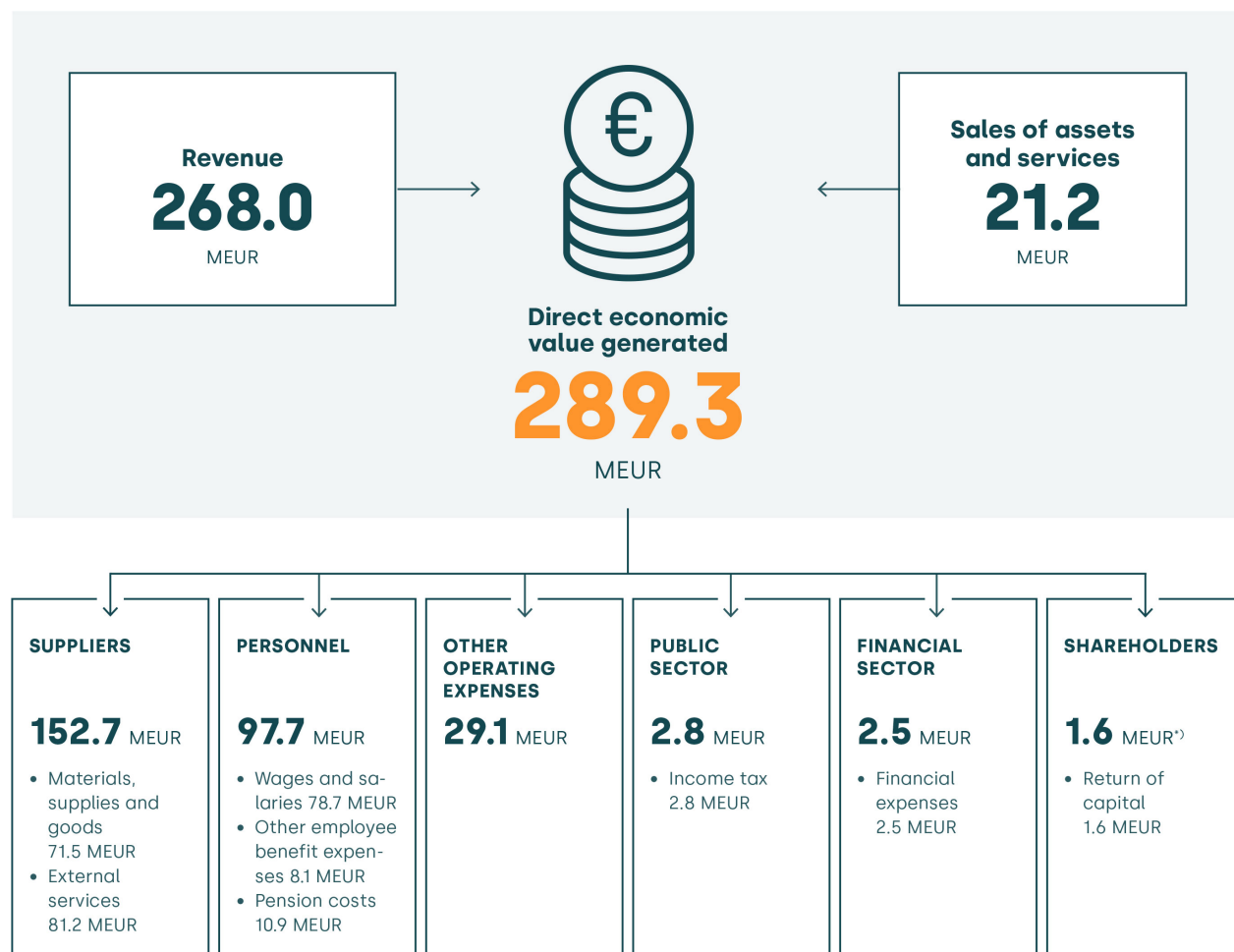
In 2022, Enersense's revenue from customer business operations was EUR 268.0 million. During 2022, the company sold renewable energy wind farms that it had developed, as well as certain holdings in its partially owned companies. In addition to this, the company has certain operations that generate proceeds. The sales gains recognised for these totalled EUR 21.2 million. The direct economic value generated by Enersense was EUR 289.3 million.

The direct economic value distributed by Enersense to its stakeholders for the year 2022 totalled EUR 286.5 million. The most significant part of this consisted of payments for materials and external services which totalled EUR 152.7 million. Employee benefit expenses totalled EUR 97.7 million. In 2022, the company had a total of 1836 employees (average for the year). Other operating expenses totalled EUR 29.1 million and consisted of office and building expenses, ICT software and equipment expenses as well as voluntary indirect personnel expenses such as expenses related to employees' working capacity maintenance and recreational activities.

Income tax to the public sector totalled EUR 2.8 million in 2022. More information about Enersense's tax footprint is on page 31.

Expenses to the financial sector totalled EUR 2.5 million.

Enersense's Board of Directors proposes to the 2023 Annual General Meeting that funds be distributed as a return of capital of EUR 1.6 million to shareholders.



^{*)} Proposal of the Board of Directors for distribution of funds.

Tax footprint 2022

Tax footprint describes the tax and other payments of fiscal nature that Enersense Group generates to the society. Enersense pays its taxes in the countries in which their actual business operations take place according to local legislation. Enersense is committed to accountability also in tax matters. The company does not choose its operating countries based on taxation criteria and it does not practise aggressive tax planning.

Paid taxes for the fiscal year, EUR million

Income taxes	0.1
Transfer taxes	0.3
Paid taxes, total	0.4

Remitted taxes for the fiscal year, EUR million

Value added taxes, sales (+)	78.6
Value added taxes, procurement (-)	-63.4
Salary taxes	21.0
Remitted taxes, total	36.2
Paid and remitted taxes, total	36.6

The amount of income taxes is low due to the Group's losses in previous year, through which the Group has accumulated significant tax receivables on the balance sheet. However, the company has paid

taxes related to the acquisition and ownership of assets, according to normal practices, and remits value added taxes and salary taxes.

The company does not report small amounts of paid and remitted other taxation items.

RESPECT FOR HUMAN RIGHTS

Enersense respects internationally recognised human and labour rights in all of its operations and promotes their implementation. Enersense's Board of Directors has confirmed the company's Code of Conduct, which includes requirements and commitments concerning respect for human rights.

Enersense does not condone any form of violation of human and work-related rights. Enersense does not accept any form of forced labour or the use of child labour. The company respects employees' right to organise, join or not join associations and trade organisations, and collectively negotiate with the employer. The equal treatment of all employees is one of Enersense's key principles. The company seeks to promote open, direct and respectful communication among all employees.

Enersense does not discriminate against anyone based on ethnic origin, age, gender, family situation, sexual orientation, conviction, functional limitations, political views or other similar factors. Enersense does not tolerate any form of bullying or harassment, such as violence, sexual harassment, inappropriate punishments or any kind of abuse. All employees must treat other employees with dignity and respect.

Enersense assesses human rights risks as part of its established risk management processes. The risks that are identified to be related to human rights mainly relate to occupational safety. In Enersense's view, there are no significant risks related to human rights violations in its own operations. Any risks associated with human rights are related to the supply chain of Enersense and its Group companies. Enersense seeks to minimise these risks by selecting its partners carefully and requiring compliance with its Supplier Code of Conduct. Partner companies operations are also audited as part of the risk management processes regarding the supply chain.

There were no suspected violations of human rights in the company in 2022.

PREVENTION OF BRIBERY AND CORRUPTION

Enersense observes absolute zero tolerance regarding bribery and corruption. Bribery and corruption are illegal and may cause serious legal consequences for Enersense and those involved and damage Enersense's reputation and the values the company represents.

Enersense does not accept any kind of bribery or corruption that is direct or practised through third parties or intermediaries in any of its business operations. Enersense's personnel may not under any circumstances, by themselves or through third parties, promise or offer money or any other valuable benefits to anyone with the intention of seeking illegal business gains or influencing decisions, nor may they for these purposes request, accept or receive money or other valuable benefits from other people. The principles of transparency, reasonability and independence must be observed when offering and receiving business gifts, presents and entertainment.

Enersense's Code of Conduct and Supplier Code of Conduct provide guidelines on the prohibition of bribery and corruption. These guidelines are supplemented by Enersense's anti-bribery and anti-corruption instructions and principles. Enersense ensures the implementation of these guidelines through training and active communication to its employees and suppliers, for example.

In Enersense's view, there are no significant risks related to bribery or corruption in its own operations. Any risks associated with bribery or corruption are related to the supply chain of Enersense and its Group companies. Enersense seeks to minimise these risks by selecting its partners carefully and requiring compliance with its Supplier Code of Conduct.

There were no suspected cases of bribery or corruption in the company in 2022.

THE ENVIRONMENT

Because Enersense's business operations focus on services instead of physical products, the company's direct environmental impacts are fairly moderate. However, Enersense is committed to continuously improving its environmental measures and reducing the adverse environmental impact of its operations.

The most significant direct environmental impacts of the company's operations arise from maintenance and other transport – that is, carbon dioxide emissions from the fuel consumption of vehicles. In driving and transport, the company invests in the planning of logistics, economical driving and the selection of low-emission vehicles that are optimal for their purpose of use, as well as an optimised number of vehicles.

Emissions from vehicles

In 2022, the CO₂ emissions of Enersense's production vehicles were 20.8 (21.8) CO₂ equivalent tonnes per million euros of revenue. The scope of the monitoring covered operations in Finland, Estonia and Lithuania.

Electricity

In 2022, the electricity purchased for all Enersense's own properties, as well as leased properties under its own electricity contract, which account for around 25% of Enersense's facilities, was 100% (100%) renewable energy guaranteed to be traceable to the country of origin. Renewable energy is a prerequisite for new electricity contracts for locations.

Waste management

Enersense's personnel mainly work in leased facilities, in customer locations or on construction sites. Waste management models vary between locations because of factors such as customer requirements and agreements. All waste is sorted appropriately, regardless of the operating model. In addition to the statutory obligations, Enersense requires its suppliers to reduce or eliminate their amount of waste and other adverse environmental impacts by recycling materials and waste, for example.

In 2022, a total of 347 (397) tonnes of waste was generated in Enersense's locations in Finland covered by a waste management agreement. The volume of waste generated in these locations decreased by roughly 12.6% from 2021. In 2022, hazardous waste accounted for around 3% or 10.5 tonnes (2% or 8.7 tonnes), and waste usable as material and energy accounted for 97% or 336.5 tonnes (98% or 385.9 tonnes). Enersense's other countries of operation are not subject to monitoring by the Group.

Development of environmental monitoring

In 2022, the company focused on identifying its sources of Scope 1 and Scope 2 emissions and the development and automation of data collection and reporting. The company also started to identify the Group's Scope 3 emissions, and this process will continue in 2023. In Enersense's operations, indirect emissions arise from the use of electricity and heat, waste and work-related travel, for example. Purchased products and services such as subcontracting play a significant role.

Environmental risks

Because of the nature of Enersense's operations, the company has estimated that its operations do not involve significant environmental risks.

Any environmental risks related to exceptional or damage situations are managed by ensuring that the employees know the operating guidelines and processes and comply with the permits. In addition to their statutory obligations, Enersense requires its suppliers to actively prevent environmental damage. Every employee at Enersense has an obligation to report any environmental incidents that they detect.

No environmental damage or accidents were detected in connection with Enersense's operations in 2022.

SOCIAL AND PERSONNEL ASPECTS

Enersense's success is based on highly competent, committed and motivated employees. Our goal is to be a workplace community that provides a good, healthy and safe working environment, as well as opportunities for competence development and learning. Through good management and the principle of continuous improvement, we are seeking to ensure that we are able to provide our customers with high-quality customer service, and that the success factors related to personnel are realised in the short and long term.

Personnel and a common working culture

The purpose of the Enersense Way of Working (eWoW) project, which began in 2021, is to create a Group-wide working culture: a way of working together. The goal is to create a strong and forward-looking workplace community and a working culture that unites all Enersense's employees: long-term personnel, new employees who have joined the company through acquisitions, for example, and colleagues in different countries.

Enersense's new common values were determined and introduced as part of the development project in the spring of 2022. The entire personnel were involved in the determination of the values through a survey and workshops, and the values were integrated into the recruitment process and the performance and development appraisal process, for example. Based on the results of the personnel survey carried out in November 2022, 84% of the Group's employees know the new values. The purpose of the values is to guide and support efforts towards all stakeholders. In 2023, leadership principles will be created to support the values, and these principles will lay the foundation for leadership development.

In terms of personnel, the focus in 2022 was on developing personnel processes and harmonising various practices in particular. The project to revise the company's HR and occupational safety systems, which began in the autumn of 2021, was promoted throughout 2022. The new system will replace several old systems and harmonise and support the practices, development and reporting of HR management and occupational safety through modern digital and user-friendly solutions. The system will be implemented in early 2023.

Equal treatment of all employees is one of Enersense's key principles. Equality and non-discrimination are also an important part of our management and ethical principles. Employees' experiences were heard in connection with a personnel survey in August 2022. Based on the results of the survey, 82% of the personnel feel that the workplace community at Enersense supports diversity and the equal treatment of people. The theme will continue to be promoted in teams and countries of operation through various development measures during 2023.

Enersense measures employees' job satisfaction by means of eNPS (Employee Net Promoter Score) surveys carried out several times a year, and the results are used as the basis for development in the various units. As a whole, the results of the eNPS pulse survey in 2022 largely remained at the same level as in 2021. However, the results vary between business operations and countries. Enersense's personnel survey will be revised and modernised in 2023 to ensure that feedback from the personnel can be

collected more agilely, and that the results can be used for development purposes, and to enable knowledge-based management. The new personnel survey will also contribute to a more consistent working culture.

Occupational safety

Employees are Enersense’s strongest resource, and the company’s key goals include providing all the company’s employees, contractors and visitors with a safe and healthy work environment. Safety and health are promoted as part of day-to-day work at Enersense in all its projects and countries of operation. The goal is for people to enjoy their work and retire in good health. Enersense is committed to continuously making the workplace safer and healthier. That is why we are focusing on measures concerning the personnel, the working environment, the workplace community and the related processes, as well as the management.

In 2022, Enersense updated its occupational safety, environmental, quality and corporate security management systems as part of the project to update the Group’s enterprise resource planning system. The purpose is to replace the current HSEQ reporting systems with a single Group-wide system and improve the overall management of occupational safety, among other aspects. The system is expected to be implemented during the first half of 2023.

In 2022, the models of replacement work and early support were updated comprehensively.

Hybrid work remains a widely used practice at Enersense, particularly in expert work. In tasks where remote work is not possible, special attention continues to be paid to health security as a result of the coronavirus pandemic, among other factors.

During 2022, Enersense’s HSE standard was implemented for suppliers as part of supply chain management. The standard seeks to ensure shared practices between Enersense and its suppliers, as well as a safer working environment for everyone. The goal is to ensure responsibility and transparency throughout the supply chain (client – main contractor – subcontractor). The standard is part of Enersense’s supplier approval process, whereby suppliers commit to complying with the standard’s guidelines.

Monitoring occupational safety targets

Own personnel	2022	2021	change, %
LTAF	8.0	10.3	-22,3 %
TRIF	14.5	19.1	-24,1 %

In 2022, Enersense’s LTAF (lost time accident frequency, accidents leading to an absence of at least one day) was 8.0 (10.3), and its TRIF (total recordable injury frequency) was 14.5 (19.1). Both figures developed favourably in 2022, with the TRIF decreasing by 24.1% and the LTAF by 22.3% from the previous year. Although the accident frequency rates have developed positively, the investments in improving safety at work continue.

Well-being at work and working capacity

Enersense is committed to sustainability and to fostering well-being and health in all its business operations. Its employees’ safety and health are a priority on every working day.

During the year, Enersense developed its working capacity management profoundly by creating a framework that brings together working capacity management processes, operators, models and practices with internal and external working capacity management partners. Key operational development priorities were determined for 2022–2023. These include effective and proactive knowledge-based working capacity management, the prevention of musculoskeletal disorders and the stronger involvement of business operations in day-to-day working capacity management. The basic

processes of working capacity management – such as the electronic model of sustainable working capacity (early intervention model), the model of replacement and lighter work, the substance abuse prevention programme and the process to address harassment and inappropriate behaviour – were also revised in 2022.

Enersense is proactive in supporting mental well-being. Taking into account and encouraging total recovery are key themes of well-being across the Group.

Monitoring targets for well-being at work and working capacity

The sickness absence rate (proportion of days used for sickness absences) in Enersense's operations in Finland in 2022 was 3.5% (3.2%), and the health rate (proportion of employees with no sickness absences during the year) was 43 % (59%). In 2022, there was a significant increase in absences related to the coronavirus pandemic and a general increase in infection-related absences.

Competence and development at work

Employees' competence is developed in line with the strategy, business needs and each employee's job requirements. Employees can also promote competence development through their own activity.

The goals for development at work, as well as competence development needs, are discussed with employees as part of regular performance and well-being discussions. The ways in which the competence required currently and in the future will be developed are negotiated by means of discussions between the supervisor and the employee.

Maintaining and developing employees' professional skills is critical for ensuring Enersense's operational capacity and the quality of its services for customers, as well as employees' well-being and safety. It is therefore important to ensure that our personnel meet and maintain the competence and qualifications required for their tasks. In terms of business needs, competence development focuses on statutory and licensed training, as well as on the development of supervisory work. In addition to training, the competence necessary for work duties can be developed through learning on the job and online learning and by sharing information. By deepening and expanding competence, it is also possible to promote internal mobility and career opportunities within the Group.

At Group level, Enersense has identified the systematic management of its employees' competence as a factor critical for future success, and will invest in competence management over the next few years. A new HR system to be introduced in 2023 will significantly support systematic competence management. The system covers the management of training and the setting of development goals as part of the performance management process, as well as the talent management process, among other aspects.

Risks and their management

Enersense's risks related to personnel and social aspects are assessed as part of its risk management process. The main risks are related to Enersense's ability to recruit, train and motivate qualified employees and keep them in the company, which is a prerequisite for Enersense's competitiveness and strategy implementation. In addition, the risks are related to Enersense's ability to manage and prevent accidents at work.

To manage risks, Enersense invests in employees' competence development, and recruitment and management are developed continuously based on the results of employee satisfaction surveys, for example. The company uses a three-step HSE risk assessment model in which work-related risks are assessed specific to each location and task, as well as on a Group-wide basis before starting work. Employees' involvement is an integral part of HSE risk assessment and hazard identification, because employees know their work best.

SUPPLY CHAIN

At Enersense, a supplier is a partner that delivers products or services directly or indirectly to Enersense or provides products or services under the Enersense name. Suppliers are an integral part of Enersense's supply chain and have a significant impact on its overall quality.

Supply chain management in Enersense's procurement process

SUPPLIER CLASSIFICATION	APPROVAL OF SUPPLIERS	ASSESSMENT OF SUPPLIERS	SUPPLIER DEVELOPMENT	SUPPLIER DATA MANAGEMENT
Suppliers are classified in three categories (A, B and C) based on business criticality and risks.	Basic approval criteria: <ul style="list-style-type: none"> Enersense's Supplier Code of Conduct Statutory requirements 	Conformity of operations and quality control: <ul style="list-style-type: none"> HSEQ audits Sustainability reports HSE self-assessments 	Continuous development of critical suppliers HSEQ aspects <ul style="list-style-type: none"> Successful cooperation Deviations Development needs 	Supplier data management in systems and verification of suppliers' eligibility, e.g. liability reports

Enersense cooperates with partner companies of all sizes and is always looking for innovative new suppliers from the open global market that comply with the company's sustainability principles. In 2022, Enersense had around 3,700 active suppliers and the total purchases increased by 20% year-on-year to EUR 200 million.

The management, competitive tendering and continuous development of Enersense's supplier network ensure a cost-effective and high-quality service level while also making use of new products and technologies and complying with sustainable procurement principles. Enersense engages in fair competition in all its procurement. Enersense also encourage its suppliers to develop and promote their operations in a socially and environmentally sustainable direction.

Effective risk management is a prerequisite for an efficient supply chain. At Enersense, risk assessment is used to verify suppliers' backgrounds, ownership, regulated requirements, quality and efficiency of the supply chain as well as maintaining healthy and economically viable competition. Enersense only deals with reputable and reliable partners. Enersense verifies the backgrounds of its subcontractors and other partners and their business operations before starting any cooperation in accordance with Enersense's procurement process through the procurement system in compliance with the procurement process and guidelines. The drastic increase in prices as well as prolonged supply times in 2022 emphasized the meaning of risk management in procurement operations.

Enersense is committed to compliance with all applicable sanction programmes. In 2022, procurement from suppliers included in the sanctions list was discontinued, and these procurement channels were replaced with alternative suppliers, in particular in the procurement of steel materials.

As a result of Enersense's recent growth, a lot of synergies have been realised through expanding operations and supplier co-operation throughout the Group. This has been visible in cost savings and added value in businesses.

The implementation of the HSE standard for subcontractors and HSEQ audits are monitored as part of Enersense's goals for a sustainable supply chain. Audits are made to ensure that the suppliers are committed to Enersense Supplier Code of Conduct as well as that processes and requirements for quality and operations are fulfilled. In 2022, the coronavirus pandemic hindered on-site supplier audits. A total of 13 on-site audits were conducted. Quality and HSE audits were also conducted remotely. HSE standardisation and an audit process based on new audit forms were implemented during 2022.

CORPORATE SECURITY

Corporate security contributes to the implementation of Enersense's mission and vision. The key purpose of corporate security is to protect the company's important values such as people, information, reputation, assets or the environment from threats. High-quality corporate security and risk

management models enable the company to achieve the statutory minimum level of security and increase awareness of corporate security standards, threats and risks.

Security threats are identified Group-wide through cooperation between various functions and business operations. Extensive national risks and threats are regularly reviewed with partners and networks, and the themes relevant to Enersense are highlighted. When working on and near critical infrastructure such as electricity and telecommunications networks, attention is paid to the possibility of external influence and other external threats. Enersense has estimated that it is not subject to any specific security threats as a company.

Enersense prepares for cybersecurity threats through measures to ensure both administrative and technical information safety. Administrative information security involves measures such as limited rights of use and access, security clearances and security and confidentiality agreements. Enersense uses only reliable external service providers. Technical information security is implemented through measures such as firewalls related to email, phones and mobile devices, the prevention of malware, the protection of data transfer, backup copies and general security of use.

Enersense ensures through active communication that its employees are aware of any themes threatening corporate security. Corporate security has a dedicated section on the company's intranet, and the main news related to the theme are also shared on the news section of the intranet. Employees' competence in terms of cybersecurity, for example, is developed by means of training, induction and general awareness. In 2022, improvements were made to site access and camera surveillance, for example. In addition, contingency and preparedness plans were updated, and networking was increased across all sectors of corporate security.

EU TAXONOMY FOR SUSTAINABLE FINANCE

Regulatory background

To achieve the EU's 2030 climate and energy goals and the goals of the European Green Deal, the EU seeks to direct investments at sustainable projects and activities. To harmonise the definition of what is "sustainable", the EU has prepared a taxonomy, based on which economic activities can be considered sustainable for the environment. The taxonomy regulation entered into force in July 2020.

According to the taxonomy, to qualify as sustainable for the environment, economic activities

- must significantly contribute to one or more of the six environmental objectives established in the taxonomy:
 1. Climate change mitigation
 2. Climate change adaptation
 3. The sustainable use and protection of water and marine resources
 4. The transition to a circular economy
 5. Pollution prevention and control
 6. The protection and restoration of biodiversity and ecosystems
- do 'no significant harm' (DNSH) to any of the six environmental objectives;
- meet 'minimum safeguards'; and
- comply with the technical screening criteria confirmed by the European Commission.

The first delegated act on sustainable activities to achieve the objectives of climate change mitigation and adaptation, and the delegated act to supplement Article 8 of the taxonomy regulation were issued in December 2021, and they have been applied since January 2022. For 2021, companies other than financial companies, to which the Non-Financial Reporting Directive (NFRD) applies, only had to report economic activities eligible under the taxonomy and their key performance indicators (KPIs) (turnover, capital expenditure (CAPEX) and operating expenditure (OPEX)) with regard to the first two environmental objectives. In March 2022, the European Commission approved certain nuclear and gas energy activities defined in the complementary climate delegated act in the list of economic activities covered by the EU taxonomy. The act is applicable from January 2023.

The second delegated act on the remaining environmental objectives will be issued later.

For 2022, non-financial companies must report compliance of their eligible economic activities and KPIs as required by regulation (EU) 2020/852.

Enersense's business operations significantly contribute to enabling the energy transition, and the company supports the achievement of the goals of the EU Green Deal.

Assessment of compliance with regulation (EU) 2020/852

Enersense has identified its activities for climate change mitigation eligible under the taxonomy and aligned with the taxonomy as defined in Commission delegated regulation (EU) 2021/2139 issued on the basis of Article 10.3 of delegated regulation (EU) 2020/852. Compared with the assessment for 2021, project development activities for onshore wind power and building activities for power and high-power charging stations for electric vehicles have been added to the scope of the taxonomy as a result of business acquisitions completed in 2022. The activities are associated with activities 4.3 and 6.15 defined in delegated regulation (EU) 2021/2139. In conjunction with the transfer of business completed in November 2022, certain operation and maintenance services were transferred to Enersense through a business transfer transaction. They are associated with activities 4.11, 4.15, 4.25 and 4.30. In addition to this, Enersense implemented an equity investment in a producer of green hydrogen in February 2022. Its operations are associated with activity 3.10. A description of the company's minimum safeguards is presented on pages 42–43 of this report.

Of the total revenue of Enersense's business operations, a total of EUR 137 million or 51%, is taxonomy eligible and EUR 136 million, or 51% of the Group revenue, is assessed to be taxonomy aligned. Of the taxonomy eligible revenue, a total of EUR 1 million or 0%, does not comply with the technical criteria of the taxonomy. Of the Group revenue, a total of EUR 131 million or 49%, is not taxonomy eligible. The Group revenue totalled EUR 268,0 million in 2022.

Of Enersense's capital expenditure, a total of EUR 30 million or 91% of the Group's gross investments, is taxonomy eligible and EUR 20 million, or 60% of the Group gross investments, is assessed to be taxonomy aligned. Of the taxonomy eligible capital expenditure, a total of EUR 10 million or 31% of the Group's gross investments, does not comply with the technical criteria of the taxonomy. EUR 3 million, or 9% of the Group's gross investments, is not taxonomy eligible. The Group's gross investments totalled EUR 33.1 million in 2022.

Of Enersense's operating expenditure, a total of EUR 2 million or 1% of the Group's total operating expenditure, is assessed to be both taxonomy eligible and taxonomy aligned. Of the Group's total operating expenditure, 99%, or EUR 254 million, is not taxonomy eligible. The Group's total operating expenditure totalled EUR 255.8 million in 2022.

Representatives of Enersense's business operations have assessed the fulfilment of the criteria defined in Article 3 of regulation (EU) 2020/852 as follows:

4.3 Electricity generation from wind power

The company's activities related to wind power project development, construction, and maintenance after the plant's commissioning have been assessed to be taxonomy-eligible. Enersense participates in wind power projects, ranging from their preliminary investigation, permit, land use and EIA stages to the construction of wind turbine infrastructure and foundations and to maintenance, upkeep and monitoring activities following plant's commissioning.

Enersense has assessed that these activities meet the technical and DNSH criteria defined in delegated regulation (EU) 2021/2139. Enersense does not generate electricity from wind power through its own activities, but wind power projects would not proceed and production after the plant's commissioning would not be possible if it were not for the services provided by Enersense. As Enersense has assessed that it also meets the minimum safeguards set for its activities, the company has assessed its wind power project development, construction, and operation and maintenance activities to be aligned with the taxonomy.

4.5 Electricity generation from hydropower

The company's activities related to the operation and maintenance of hydropower have been assessed to be eligible. Enersense does not generate electricity from hydropower through its own activities, but its business portfolio includes hydropower plants that meet the technical and DNSH criteria defined in delegated regulation (EU) 2021/2139 and for which Enersense provides local operation services to ensure the operation of the plants. As Enersense has assessed that it also meets the minimum safeguards set for its activities, the company has assessed its hydropower operation and maintenance activities to be aligned with the taxonomy with regard to the run-of-river plants included in its business portfolio.

4.9 Transmission and distribution of electricity

The company's power line (High Voltage Line, HVL) design, construction and maintenance, substation design, construction and maintenance, distribution network (Medium and Low Voltage Line, MVL) design, construction and maintenance, as well as electricity meter installation activities have been assessed to be eligible. Enersense has assessed that all of its activities related to the transmission and distribution of electricity assessed to be eligible meet the technical and DNSH criteria defined in delegated regulation (EU) 2021/2139. As Enersense has assessed that it also meets the minimum safeguards set for its activities, the company has assessed its activities related to the transmission and distribution of electricity to be aligned with the taxonomy.

4.10 Storage of electricity

The company's maintenance activities for the storage of electricity have been assessed to be eligible. Enersense acts as a partner for major megawatt category equipment suppliers for electricity storage in preventive and corrective maintenance for electricity storage. The company's activities ensure the operation of electricity storage facilities. The company has assessed that these activities meet the technical and DNSH criteria defined in delegated regulation (EU) 2021/2139. As Enersense has assessed that it also meets the minimum safeguards set for its activities, the company has assessed its electricity storage maintenance activities to be aligned with the taxonomy.

4.11 Storage of thermal energy

The company's activities related to the local operation of cooling and heat pump plants have been assessed to be eligible. Enersense conducts preventive and corrective maintenance for major megawatt electricity storages. The company's activities ensure the operation of electricity storage facilities. The company has assessed that these activities meet the technical and DNSH criteria defined in delegated regulation (EU) 2021/2139. As Enersense has assessed that it also meets the minimum safeguards set for its activities, the company has assessed its activities related to the local operation of cooling and heat pump plants to be aligned with the taxonomy.

4.15 Distribution of district heating or cooling

The company's activities related to the operation and maintenance of the district heating and cooling network have been assessed to be eligible. Enersense's operation and maintenance activities cover more than 1,400 km of district heating networks and more than 90 km of district cooling networks, as well as roughly 60 km of district heating and cooling lines in energy tunnels. The company has assessed that these activities meet the technical and DNSH criteria defined in delegated regulation (EU) 2021/2139. As Enersense has assessed that it also meets the minimum safeguards set for its activities, the company has assessed its activities related to the operation and maintenance of the district heating and cooling network to be aligned with the taxonomy.

4.25 Production of heating or cooling from waste heat

The company's activities related to the local operation of cooling and heat pump plants have been assessed to be eligible. Enersense is responsible for the local operation of two heat pump plants. One of the plants produces heating and cooling from treated wastewater, water returned from the district cooling network, and electricity. The other plant produces heating and electricity from water returned from the district cooling and heating networks, and electricity. The company has assessed that these activities meet the technical and DNSH criteria defined in delegated regulation (EU) 2021/2139. As Enersense has assessed that it also meets the minimum safeguards set for its activities, the company

has assessed its activities related to the local operation of cooling and heat pump plants to be aligned with the taxonomy.

4.30 Effective joint production of heating or cooling and electricity from fossil gaseous fuels

The company's activities related to the local operation of combination power plants that mainly generate electricity and district heating from natural gas have been assessed to be eligible. In addition, the plants include auxiliary boilers fuelled by natural gas or light fuel oil that are mainly used during the start-up of gas turbines and maintenance stoppages. As light fuel oil was used at the plants in 2022 due to the geopolitical situation, the company has assessed that the activities did not meet the technical criteria defined in delegated regulation (EU) 2021/2139 during the reporting year.

6.15 Infrastructure enabling low carbon road transport and public transport

The company's charging solutions for electric vehicles and manufacturing activities for power and high-power charging stations for electric vehicles have been assessed to be eligible. Enersense provides charging solutions as a comprehensive service, ranging from initial investigations to the installation and deployment of charging systems. The device-independent service covers the products of several manufacturers, including equipment manufactured by the company. The company has assessed that its charging solutions and manufacturing activities for power and high-power charging stations for electric vehicles meet the technical and DNSH criteria defined in delegated regulation (EU) 2021/2139. As Enersense has assessed that it also meets the minimum safeguards set for its activities, the company has assessed its charging solutions for electric vehicles to be aligned with the taxonomy.

The company has assessed that it does not have any activities related to *climate change adaptation* and eligible under the taxonomy as defined in delegated regulation (EU) 2021/2139 issued based on Article 11.3 of regulation (EU) 2020/852.

Accounting principles

Enersense has defined the KPIs defined in regulation (EU) 2021/2178 (revenue, capital expenditure (CAPEX) and operating expenditure (OPEX)) in accordance with Annex I, section 1 of the regulation. The KPIs have been calculated using information presented in Enersense's IFRS financial statements.

Revenue

Net revenue (denominator) corresponds with the revenue presented in Enersense's consolidated financial statements. Absolute revenue (numerator) eligible and aligned under the taxonomy only includes such revenue that is accumulated from activities within the scope of the taxonomy (eligible revenue) or meets the criteria set for aligned activities (aligned revenue).

These revenue figures have been calculated through Enersense's project monitoring, in which projects are clearly identified and each revenue item is used only once. The proportions of revenue have been calculated by dividing eligible revenue and aligned revenue with Enersense Group's reported net revenue.

Section "Business strategy and long-term financial targets" of the Board of Directors' report refers to Enersense's revenue, which is accumulated from the company's low and zero emission energy projects. This differs from revenue calculation based on taxonomy regulation. More information about the KPI's calculation principles is available on page 23.

Capital expenditure (CAPEX)

Total capital expenditure (denominator) corresponds with the gross investments presented in Enersense's consolidated financial statements, including investments in fixed assets, investments in minority holdings, and business acquisitions.

Enersense's business model only requires very few investments in fixed assets. Business acquisitions support the implementation of the growth strategy based on zero emission energy. The company has assessed that its business acquisitions related to wind power project development and electric vehicle

charging systems as well as an equity investment in a producer of green hydrogen, are linked to corresponding asset items related to eligible and aligned economic activities, and comprise the numerator for eligible and aligned capital expenditure. In the company's view, other eligible and aligned capital expenditure is zero (0).

Operating expenditure (OPEX)

Total operating expenditure (denominator) covers direct non-capitalised costs that relate to research and development, building renovation measures, short-term leases, maintenance and repairs, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.

In the company's view, eligible and aligned operating expenditure only arises from its activities related to wind power project development and the manufacturing of power and high-power charging stations for electric vehicles. Otherwise, the company has assessed that it does not accumulate any eligible or aligned operating expenditure.

Minimum safeguards

In its activities, Enersense acknowledges the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises, and has prepared certain minimum safeguards based on them to safeguard the requirements above. According to the company's assessment, it meets the minimum safeguards defined in Article 18 of delegated regulation (EU) 2020/852 through these activities.

These minimum safeguards are described below regarding each area (human rights, corruption and bribery, fair competition, taxation).

Human rights

The company has established various due diligence and other processes to ensure the fulfilment of human rights as follows:

- The company has prepared its Code of Conduct, approved by the company's Board of Directors, which specifies the common principles that Enersense's employees and management must follow in their daily activities. The Code of Conduct is publicly available on the company's website.
- The company has defined Code of Conduct training as mandatory for all its employees.
- Enersense requires all of its suppliers to abide by good business practice and undertake to comply with Enersense's valid Supplier Code of Conduct, as applicable. Suppliers must also ensure that their own suppliers and subcontractors comply with Enersense's Supplier Code of Conduct or the supplier's own, similar code when providing products or services for Enersense. Enersense supervises compliance with the Supplier Code of Conduct and audits its suppliers regularly. The Supplier Code of Conduct is publicly available on the company's website.

The company has not been contacted or investigated by the OECD's National Contact Point, the Business and Human Rights Resource Centre or other similar bodies. Furthermore, the company has no other knowledge or reason to suspect that its activities have resulted in any human rights violations.

Anti-bribery and corruption policy

The company has developed and implemented internal controls, ethics and compliance programmes, and other measures to detect and prevent bribery and corruption. The company ensures compliance with the anti-bribery and corruption policy by the following means:

- The company has a separate anti-bribery and corruption policy approved by the Board of Directors.
- The company communicates the anti-bribery and corruption policy in conjunction with the company's other policies, and it is available in the company's intranet with the company's other policies.
- The company also provides anti-bribery and corruption policy training annually by its legal department for target groups defined with the company's business units.

The company or any of its management members (including top executives of the company's subsidiaries) have not been convicted of bribery or corruption.

Taxation

The company regards tax management and compliance with tax regulations as a key part of supervision. The company has internal guidelines for the management of tax risks. The company ensures compliance with tax management and regulations by the following means:

- The company has internal transaction guidelines in accordance with the OECD that help the company comply with tax law in national and international transactions between group companies.
- The company is liable to pay VAT and is registered in the Finnish Tax Administration's prepayment register.
- The company is engaged in a proactive dialogue with the Finnish Tax Administration regarding tax matters subject to interpretation.

More information about Enersense's tax footprint is available on page 31.

The company has not been convicted of tax evasion.

Fair competition

The company increases its employees' awareness of the importance of compliance with competition law and provides related training for its managers and other key groups. The company increases awareness of the importance of compliance with competition law by the following means:

- The company has prepared a separate competition policy approved by the Board of Directors.
- The importance of fair competition and compliance with competition law has been raised in the company's Code of Conduct and the Supplier Code of Conduct. The company seeks to increase its employees' awareness of the theme.

The company communicates the competition policy in conjunction with the company's other policies, and it is available in the company's intranet with the company's other policies. The company also provides competition policy training annually by its legal department for target groups defined with the company's business units.

The company or any of its management members (including top executives of the company's subsidiaries) have not been convicted of any breach of competition law.

Performance indicators

	Codes	Absolute revenue	Proportion of revenue	Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum safeguards	Taxonomy-aligned proportion of revenue, 2022	Enabling activity	Transition activity
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems				
Revenue		Me	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
Economic activity																			
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity generation from wind power	4.3.	16	6	100	0	—	—	—	—	—	Y	Y	Y	Y	Y	Y	6		
Electricity generation from hydropower	4.5	2	1	100	0	—	—	—	—	—	Y	Y	Y	Y	Y	Y	1		
Transmission and distribution of electricity	4.9	116	43	100	0	—	—	—	—	—	Y	Y	Y	Y	Y	Y	43	E	
Storage of electricity	4.10	0	0	100	0	—	—	—	—	—	Y	Y	Y	Y	Y	Y	0	E	
Storage of thermal energy	4.11	0	0	100	0	—	—	—	—	—	Y	Y	Y	Y	Y	Y	0	E	
District heating/cooling distribution	4.15	1	0	100	0	—	—	—	—	—	Y	Y	Y	Y	Y	Y	0		
Production of heat/cool using waste heat	4.25	0	0	100	0	—	—	—	—	—	Y	Y	Y	Y	Y	Y	0		
Infrastructure enabling low-carbon road transport and public transport	6.15	2	1	100	0	—	—	—	—	—	Y	Y	Y	Y	Y	Y	1	E	
A.1 Revenue of environmentally sustainable activities (Taxonomy-aligned)		136	51	100	0	—	—	—	—	—	Y	Y	Y	Y	Y	Y	51		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Electricity generation from hydropower	4.5	0	0																
High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	4.30	1	0																
A.2 Revenue of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		1	0																
Total A.1 + A.2		137	51																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Revenue of Taxonomy-non-eligible activities B.		131	49																
TOTAL A + B		268	100																

	Codes	Absolute revenue	Proportion of revenue	Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum safeguards	Taxonomy-aligned proportion of revenue, 2022	Enabling activity	Transition activity
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems				
Capex		Me	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
Economic activity																			
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity generation from wind power	4.3	19	56	100	0	—	—	—	—	—	Y	Y	Y	Y	Y	Y	56		
Infrastructure enabling low-carbon road transport and public transport	6.15	1	4	100	0	—	—	—	—	—	Y	Y	Y	Y	Y	Y	4	E	
A.1 CapEx of environmentally sustainable activities (Taxonomy aligned)		20	60	100	0	—	—	—	—	—	Y	Y	Y	Y	Y	Y	60		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of hydrogen	3.10	10	31																
A.2 CapEx of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		10	31																
Total A.1 + A.2		30	91																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities B.		3	9																
TOTAL A + B		33	100																

	Codes	Absolute revenue	Proportion of revenue	Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum safeguards	Taxonomy-aligned proportion of revenue, 2022	Enabling activity	Transition activity	
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems					
OpEx		Me	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T	
Economic activity																				
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Electricity generation from wind power	4.3	2	1	100	0	—	—	—	—	—	Y	Y	Y	Y	Y	Y	1			
Infrastructure enabling low-carbon road transport and public transport	6.15	0	0	100	0	—	—	—	—	—	Y	Y	Y	Y	Y	Y	0	E		
A.1 OpEx of environmentally sustainable activities (Taxonomy aligned)		2	1	100	0	—	—	—	—	—	Y	Y	Y	Y	Y	Y	1			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
A.2 CapEx of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		0	0																	
Total A.1 + A.2		2	1																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities B.		254	99																	
TOTAL A + B		256	100																	

Market outlook

SMART INDUSTRY

The Smart Industry segment's market is expected to develop favourably in 2023, and the increase in its quotation base indicates a continued good demand. New customers are sought through the implementation of zero-emission and low-emission projects, as well as operation and maintenance sites. The level of service contracts has increased significantly, which lays a good foundation for future business operations. The EU strategy for renewable energy supports the outlook for offshore wind power market.

POWER

The business environment for the Power segment is expected to develop favourably, and demand for services is expected to remain at a good level in 2023. The overall market in Finland continues to grow, and the market size is currently estimated at more than EUR 500 million.

CONNECTIVITY

The growth of the Connectivity segment's market is driven by the need for high-speed connections in fixed optical fibre networks and mobile networks. The total market in Finland is around EUR 280 million, and is growing strongly with the construction of optical fibre networks.

INTERNATIONAL OPERATIONS

The business environment and performance development for the International Operations segment is expected to improve moderately in 2023.

Major risks and uncertainties

In its operations, Enersense is exposed to strategic, operational and financial risks as well as to external threats. Enersense seeks to protect against the above risks through regular risk assessment and particularly in connection with the processing of its strategy and decisions related to business projects or investments significant for the Group.

NEAR-TERM RISKS AND UNCERTAINTIES

The Russian attack on Ukraine, which began in February 2022, continues and maintains geopolitical tensions and uncertainty about the development of the global economy. The prices of electricity, fuels and certain raw materials, which increased significantly as a result of the war, have showed signs of stabilisation, but inflation continues to be high in markets relevant to Enersense. This is particularly evident in the Baltic countries, where high wage inflation is increasing costs. Geopolitical uncertainty may also be reflected in labour availability, especially in the Baltic countries and elsewhere in Eastern Europe. In addition, any interruptions in energy supply that may occur because of availability issues caused by the war may have an adverse impact on Enersense's business operations.

Increased uncertainty about economic development and the increase in interest rates caused by high inflation have had a negative impact on customers' investment environment. This may lead to a deterioration in the financial position of Enersense and its customers, through factors such as the availability of financing, and further to a decrease in demand for Enersense's services, slower-than-expected sales development and a decrease in the prices of the company's services.

The business impacts of Covid-19 cases were minor in 2022. However, it is possible that the coronavirus pandemic will be prolonged further, new waves will emerge and restrictions will be tightened again.

Strategic risks

The company continues to implement its growth strategy based on the development of strategic competencies, services and/or customer accounts. Even if the strategy is competitive, it is possible that it may not be implemented according to plan. Enersense may not be able to successfully execute its strategy in the rapidly changing business environment as part of the energy transition, and it may be unable to recoup investment costs or may incur opportunity losses, fail in change management, or in its reskilling ability and speed, or lack the agility to respond to new entrants in the market. Due to possible insufficient resources, management, information management, monitoring and planning, Enersense may fail in executing its key strategic development projects. Enersense's strategy may prove to be misaligned in relation to the prevailing trends or fast changes occurring in the market or too modest with regard to its targets as compared to the services required by the energy transition.

The company strives to accelerate the development of strategic competencies, services and/or customer accounts with acquisitions. This involves a risk that the company may not identify suitable companies to acquire at favourable terms and conditions. Enersense may also incur significant acquisition, reorganisation and other expenses in connection with the acquisitions. Mergers and acquisitions also carry risks related to the integration of new businesses, and there can be no assurance that the estimated synergies can be achieved in full or within the contemplated schedule in relation to its already executed or future acquisitions.

Furthermore, Enersense's ability to complete mergers and acquisitions as planned and realize related synergies and other benefits may be dependent on the fulfillment of the conditions set for the transaction, such as receipt of authority approvals particularly from competition authorities.

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

Operational risks

Enersense's customers are typically owners of construction or industrial projects, developers, main contractors or suppliers, with whom Enersense usually executes the project, service or framework agreement for the project. The company often enters into project-specific contracts, which involve uncertainty in terms of successful competitive bidding. This makes it more difficult to estimate the company's business performance and financial position over a period of time longer than the order backlog. Correspondingly, framework agreements do not guarantee that the company is successful in the tendering for individual deliveries falling within the scope of the framework agreement. Increased competition may also have a negative impact on the development of Enersense's order backlog, and thereby also on its revenue and profitability. Changes in official regulations and restrictions and the related uncertainty may also have a material impact, especially among customers in the energy business.

Although Enersense's business areas also generate continuous revenue from, among other things, the servicing and maintenance services provided by it, a significant part of Enersense's revenue is directly or indirectly related to significant long-lasting construction projects or other investments. Large fixed-price projects are typical of Enersense's business operations, and the profitability of such projects requires Enersense to estimate the related contract risks and production costs with sufficient accuracy, in addition to successful project management, technical implementation and schedule management. General economic uncertainty may reduce customers' willingness to invest and affect projects in Enersense's order backlog by causing delays or interruptions. Changes in trade flows due to the Russian war of aggression may complicate the procurement of materials Enersense needs for its project and service operations. The company may need to renegotiate agreements and agree to increased prices

under existing and/or new delivery contracts in order to secure deliveries when competing with alternative purchasers for materials.

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

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

Guarantees

Enersense's customers typically require, for example, work and delivery guarantees as well as warranty period guarantees. Granting such guarantees to a customer is often the prerequisite for Enersense's ability to submit a tender for a new project. However, the guarantee facilities do not oblige, for all parts, the issuer of the facility to provide a guarantee, but instead each guarantee requires specific approval by the issuer, and for example any previous negligence and failures by Enersense or, in particular, a deterioration of Enersense's solvency or financial position could lead to Enersense not being granted the guarantees it needs for executing new projects. This could lead to Enersense's inability to participate in new projects.

Financing

Enersense Group's financing agreement includes financial covenants concerning the Group's equity ratio, its ratio of interest-bearing net debt to EBITDA, and minimum liquidity. Breaching the covenants may give a financier the right to demand accelerated or immediate repayment of the loans and simultaneous cancellation of any committed but undrawn amounts as well as any amounts under guarantee facilities.

Partners

Enersense collaborates with subcontractors and other partners during the various phases of its projects and services. Typically, the outsourcing or subcontracting includes material deliveries, subcontracting (e.g. civil engineering), provision of resources and deliveries of equipment that Enersense does not offer or have the capacity to offer. However, Enersense may fail in evaluating and choosing its subcontractors. Subcontractors may fail to deliver on time or in accordance with the level, cost structure or quality that Enersense expects, or their activities may be otherwise defective or breach legislation or regulations. Enersense's subcontractors may also cease to deliver services to Enersense due to an inability or unwillingness to deliver, or may increase prices significantly. Disruptions that affect Enersense, including delays or terminations of agreements or the inability of subcontractors to deliver services within a prescribed time or at an acceptable cost, can also lead to disputes regarding customer claims for compensation for any damages caused by Enersense.

Hazard risks

Enersense's hazard and continuity risks are mainly related to people, property and IT systems. Although the company has protected its operations and property by means of insurance, the materialisation of hazard risks may result in damage to people and property or business interruption. In addition, the reliability and functioning of IT systems are essential for the continuity of Enersense's operations. Prolonged interruptions in key systems could limit Enersense's opportunities to operate profitably and efficiently. Cyberthreats can also pose threats to Enersense's data resources.

Disputes

The Group companies have ongoing legal disputes, some of which are in progress in general or administrative courts in Finland and abroad. The disputes are typically related to claims against Enersense concerning alleged defective performance, delays or damage incurred by customers in project operations in particular, or to claims made by Enersense against its suppliers or customers. The end results of claims, disputes and legal processes are difficult to predict. However, they have no significant short-term impacts on the company's operations. The company has assessed the potential impacts of the disputes, and has recorded provisions based on these assessments.

The risks related to the company's financing are explained in more detail in Note 20 Financial risk and capital management to the financial statements.

Estimate of probable future developments

In 2023, Enersense's revenue is expected to be in the range of EUR 280–310 million and adjusted EBITDA in the range of EUR 12–18 million.

Enersense's business environment is estimated to be developing favourably and the revenue is expected to grow. We have managed to accelerate the wind power portfolio development and we assume that the same development continues. Profitability will be impacted by the implementation of the new ERP-system as well as on-going investments in developing the offshore wind power business and acceleration of onshore wind power project development. At the end of 2022 the company completed an offering of EUR 26 million convertible bond in order to implement these investments.

Significant events after the financial period

STOCK EXCHANGE RELEASES:

On 13 January 2023, Enersense announced that the Finnish Competition and Consumer Authority had decided to transfer the acquisition between Enersense International Plc and Voimatel Oy to further processing, which may take up to 69 business days. During the first phase of the processing, the Competition and Consumer Authority has obtained information from competitors, customers and suppliers by means of requests for statements and reports. The Authority deems it necessary to continue the analysis of the competitive impacts of the acquisition.

On 17 January 2023, Enersense announced that it had signed an agreement on the construction of the optical fibre network (FTTH = Fibre to the Home) of Valoo, a Finnish optical fibre company, as a turnkey project. The agreement is part of Valoo's extensive optical fibre network construction projects in different parts of Finland. The total value of the four-year agreement is around EUR 35 million, which has been recognised in the order backlog of Enersense's Connectivity business for the first quarter of 2023. The implementation of the project will start at the beginning of the construction season in 2023.

On 23 January 2023, Enersense announced that its adjusted EBITDA would exceed its guidance (positive profit warning).

On 26 January 2023, Enersense announced that the Shareholders' Nomination Board proposes that, for the term of office lasting until the end of the Annual General Meeting 2024, Jaakko Eskola, Sirpa-Helena Sormunen, Sari Helander and Petri Suokas will be re-elected as board members, and Anna Miettinen and Carl Haglund will be elected as new board members. Current board members Herkko Plit and Päivi Jokinen will no longer continue as board members.

On 15 February 2023, Enersense announced that it withdraws from the acquisition concerning Voimatel Oy. Enersense told it had been informed by the FCCA that, according to the analyses carried out by the competition authority, the combined market share of the operators concerned would grow too large in several market segments. Neither did the FCCA consider, contrary to Enersense's views, the customers'

bargaining power or countervailing buyer power a sufficiently countervailing factor in the competitive situation. For this reason, Enersense's Board of Directors considered it impossible to implement the acquisition in the desired form and decided to withdraw from the acquisition. The withdrawal occurs by consensus with Osuuskunta KPY, the owner of Voimatel.

PRESS RELEASES:

On 3 January 2023, Enersense announced that its Estonian subsidiary Enersense AS had signed an agreement with the Estonian transmission system operator AS Elering on the renewal of the 330 kV power line between the Mustvee and Paide substations, as well as the construction of a new 110 kV power line between the Mustvee and Kantkyla substations. Enersense's share of the contract is around EUR 18.5 million, which has been recognised in the order backlog of Enersense's International Operations business area for the first quarter of 2023.

On 24 January 2023, Enersense announced that it had signed an agreement with Boliden, a Swedish metal company, concerning an extensive development project related to the Odda production plant in Norway. The project focuses on environmental sustainability and an increase in production capacity. Enersense Works Oy, which is part of the Smart Industry business area, will be responsible for steel deliveries and installations, equipment installations and insulation work related to one section of the project. The project will start in early 2023.

Distribution of funds to the shareholders

The Board of Directors of Enersense proposes to the General Meeting that the result for the financial period 1 January 2022 to 31 December 2022 be transferred to the profit and loss account for previous financial periods and that, based on the balance sheet to be adopted for the financial period, funds be distributed to shareholders from the invested unrestricted equity reserve of the Company as a return of capital of EUR 0.10 per share, i.e. EUR 1,649,253.10 in total. The return of capital shall be paid in two instalments.

The first instalment, EUR 0.05 per share, shall be paid to shareholders that are registered in the Company's shareholders' register maintained by Euroclear Finland Oy on the record date of the first instalment of the return of capital on 6 April 2023. The Board of Directors proposes that the first instalment of the return of capital shall be paid as from 5 May 2023.

The second instalment, EUR 0.05 per share, shall be paid to shareholders that are registered in the Company's shareholders' register maintained by Euroclear Finland Oy on the record date for the second instalment of the return of capital, as later decided by the Board of Directors. The Board of Directors will decide the record date and the payment date for the second instalment of the return of capital at its meeting to be held in October 2023. The record date for the second instalment of the return of capital is planned to be on 1 November 2023, and the payment date as from 8 November 2023.

According to the proposal, no dividend would be paid based on the balance sheet to be adopted for the financial period.

Key Figures

Key Figures

	1-12/2022	1-12/2021	1-12/2020
Revenue (EUR 1,000)	268,037	239,110	147,460
EBITDA (EUR 1,000)	12,210	16,639	9,775
EBITDA, %	4.6	7.0	6.6
Operating profit (EUR 1,000)	3,479	6,834	4,780
Operating profit, %	1.3	2.9	3.2
Result for the period (EUR 1,000)	-2,429	3,973	2,379
Equity ratio, %	28.8	35.6	15.7
Gearing, %	19.0	3.6	52.3
Return on equity, %	-4.3	8.3	19.3
Earnings per share, undiluted, EUR	-0.11	0.35	0.27
Earnings per share, diluted, EUR	-0.11	0.35	0.27
Equity per share	3.8	3.7	2.4
Distribution of funds per share	0.1	0.1	—
Distribution of funds as a percentage of earnings	-90.4	31.2	—
Effective distribution of funds yield as percentage	1.8	1.5	—
Price to profit ratio	-51.4	32.1	27.4

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

Key ratio per share

	2022	2021	2020
Market value at the end of fiscal year, EUR	93,842,501	91,640,466	79,246,151
Number of shareholders at the end of the period	6,844	6,957	1,980
Share price at the end of the period	5.69	6.84	8.30
Average share price (VWAP), EUR	6.80	8.63	3.23
Highest share price, EUR	8.22	12.00	9.00
Lowest share price, EUR	5.22	5.96	1.21
Number of shares at the end of the period, undiluted	16,492,531	13,397,729	9,547,729
Number of shares at the end of the period, diluted	19,897,335	13,397,729	13,397,729
Average number of shares during the period, undiluted	15,986,151	12,130,679	7,432,975
Average number of shares during the period, diluted	16,381,629	12,130,679	9,547,729
Share trading, pcs	5,712,374	9,568,586	7,909,569
Turnover rate, %	34.6	78.8	106.4

Reconciliation of alternative performance measures

EUR thousand	1-12/2022	1-12/2021
Adjusted EBITDA		
Operating profit (loss)	3,479	6,834
Depreciation, amortisation and impairment	8,731	9,806
EBITDA	12,210	16,639
Differences affecting comparability	1,444	2,592
Adjusted EBITDA	13,654	19,231

EUR thousand	1-12/2022	1-12/2021
Items affecting comparability		
+ Items outside the ordinary course of business	1,444	2,814
Gains (-) / losses (+) from the sale of fixed assets	—	-222
Total extraordinary items affecting the adjusted EBITDA	1,444	2,592

ALTERNATIVE PERFORMANCE MEASURES:

Enersense publishes certain commonly used alternative measures that can be derived from the IFRS financial statements. The calculation formulas for these alternative measures are presented in the section Calculation principles for key performance indicators of this Business Review.

Certain transactions that are not part of the ordinary course of business, or valuation items that do not have an impact on the cash flow but have a significant impact on the income statement for the period, have been adjusted as items affecting comparability if they arise from:

- Material items outside the ordinary course of business according to the management's judgement that are related to mergers and acquisitions that are not part of the strategy, such as acquisition-related transaction costs and employment termination expenses, and/or restructuring, as well as significant redundancy costs, or exceptional costs from authority process
- Integration costs related to acquired companies
- Other than key business related gains and losses on the sale of fixed assets

By using adjusted performance measures, the company seeks to provide information about its business operations covered by its strategy. Profitable organic and inorganic growth is a key strategic goal of the company. For this reason, the company adjusts its result for transaction costs, significant redundancy costs and restructuring arising from mergers and acquisitions not covered by its strategy. All of these are costs arising from events outside the strategy. The company has not adjusted its result for transaction expenses or income arising from acquisitions made in line with its strategy, as acquisitions represent the core of the strategy.

Its result is also adjusted for integration costs related to mergers and acquisitions, because these costs are non-recurring by nature, as are gains from the sale of fixed assets and investments.

CALCULATION PRINCIPLES FOR KEY PERFORMANCE INDICATORS

EBITDA	=	Operating profit + depreciation, amortisation and impairment
EBITDA, % of revenue	=	EBITDA / revenue x 100
Adjusted EBITDA	=	EBITDA + items affecting comparability
Adjusted EBITDA (%)	=	Adjusted EBITDA / revenue x 100
Operating profit (EBIT)	=	Revenue + other operating income – materials and services – personnel expenses – other operating expenses + share of the result of associates – depreciation, amortisation and
EBIT, % of revenue	=	Operating profit / revenue x 100
Profit (loss) for the period, % of revenue	=	Profit (loss) for the period / revenue x 100
Equity ratio	=	Equity / balance sheet total – advances received x 100
Net Gearing	=	Interest-bearing debt – cash in hand and at bank / equity x 100
Return on equity (%)	=	Profit for the period / average equity during the review period x 100
Earnings per share (EUR)	=	Profit for the period / average number of shares
Average share price	=	Total share revenue in euros / the issue-adjusted number of shares exchanged during the financial year
The market value of the share capital	=	(number of shares – own shares) x stock exchange rate on the closing date
Share trading	=	The number of shares traded during the financial year
Turnover rate, (%)	=	Share trading (pcs) x 100 / The average number of shares issued during the period
Book value per share	=	Equity belonging to owners of the parent company / share issue-adjusted number of shares at the end of the year
Distribution of funds per share	=	Annual distribution of funds / Shares outstanding
Distribution of funds as a percentage of earnings	=	(Annual distribution of funds per share / earnings per share) x 100
Price / earnings ratio	=	Market value per share / Earnings per share
Effective distribution of funds yield	=	(Distribution of funds per share / market value per share) x 100

Shares and shareholders

The 10 largest shareholders December 31, 2022^{*)}

Share holder	Number of shares	% of shares
Nidoco AB	4,335,830	26.3
MBÅ Invest Oy	2,176,072	13.2
Verman Group Oy ^{**)}	1,343,461	8.1
Ensto Invest Oy	1,280,000	7.8
Taloustieto Incrementum Ky	728,233	4.4
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	569,053	3.5
Eläkevakuutusosakeyhtiö Veritas	395,292	2.4
Mapps Global Invest Oy	342,732	2.1
Osuuskunta KPY	297,297	1.8
Loe Invest Oy	295,591	1.8
Total	11,763,561	71.3

^{*)} Source Euroclear Finland Oy

^{**)} Janne Vertanen, who exercises control in Verman Group Oy, also directly owns 27,426 shares

Distribution of shareholdings on December 31, 2022^{*)}

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	2,819	41.2	127,532	0.77
101–500	2,925	42.7	669,926	4.06
501–1 000	600	8.8	464,319	2.82
1 001–5 000	412	6.0	866,628	5.26
5 001–10 000	38	0.6	283,198	1.72
10 001–50 000	26	0.4	543,020	3.29
50 001–100 000	6	0.1	447,837	2.72
100 001–500 000	12	0.2	2,657,422	16.11
500 001–	6	0.1	10,432,649	63.26
Total	6844^{**)}	100.0	16,492,531	100.0
Of which nominee registered	8	—	120,472	0.730

^{*)} Source Euroclear Finland Oy

^{**)} In addition, 4 shareholders are involved in the joint ownership

Shareholders by sectors on December 31 2022^{*)}

Sector	Number of shares	% of shares
Companies	8,253,199	50.0
Abroad	4,444,907	27.0
Households	2,473,647	15.0
General government	1,075,211	6.5
Financial and insurance institutions	55,612	0.3
Non-profit institutions	69,483	0.4
Nominee registered	120,472	0.7
Total	16,492,531	100.0

^{*)} Source Euroclear Finland Oy

Financial statements

Consolidated financial statements

CONSOLIDATED INCOME STATEMENT

EUR thousand	Disclosure	1-12/2022	1-12/2021
Revenue	3	268,037	239,110
Change in inventories of finished goods and work in progress		5,267	2,060
Work performed for own purposes and capitalised		-3	-35
Other operating income	4	18,793	10,514
Material and services	5	-152,815	-115,011
Employee benefits expense	6	-97,733	-97,898
Depreciation and amortisation	7	-8,731	-9,806
Other operating expenses	8	-29,147	-22,196
Share of profit /loss accounted for using the equity method	14	-189	95
Operating profit		3,479	6,834
Finance income	9	476	41
Finance expense	9	-3,577	-3,334
Finance income and expense		-3,101	-3,294
Profit/loss before tax		378	3,540
Tax on income from operations	10	-2,807	433
Profit/loss for the period		-2,429	3,973
Other OCI-items			
Items that may be reclassified to profit or loss			
Translation differences		68	382
Remeasurements of post-employment benefit obligations	6	179	-117
Other comprehensive income for the period, net of tax		247	265
Total comprehensive income for the period		-2,182	4,238
Profit (loss) for the period attributable to:			
Equity holders of the parent company		-1,768	4,301
Non-controlling interests in net income		-661	-328
Profit/loss for the period		-2,429	3,973
Total comprehensive income for the period attributable to:			
Owners of the parent company		-1,521	4,566
Non-controlling interests		-661	-328
Total comprehensive income		-2,182	4,238
Earnings per share attributable to the owners of the parent company, undiluted	19	-0.11	0.35
Earnings per share attributable to the owners of the parent company, diluted	19	-0.11	0.35

Consolidated income statement should be read together with the Notes.

CONSOLIDATED BALANCE SHEET

EUR thousand	Disclosure	1–12/2022	1–12/2021
Assets			
Non-current assets			
Goodwill	11	27,874	26,154
Intangible assets	11	40,379	18,591
Property, plant, equipment	12, 13	22,213	21,706
Investments accounted for using the equity method	14	10,937	1,564
Non-current investment and receivables	16, 20	6,890	3,919
Deferred tax-assets	10	1,338	1,096
Total non-current assets		109,631	73,032
Current assets			
Inventories	15	13,124	6,513
Trade receivables	16	33,696	21,501
Current income tax receivables	10	9	48
Other receivables	16	35,003	16,449
Cash and cash equivalents	17	38,704	29,166
Total current assets		120,537	73,677
Total assets		230,168	146,709
Equity and liabilities			
Equity			
Share capital	18	80	80
Unrestricted equity reserve	18	64,010	43,794
Other reserves	18	313	313
Translation differences	18	84	17
Retained earnings	18	-500	95
Profit (loss) for the period	18	-1,768	4,301
Total equity attributable to owners of the parent company		62,220	48,599
Non-controlling interests		389	1,064
Total equity		62,609	49,664
Liabilities			
Non-current liabilities			
Borrowings	21	30,458	10,095
Lease liabilities	21	10,738	12,825
Other liabilities	23	550	2,206
Deferred tax liabilities	10	6,630	1,469
Employee benefit obligations	6	381	545
Provisions	22	543	852
Total non-current liabilities		49,300	27,992
Current liabilities			
Borrowings	21	3,439	3,072
Lease liabilities	21	5,968	4,427
Advances received	23	12,637	7,203
Trade payables	23	36,271	14,758
Payment arrangement with the Tax administration	20	0	963
Current income tax liabilities	10	2,990	28
Other payables	23	55,835	37,985
Provisions	22	1,119	618
Total current liabilities		118,258	69,054
Total liabilities		167,559	97,046
Total equity and liabilities		230,168	146,709

Consolidated balance sheet should be read together with the Notes.

CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	Disclosure	1–12/2022	1–12/2021
Cash flow from operating activities			
Profit (loss) for the period		-2,429	3,973
Adjustments:			
Depreciation, amortisation and impairment	7	8,731	9,806
Gains and losses on the sale of subsidiaries		—	-1,760
Gains and losses on the sale of associated companies		—	—
Gains and losses on the sale of property, plant and equipment		-850	-222
Share of profits (losses) of associates	14	189	-95
Interest income and other financial income and expenses	9	3,101	3,294
Income tax	10	2,807	-433
Other adjustments		-1,064	-11,758
Total adjustments		12,915	-1,169
Changes in working capital			
Change in trade and other receivables	16	-32,342	-4,829
Change in trade payables and other liabilities	23	35,795	-9,050
Change in inventories	15	-6,356	-2,615
Change in provision		—	—
Interest received		52	43
Interest paid		-1,205	-1,379
Other financial items		-1,919	-1,957
Income tax	10	-102	1,376
Net cash flow from operating activities		4,409	-15,608
Cash flow from investing activities			
Investments in tangible and intangible fixed assets	11	-3,268	-1,406
Sale of fixed assets		1,749	15,170
Acquisition of subsidiaries, less cash and cash-equivalents acquired	2	—	-151
Sale of subsidiaries, less cash and cash equivalents sold		—	281
Additional investments in associated companies	14	-10,399	-104
Sale of associated companies	14	1,100	—
Withdrawals of loans granted to associated companies		—	100
Repayments of loans granted to associated companies		566	—
Payment received from bank deposit accounts		—	600
Payments to bank deposit accounts	16	1,728	-3,053
Dividends from associated companies		93	102
Net cash flow from investing activities		-8,430	11,539
Cash flow from financing activities			
Issue of shares	18	2,200	28,218
Withdrawals of loans	20	26,460	14,964
Repayments of loans	20	-3,466	-22,898
Acquisition of subsidiaries less cash and cash equivalents acquired	20	-192	-257
Investments in shares	20	-850	—
Paid distribution of funds		-4,112	—
Payments of lease liabilities	20	-6,481	-4,485
Net cash flow from financing activities		13,559	15,542
Net change in cash and cash equivalents		9,538	11,472
Cash and cash equivalents at the beginning of the period		29,166	17,694
Impact of exchange rate changes on cash and cash equivalents		—	—
Cash and cash equivalents at the end of the period		38,704	29,166

Consolidated cash flow statement should be read together with the Notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Equity attributable to owners of the parent company						Non-controlling interest	Total equity
	Share capital	Invested unrestricted equity reserve	Other reserves	Translation differences	Retained earnings	Total equity attributable to owners of the parent company		
Equity at 1 Jan 2022	80	43,794	313	17	4,394	48,599	1,064	49,664
Profit (loss) for the period	—	—	—	—	-1,768	-1,768	-661	-2,429
Other comprehensive income	—	—	—	—	—	—	—	—
Translation differences	—	—	—	68	—	68	—	68
Remeasurements of post-employment benefit obligations	—	—	—	—	179	179	—	179
Total comprehensive income	—	—	—	68	-1,589	-1,521	-661	-2,182
Transactions with owners:						—		—
Share issue	—	21,831	—	—	—	21,831	—	21,831
Transactions with non-controlling interests	—	—	—	—	-327	-327	-14	-341
Convertible bond equity component	—	—	—	—	2,563	2,563	—	2,563
Share issue to employees	—	—	—	—	—	—	—	—
Share based payments	—	—	—	—	88	88	—	88
Distribution of funds *)	—	-1,614	—	—	-7,406	-9,020	—	-9,020
Other transactions	—	—	—	—	8	8	—	8
Total transactions with owners	—	20,216	—	—	-5,074	15,142	-14	15,128
Equity at 31 Dec 2022	80	64,010	313	84	-2,268	62,220	389	62,609

*) Distribution of funds to the shareholders was EUR 1.6 million and for Megatuuli Oy minority shareholders based on agreement was EUR 7,4 million.

Equity attributable to owners of the parent company

EUR thousand	Share capital	Invested unrestricted equity reserve	Other reserves	Translation differences	Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interest	Total equity
Equity at 1 Jan 2021	80	15,602	313	-363	245	15,878	1,768	17,645
Profit (loss) for the period	—	—	—	—	4,301	4,301	-328	3,973
Other comprehensive income						—		
Translation differences	—	—	—	382	—	382	—	382
Remeasurements of post-employment benefit obligations	—	—	—	—	-117	-117	—	-117
Total comprehensive income	—	—	—	382	4,184	4,566	-328	4,238
Transactions with owners:						—		—
Share issue	—	28,192	—	—	—	28,192	—	28,192
Transactions with non-controlling interests	—	—	—	—	18	18	-377	-359
Share issue to employees	—	—	—	—	150	150	—	150
Other transactions	—	—	—	-2	-203	-203	—	-203
Total transactions with owners	—	28,192	—	-2	-35	28,156	-377	27,780
Equity at 31 Dec 2021	80	43,794	313	17	4,394	48,599	1,064	49,664

Notes to the consolidated financial statements

1. ACCOUNTING PRINCIPLES FOR THE FINANCIAL STATEMENTS

Basic information about the Group

Enersense International Plc (hereinafter the "parent company" or the "company"), together with its subsidiaries ("Enersense" or the "Group"), is a provider of zero-emission energy solutions. The company is strongly involved in supporting the ongoing energy transition and enabling a zero-emission society. Enersense offers sustainable solutions and delivers expertise to Nordic and international industrial, energy, telecommunications and construction companies, contributing to its customers' successful transition towards a zero-emission future.

Enersense International Plc is a Finnish public limited liability company based in Pori. Its registered address is Konepajaranta 2, 28100 Pori. The parent company's shares are listed on the Main List Finland marketplace of Nasdaq Helsinki Ltd with ticker ESENSE.

At its meeting, the Board of Directors of Enersense International Plc approved these consolidated financial statements for publication. A copy of the consolidated financial statements is available at www.enersense.com/investors.

Basis for compilation

Enersense's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union, as well as the IAS and IFRS standards as they stood on 31 December 2021 and the related SIC and IFRIC interpretations. The notes to the consolidated financial statements are also in line with the requirements of the Finnish accounting and business legislation that supplements the IFRS regulations.

In April 2021, the IFRS Interpretations Committee issued its final agenda decision on the accounting of configuration and customisation costs in a cloud computing arrangement (IAS 38 Intangible Assets). In this agenda decision, the Interpretations Committee examined whether customers should recognise the configuration and customisation of an application as an intangible asset in accordance with IAS 38, and if an intangible asset is not recognised, how customers should recognise such configuration and customisation costs. The IFRIC agenda decisions do not have a date of entry into force, and are therefore expected to be adopted as soon as possible. Because the Group has cloud computing arrangements in place, it has started an analysis of whether this agenda decision has an impact on the accounting principles applied to the implementation costs of cloud services. The analysis has been conducted during autumn 2021, and its impact has been taken into account retrospectively in the financial statements for 2021. These impacts are shown in greater detail in the notes section under intangible assets. These impacts are not significant.

Several new standards, amendments to standards and interpretations will enter into force later than for financial periods beginning on 1 January 2021 and have not been applied in preparing these consolidated financial statements. The Group does not expect these to have a material impact on the consolidated financial statements.

The consolidated financial statements have been prepared on the basis of historical costs unless otherwise stated. The consolidated financial statements are presented in thousands of euros, with the euro being the parent company's functional and presentation currency.

The figures presented in the financial statements have been rounded. Therefore, the sum of individual figures does not necessarily correspond to the total amount presented.

The comparison information is presented in brackets after the figure for the financial period.

Translation of foreign currency items

Functional currency and presentation currency

Items included in the Group companies' financial statements are measured in the currency of the economic environment in which the company principally operates (functional currency). The consolidated financial statements are presented in euros, which is the functional and presentation currency of Enersense International Plc.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rate that was valid on the date of the transaction. Foreign currency receivables and liabilities are translated into the functional currency using the exchange rate that was valid on the balance sheet date.

Exchange rate gains and losses arising from foreign currency transactions and the translation of monetary receivables and liabilities are generally recognised through profit or loss. They are recognised in equity if the items are included in a net investment made in a foreign unit. Exchange rate gains and losses related to normal business operations are presented in the relevant items above the operating profit in the income statement. Exchange rate gains and losses related to financial items are presented in financial expenses in the income statement.

Group companies

The income statements of Group companies whose functional currency is different from the presentation currency are translated into euros using the average exchange rate for the period. Their balance sheets are translated using the exchange rate that was valid on the balance sheet date. All exchange rate differences arising from the translation of the result and the balance sheet are recognised in other comprehensive income.

Exchange rate differences arising from net investments made in foreign units are recognised in other comprehensive income when preparing the consolidated financial statements. When a foreign operation is sold, the related exchange rate differences are transferred to gains or losses on sale.

Continuity of operations

The financial statements have been prepared on a going concern basis because the management of Enersense sees no material uncertainty related to the continuity of operations. The future development of the Group's activities is influenced in particular by, among other things, the development of the Group's results, the availability of financing for capital-intensive projects and the adequacy of liquidity. Group management has made estimates of the companies' future revenue, operating margins, investments, financial situation and working capital requirements. The Group does impairment tests annually for both goodwill and wind farm projects, for which the amortisation period is unlimited. Company's management estimates that working capital will be sufficient to continue the Company's operations in accordance with its growth plan for the 12 months following the balance sheet date.

THE IMPACT OF THE WAR AND CORONAVIRUS ON ENERSENSE INTERNATIONAL PLC AND ITS BUSINESS OPERATIONS

The continuation of the Russian attack on Ukraine, which began in February 2022, maintains geopolitical tensions and uncertainty about the development of the global economy. The impacts of the war continue to be reflected, in particular, in the availability of certain materials, such as steel, and price increases resulting from the lack of supply. The risk of rising energy and fuel prices continues to exist. The increasing prices are reflected in a high rate of salary inflation, especially in the Baltic countries. In addition, any interruptions in energy supply that may occur next winter because of availability issues may have a negative impact on Enersense's business operations. Geopolitical uncertainty may also be reflected in labour availability, especially in the Baltic countries and elsewhere in Eastern Europe.

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Although the risk of business impacts of the coronavirus pandemic decreased significantly in all segments during the review period, it is possible that the pandemic will be prolonged, new waves will emerge and restrictions will be tightened again. This may lead to a deterioration in the financial position of Enersense's customers and further to a decrease in demand for Enersense's services, slower-than-expected sales development and a decrease in the prices of its services.

In addition, higher inflation and higher interest rates may have a negative impact on the level of overall economic activity and demand outlooks.

Financial statements prepared in accordance with the IFRS require the management to make accounting estimates and decisions based on judgement which affect the amounts of assets and liabilities presented in the financial statements and the amounts of income and expenses presented for the financial periods. Estimates and judgements are based on the management's best knowledge, previous experience and expectations of future events. The actual results of events may differ from the estimates and judgements. In addition, the management must exercise judgement when applying accounting principles. Key estimates and judgements are presented in the following disclosures:

Key estimates and decisions based on judgement

Disclosure	Key estimates and judgements
2. Acquisitions	Valuation of intangible assets
3. Revenue and reported segments	Revenue recognition
10. Income taxes	Recognition of income taxes and recognition of deferred tax assets from tax losses
11. Intangible assets	Impairment testing
13. Leases	Determining the lease term and determining the interest rate for the incremental borrowing rate
21. Borrowing	Convertible notes interest without exchange right
22. Provision	Classification of group companies

2. ACQUISITIONS

Through a directed share issue (EUR 18.5 million), Enersense International Plc acquired the entire share capital of Megatuuli Oy, an onshore wind farm developer. The share transaction was completed on 1 February 2022.

Through a directed share issue (EUR 1,2 million) Enersense International Plc acquired the entire share capital of a manufacturer of fast charging stations for electric vehicles Unified Chargers Oy. The share transaction was completed on 15 Nov 2022.

Enersense IN Oy won competitive tendering of business transfer of Helen's certain operation and maintenance services. The agreement entered in force 1 Nov 2022.

The amount of cash flow generated by the acquisition of Megatuuli Oy is presented in the table below:

EUR thousand	2022
Paid acquisition price	—
Cash and cash equivalent acquired	9
Net of cash acquired	9

The acquired net assets and the goodwill arising from the transaction of Megatuuli Oy are presented in the table below:

EUR thousand	2022
Assets	
Non-current assets	
Other intangible assets	22,868
Property, plant, equipment	58
Investments accounted for using the equity method	
Other shares and equity interests	2,400
Non-current trade and other receivables	704
Deferred tax-assets	—
Total non-current assets	26,030
Current assets	
Inventories	—
Trade receivables	207
Other receivables	61
Cash and cash equivalents	9
Total current assets	277
Total assets	26,307
Liabilities	
Non-current liabilities	
Borrowings	123
Employee benefit obligations	—
Deferred tax liabilities	5,188
Provisions	—
Total non-current liabilities	5,312
Current liabilities	
Borrowings	150
Advances received	—
Trade payables	192
Other payables	137
Current income tax liabilities	—
Provisions	—
Total current liabilities	479
Total liabilities	5,790
Total equity and liabilities	20,516
Non-controlling interests	—
Acquisition price	-18,397
Positive goodwill	—
Negative goodwill	-2,120

The amount of cash flow generated by the acquisition of Unified Chargers Oy and Helen business transfer are presented in the table below. Comparable figures include Enersense Offshore Oy:

EUR thousand	2022	2021
Paid acquisition price	-701	—
Cash and cash equivalent acquired	5	15
Net of cash acquired	-696	15

The acquired net assets and the goodwill arising from the transaction of Unified Chargers Oy and Helen business transfer are presented in the table below. Comparable figures include Enersense Offshore Oy:

EUR thousand	2022	2021
Assets		
Non-current assets		
Other intangible assets	627	8,817
Property, plant, equipment	721	9,964
Investments accounted for using the equity method	—	—
Other shares and equity interests	—	—
Non-current trade and other receivables	—	—
Deferred tax-assets	—	—
Total non-current assets	1,348	18,781
Current assets		
Inventories	255	382
Trade receivables	-41	318
Other receivables	4	291
Cash and cash equivalents	5	15
Total current assets	222	1,007
Total assets	1,570	19,788
Liabilities		
Non-current liabilities		
Borrowings	578	789
Employee benefit obligations	—	—
Deferred tax liabilities	—	1,750
Provisions	—	119
Total non-current liabilities	578	2,658
Current liabilities		
Borrowings	42	2,371
Advances received	—	1,446
Trade payables	216	1,570
Other payables	548	2,196
Current income tax liabilities	—	—
Provisions	—	679
Total current liabilities	806	8,262
Total liabilities	1,384	10,920
Total equity and liabilities	186	8,868
Non-controlling interests	—	—
Acquisition price	-1,906	-1,583
Positive goodwill	1,720	—
Negative goodwill	—	-7,285

Megatuuli Oy fair value of intangible assets was at the time of acquisition EUR 22.9 million, including EUR 22.8 million wind farm projects in different state of completion. Sales of project portfolio was EUR 14.0 million for the year 2022.

The impact of negative goodwill EUR 2.1 million is reported under Other operating income. Acquired assets and liabilities value was more than acquiring costs. According IFRS 3 -regulation acquired assets and liabilities value was reviewed. Because after second review it generated profit, the profit was booked as income immediately as according IFRS 3 negative goodwill cannot be shown in assets. As residual value the negative goodwill EUR 2.1 million was recorded as other operating income. As well its other operating income include mainly fees from selling wind farm project. The owners of Megatuuli's B-series shares are entitled to a dividend form the sale proceeds of the named wind farm projects, which was for year 2022 EUR 7.4 million.

The transaction costs were EUR 0.5 million which were included in group income statement to other costs and in cash flow statement to net cash flow from operating activities.

Unified Chargers Oy's acquisition calculation is preliminary. Fair value of intangible assets was at the time of acquisition EUR 0.6 million, including EUR 0.6 million development costs of fast charging stations.

Acquisition increased group's goodwill by EUR 1.7 million. According to IFRS 3 goodwill is not amortised and it will be impaired annually together with other goodwill. Enersense is expecting to gain synergies in sales efforts and implementing as the business is part of the group.

The transaction costs were EUR 0.1 million which were include in group income statement to other costs and in cash flow statement to net cash flow from operating activities.

The acquisition calculation of business transfer with Helen is preliminary. Fair value of tangible assets were EUR 0.7 million and it paid in cash. In the acquisition calculation of business transfer with Helen there were no goodwill nor transaction costs recorded.

Enersense International Oy communicated on 20 Jun 2022 that it has signed agreement to acquire the entire share capital of Voimatel Oy, a company specialising in critical infrastructure and energy services, with a share exchange. Enersense communicated on 15 Feb 2023, that it has decided to withdraw from the acquisition. The withdrawal occurs by consensus with Osuuskunta KPY, the owner of Voimatel.

Comparable figures includes year 2021 Enersense Offshore Oy acquisition, of which Enersense booked EUR 7.3 million negative goodwill. Negative goodwill recorded immediately. According to the contract, a portion of Enersense Offshore Oy's EBITDA -margin for the years 2022-25 was agreed to be paid as an additional purchase price. As a result of the revision of the additional purchase price, a profit of EUR 1.3 million has been recorded in other business income in 2022.

Accounting principle

Business combinations are treated using the acquisition method. The consideration for the acquisition of a subsidiary consists of the fair value of the assets transferred.

The identifiable assets and the identifiable liabilities and contingent liabilities acquired in a business combination are initially measured at fair value at the time of acquisition, with a few exceptions. Any non-controlling interest in the acquired business has been recognised in the amount corresponding to the share of the non-controlling interest of the identifiable net assets of the acquired business.

The costs related to the acquisition have been recognised as expenses at their time of implementation and are presented in other operating expenses in the income statement, with the exception of expenses directly attributable to the issue of equity instruments, which are deducted from equity.

The amount by which the consideration provided, the non-controlling interest in the acquired business and the fair value of the previously held interest in the acquired company at the time of acquisition exceed the fair value of the acquired identifiable net assets is recognised as goodwill.

Key judgements

Measurement of intangible assets

The net assets acquired in a business combination are measured at fair value. Enersense's management has exercised judgement when determining the fair value of the identifiable intangible assets at the time of acquisition and when determining the amortisation period for the assets in question. In connection with the acquisition of Megatuuli Oy, intangible assets were recognised. Their valuation was carried out by an expert firm specialising in the valuation of these types of intangible assets. The management believes that the estimates and assumptions used are sufficiently reliable to determine fair values.

3. REVENUE AND REPORTED SEGMENTS

The CEO of Enersense (chief operating decision maker, CODM) monitors the Group's performance 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 uses revenue and EBITDA to assess the operating result.

In its Smart Industry business, Enersense helps customers improve the reliability of their production plants and the efficiency of their maintenance operations. Enersense develops digital solutions for improving productivity, and is responsible for the total maintenance and reliable operation of its long-term customers' production plants. Enersense provides the special competence required for each phase of the project, such as resource and contracting services and subcontracting chain management services.

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

In its Connectivity business, Enersense helps customers deliver mobile and fixed network services and ensure their operability. Enersense is involved in all phases of the life cycles of data networks, as well as designing, building and maintaining fixed and wireless data networks.

In its International Operations business, Enersense provides services for the energy sector and mobile and fixed networks in the Baltic Countries, and industrial operating and maintenance services in Germany, France and the United Kingdom.

Costs arising from the following functions are presented in items and eliminations not allocated to the segments: Group finance, ICT, procurement, personnel, legal affairs, quality and communications.

Revenue by segments

EUR thousand	1-12/2022	1-12/2021
Smart Industry	72,721	85,499
Power	60,998	49,143
Connectivity	47,230	45,318
International Operations	87,007	58,999
Items not allocated to segments	81	152
Total	268,037	239,110

Enersense's revenue mainly consists of services, projects and resourcing in the Nordic countries and internationally operating industrial, energy and telecommunications companies. In Enersense's services, the customer simultaneously receives and uses the benefits arising from Enersense's services as Enersense provides the service, improves an asset controlled by the customer or creates an asset for which Enersense does not have an alternative use, and Enersense is entitled to receive payment for services provided up until the time of examination. Most of Enersense's sales revenue is recognised over time. In 2022, Enersense had one customer whose share of the Group's revenue was over 10%, total revenue EUR 32.2 million. In 2021, Enersense had two individual customers whose share of the Group's revenue was more than 10%. The total revenue from these customers was EUR 57.1 million.

Geographical distribution of revenue by target country

EUR thousand	1-12/2022	1-12/2021
Finland	178,319	177,229
Other countries	89,717	61,881
Total	268,037	239,110

Transaction price allocated to the remaining performance obligations

EUR thousand	1-12/2022	1-12/2021
Unrecognised transaction price	291,291	46,678
To be recognised as income the following year	185,023	35,920
To be recognised later	106,268	10,758

The unrecognised transaction price at the end of the financial period corresponds to the total transaction price allocated to performance obligations that remain fully or partly unsatisfied. The unconsolidated transaction price will be recognised over the next 1–3 years.

EBITDA by segments

EUR thousand	1-12/2022	1-12/2021
Smart Industry ^{*)}	268	15,388
Power ^{**)}	19,237	2,426
Connectivity	362	1,559
International Operations	-3,930	1,672
Items not allocated to segments	-3,726	-4,405
Total	12,210	16,639

^{*)} Värväämä Oy's capital gain of EUR 1.8 million and Enersense Offshore Oy's negative goodwill recognition of EUR 7.3 million are included in the Smart Industry segment's EBITDA

^{**)} Megatuuli Oy the value of negative goodwill EUR 2,1 million was included for the 2022 in Power segment's EBITDA.

Reconciliation of EBITDA to operating profit

EUR thousand	1-12/2022	1-12/2021
EBITDA	12,210	16,639
Depreciation, amortisation and impairment	-8,731	-9,806
Total	3,479	6,834

Contract assets and liabilities

EUR thousand	1-12/2022	1-12/2021
Contract assets ^{*)}	21,561	5,257
Contract liabilities ^{**)}	12,637	7,203

^{*)} For more information, disclosure 16. Trade- and other receivables

^{**)} For more information, disclosure 23. Trade- and other payables

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

Geographical breakdown of non-current assets

EUR thousand	1-12/2022	1-12/2021
Finland	98,636	65,696
Other Countries	9,657	6,239
Total^{*)}	108,293	71,936

^{*)} Non-current assets in the balance sheet less deferred tax assets and non-current financial assets. For more information, disclosures 10. Income taxes and 20. Financial risk and capital management.

Accounting principle

Recognition of sales revenue

Enersense recognises revenue in accordance with the five-step model provided in IFRS 15 Revenue from Contracts with Customers. Sales revenue is recognised in the amount that is expected to be received from the customer in exchange for transferring the product or service. Sales revenue is recognised when control over the service or product is transferred to the customer, either over time or at a specific time.

Enersense's revenue consists of services, projects and resourcing. Enersense enters into an agreement with the customer, and the agreement specifies the rights and obligations of both parties. With major customers, Enersense may enter into a framework agreement which constitutes an agreement in accordance with IFRS 15, together with the order and order confirmation. With smaller customers, the order and order confirmation constitute the agreement.

Under Enersense's service agreements and resourcing services, the customer typically simultaneously receives and uses the service as it is provided by Enersense. Enersense applies a practical expedient provided by IFRS 15 which allows the company to recognise an amount that it is entitled to invoice if the company has the right to receive consideration from the customer in an amount that directly corresponds to the value of the performance completed by the company for the customer up until the time of examination.

In fixed-price long-term projects and other agreed total deliveries in which Enersense creates or improves an asset controlled by the customer or in which Enersense has no alternative use for the asset produced and Enersense has the right to receive payment for the performance produced, including the costs incurred and a reasonable margin, sales revenue is recognised over time. The level of fulfillment of performance obligations is typically determined on the basis of the costs incurred in relation to the total costs. Project forecasts, estimated total revenue and costs are assessed on every reporting date.

Customer agreements may include variable consideration such as sanctions, bonuses or discounts. The impact of variable consideration is assessed on a contract basis, and sales revenue is recognised in the amount to which Enersense is entitled when it is highly probable that a significant reversal in the amount of recognised cumulative revenue will not occur.

Segments

The segments have been determined based on the information that Enersense's chief operating decision maker (CODM) monitors to allocate resources and assess the performance of the segments. Enersense assesses the performance of its segments based on revenue and EBITDA. Enersense also monitors customer satisfaction, the order backlog and occupational safety by segment. Enersense defines EBITDA as the operating profit before depreciation, amortisation and impairment. The operating profit is defined as the profit (loss) for the period added with income tax and the net effect of financial income and expenses. The CEO of Enersense assesses the financial performance and financial position of the Group and its segments and makes strategic decisions. The CEO is Enersense's chief operating decision maker.

Key judgements

Recognition of revenue

Assessments are required to measure expected sales revenue and costs and the level of completion. As part of the assessment, the management takes into account key contractual obligations, the fixed-price long-term project schedule, identified risks and opportunities and changes in estimates of revenue and expenses. Actual costs may differ from predicted costs because of price increases, delays or a need for additional materials and work. The estimates made are reviewed on each reporting date, and any changes are recognised through profit or loss in the period during which the change occurs. As a rule, actual revenue and costs differ from estimated revenue and costs.

4. OTHER OPERATING INCOME

The items presented in other operating income include revenue from administrative and catering services and gains from the sale of fixed assets. On 1 Feb 2022 EUR 2,1 million of negative goodwill was recognised for the acquisition of Megatuuli Oy. Sales of project portfolio EUR 14.0 million is related to fees from realised wind farm projects.

EUR thousand	1-12/2022	1-12/2021
Decrease in negative goodwill	2,120	7,285
Gain on disposal of investments in group companies	—	1,760
Sales of project portfolio	13,960	—
Change in contingent consideration	1,330	—
Subsidies received	—	450
Income from administrative services	39	313
Gains on the sale of associates	772	—
Income from restaurant services	117	235
Capital gains on property, plant and equipment	78	222
Gains on non-compete obligation	52	—
Other income	325	250
Total	18,793	10,515

Accounting principle

Public grants

Public grants are recognised through profit or loss for the periods during which the related expenses are recognised when it is reasonably certain that the conditions related to the grant will be fulfilled and the grants will be received. Public grants related to the acquisition of property, plant and equipment are deducted from the cost of acquisition of the asset. The profit and loss impact is recognised in the form of decreased depreciation of the acquired asset. During the financial year 2022, the Enersense Group's subsidiary received a total of EUR 0.0 (0.5) million in government cost support related to the coronavirus pandemic.

5. MATERIALS AND SERVICES

Materials and services include purchases of materials, supplies and goods, change in inventories and external services in the financial period. Enersense's purchases consist of the following: tools used for general and plant maintenance; pre-processed steel products; land construction materials; mechanical equipment; steel and pipe supplies; and spare parts for transmission grids, power plants and wind power plants. External services mainly include subcontracting costs related to digital and mobile services, electrical and automation installation, excavation, design, inspection and temporary agency workers.

EUR thousand	1-12/2022	1-12/2021
Purchases during period	-71,484	-45,780
Increase / decrease in inventories	-126	16
External services	-81,205	-69,247
Total	-152,815	-115,011

6. EMPLOYEE BENEFIT EXPENSES

The Enersense Group has a total of round 2,000 employees in 40 countries. The personnel benefits and defined benefit obligations related to employees are presented below. The personnel benefits granted to the members of the Group Executive Team, the managing directors and the members of the Board of Directors are presented in Note 26 ("Related parties"). Incentive plans are presented in Note 26 ("Share-based incentive plans").

Wages and salaries

EUR thousand	1-12/2022	1-12/2021
Wages and salaries	-78,725	-79,676
Pension costs - defined contribution plans	-10,903	-11,171
Pension costs - defined benefit plans	-9	-8
Other employee benefit expenses	-8,095	-7,043
Total	-97,733	-97,898

Full-time equivalent (FTE)

	1-12/2022	1-12/2021
Average number of employees at the end of the period	1,836	1,942

Defined benefit plans

The Group has defined benefit group pension insurance plans in Finland with life insurance companies (Mandatum Life and OP). The defined benefit elements of group pension insurance include an old-age pension based on the final salary, a funeral allowance and an annual index-based increase in the pension.

The insurance covers 95 people, 10 of whom continue to be in an employment relationship with the Group. The employer may have to pay group pension insurance premiums if the insurance assets are not sufficient to cover the benefits promised to the beneficiaries.

The assets of group pension insurance plans are based on the insurance premiums paid by the employer and on the returns on such premiums. The annual contribution is determined on the basis of the new annual accumulated pension and the annual index-based increases in pensions.

Risks related to defined benefit obligations

Changes in bond yields

If the yields of the underlying bonds of the discount rate change, the Group may have to adjust the discount rate. This affects both the net defined benefit liability and the item to be recognised in other comprehensive income because of the remeasurement.

Inflation

The pensions covered by the group pension insurance plans are linked to inflation development, and an increase in inflation increases the defined benefit obligations.

Life expectancy

The Group's defined benefit obligations are related to both working-age people and pensioners. An increase in life expectancy can thus increase the pension obligation.

Defined benefit plan obligations in the balance sheet

EUR thousand	2022	2021
Defined pension benefit plan liabilities	1,114	1,561
Defined pension benefit plan assets	-733	-1,016
Total	381	545

Changes in the present value of the defined benefit obligations

EUR thousand	2022	2021
Present value of the defined benefit plan obligations Jan 1	1,606	1,654
Business combinations	—	—
Interest cost	16	6
Current service cost	9	8
Benefits paid	-60	-68
Actuarial (gains) losses	-457	6
Present value of the defined benefit plan obligations Dec 31	1,114	1,606

Change in the fair value of defined benefit plans

EUR thousand	2022	2021
Plan assets Jan 1	1,062	1,219
Business combinations	—	—
Interest income	10	5
Benefits paid	-60	-68
Actuarial (gains) losses	-305	-108
Contributions by employer	26	14
Plan assets Dec 31	733	1,062

Items recognised in income statement

EUR thousand	2022	2021
Service cost	-9	-8
Net interest cost	-6	-1
Total	-15	-9

Remeasurement impact recognised in the other comprehensive income

EUR thousand	2022	2021
Actuarial gain (loss) on plan assets	-305	-108
Actuarial gain (loss) on plan liabilities	527	-39
Actuarial gain (loss) on change in asset ceiling	-70	33
Total	152	-114

The arrangement is an insurance policy compliant with IAS 19.8, and it is not possible to prepare a more detailed itemisation of the assets of the arrangement.

Enersense estimates its premiums for defined benefit plans to be EUR 20 thousands in 2022. The weighted average of the duration of the defined benefit obligations is 18 years.

Principal actuarial assumptions

Assumption	2022	2021
Discount rate	3.9	1.0
Increase in pension	2.4	1.6
Inflation rate	2.1	2.1
Life expectancy for pensioners at the age of 65:		
Male	21.4	21.4
Female	25.4	25.4

Sensitivity analysis

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

EUR thousand	2022	2021
Change in pension increase:		
0.5 % increase	69	123
0.5 % decrease	-62	-111
Change in discount rate:		
0.5 % increase	-72	-130
0.5 % decrease	81	148

The described sensitivity analysis is based on a change in the presented assumption, while the other assumptions remain unchanged. In reality, this is unlikely to happen, but a change in one assumption may also affect a change in other assumptions. The sensitivity of the defined benefit obligation to significant actuarial assumptions has been calculated using the same method as for calculating the pension obligation recognised in the balance sheet.

Accounting principle

Defined contribution pension plans

In defined contribution plans, the payments are made to an insurance company or a similar party, after which the Group no longer has any other payment obligations. Payments to defined contribution plans are recognised in the income statement as an expense for the financial period during which the payment is charged.

Defined benefit plans

The Group has defined benefit pension plans with Mandatum Life and OP Life Assurance Company, to which the Group pays premiums to finance pension security.

Items arising from remeasurement that include actuarial gains and losses are recognised immediately on the balance sheet through other comprehensive income in the period during which they occur. Remeasurement items are not transferred to profit or loss in subsequent financial periods. Expenses based on previous work performance are recognised through profit or loss using the earlier of the following dates:

- Date when the plan was amended or reduced
- Date when the Group recognises the related restructuring costs in accordance with IAS 37 or the benefits related to the termination of the employment relationship. The net interest rate is calculated by applying the discount rate to the net liability or asset arising from the defined benefit arrangement. The Group recognises the following changes in net debt arising from a defined benefit plan in the consolidated income statement:
- Expenses based on work performance that cover the expenses arising from work performance for the period, expenses based on previous work performance, and gains and losses arising from reducing or supplementing the obligation are recognised in employee benefit expenses

- Net interest expenses or income are recognised in financial expenses.

The obligations related to the Group's defined benefit plan, as well as the related expenses arising from work performance, have been calculated using the projected credit unit method.

The obligation related to defined benefit pension arrangements is the value of the defined benefit obligation on the balance sheet date minus the fair value of the assets of the arrangement. The discount rate has been determined using the Bloomberg € EU corporate yield curve. The estimated duration of the obligation related to the benefit has been taken into account. Market-based inflation expectations have been determined using inflation-linked swaps in the eurozone.

7. DEPRECIATION, AMORTISATION AND IMPAIRMENT

Depreciation

EUR thousand	1-12/2022	1-12/2021
Intangible assets		
Customer relationships	-966	-966
Development costs	-260	-694
Intangible rights	-54	-61
Other intangible assets	-323	-963
Total	-1,603	-2,684
Property, plant and equipment		
Land ^{*)}	-12	-12
Buildings and structures	-3,130	-2,814
Machinery and equipment	-3,859	-3,343
Other tangible assets	-94	-119
Total	-7,094	-6,288

**) Depreciation of land applies to leased land*

Impairment

EUR thousand	1-12/2022	1-12/2021
Impairment by asset group		
Other intangible assets		
Other intangible assets	-18	-800
Property, plant and equipment		
Machinery and equipment	-16	-33
Total	-35	-832
EUR thousand	1-12/2022	1-12/2021
Depreciation and amortisation total	-8731	-9805

Accounting principle

Amortisation and depreciation are recognised as straight-line items in the income statement over the useful life of intangible assets and property, plant and equipment. Tangible right-of-use assets are depreciated over their useful life, or over their lease period if it is shorter than their useful life. If Enersense is reasonably certain that it will exercise the purchase option, right-of-use assets are depreciated over their useful life.

Depreciation periods

Property, plant and equipment

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

Intangible asset

Customer relationships	10 years
Development costs	3 – 5 years
Intangible rights	5 – 10 years
Other intangible assets	1 – 15 years

Expected useful lives are reviewed on the end date of each reporting period, and the depreciation periods are adjusted accordingly if the expected useful lives differ significantly from previous estimates.

8. OTHER OPERATING EXPENSES

Other operating expenses include costs arising from purchased administrative services, facility expenses, ICT software and hardware expenses and voluntary personnel expenses, for example. Other expenses include auditing and expert fees, office expenses and credit loss expenses, among other costs. Expenses related to employees' working capacity maintenance, recreational activities, training and hobbies are presented in voluntary indirect personnel expenses.

EUR thousand	1–12/2022	1–12/2021
ICT software and equipment expenses	-8,272	-5,624
Administration expenses	-871	-1,011
Other employee expenses	-1,474	-7,043
Vehicle expenses	-4,689	-2,418
Legal and other consulting expenses	-1,065	-457
Marketing expenses	-332	-426
Office and building expenses	-4,163	-891
Acquisition costs	-1,420	-1,571
Travel expenses	-393	-86
Other expenses	-6,467	-2,669
Total	-29,147	-22,196

The Annual General Meeting of Enersense International Plc elects the Group's auditor annually. At the Annual General Meeting in 2022, KPMG Oy Ab was elected as the Group's auditor.

Auditors fees

EUR thousand	1–12/2022	1–12/2021
Audit related services	-312	-435
Tax advisory services	-17	-1,050
Other services	-9	-19
Total	-338	-1,504

The auditors' fees include the fees paid to the auditor of each Group company.

Non-audit services provided by KPMG Oy Ab for the companies of the Enersense Group totalled EUR 26 (1.069) thousand in the 2022 financial period. These services consisted of EUR 9 (19) thousand in tax advice and EUR 17 (1.050) thousand in other services.

9. FINANCIAL INCOME AND EXPENSES

EUR thousand	1-12/2022	1-12/2021
Interest income and other finance income		
Interest income and other finance income	476	41
Total	476	41
Finance costs		
Interest expenses from installment debt	-6	-47
Interest expenses from borrowings	-1,791	-2,250
Impairment on investment	-444	—
Interest expenses from lease liabilities	-163	-361
Foreign exchange losses	-636	-62
Commission fees	-537	-615
Total	-3,577	-3,335
Finance income and costs total	-3,101	-3,294

Interest expenses on other loans mainly include interest expenses on loans, guarantee commissions, factoring interest and fees, and interest on arrears. Commission expenses include non-recurring refinancing fees of EUR 0.3 million and other financing-related fees. For more information on the new financing arrangement, see Disclosure 21. Loans. Impairment mainly include EUR 0.5 million of write-down of Fennovoima -investment.

10. INCOME TAX

Income tax expenses consist of the tax expense based on taxable income for the period and deferred tax liabilities. Megatuuli Oy made profit and has not been part of the group for 12 months, therefore unused tax losses could not be utilized.

EUR thousand	1-12/2022	1-12/2021
Current tax on profit for the period	-3,075	-143
Adjustments for current tax of prior periods	—	17
Total current income tax expense	-3,075	-127
Change in deferred tax assets	241	560
Change in deferred tax liabilities	27	—
Total deferred tax expense		
Income tax expense	-2,807	433

Reconciliation between the tax expense recognised in the consolidated income statement and the taxes calculated at the Finnish tax rate (20% for all financial periods) is presented below:

Numerical reconciliation of income tax expense to prima facie tax payable

EUR thousand	1-12/2022	1-12/2021
Result before taxes	378	3,540
Tax calculated at Finnish tax rate 20%	-76	-708
Effect of other tax rates for foreign subsidiaries	140	19
Effect of the expenses not deductible for tax purposes	-79	-226
Effect of the tax-free income	85	1,331
Tax based on separate company	-2,878	—
Adjustment in respect to prior years	—	17
Other adjustments	—	—
Income tax	-2,807	433

Deferred tax assets and liabilities

EUR thousand	1.1.	Recognised in income	Recognised in other comprehensive income	Business combinations	31.12.
2022					
Deferred tax assets					
Intangible assets and property, plant and equipment	933	18	—	—	951
Post-employment benefits	88	3	—	—	91
Tax losses	3,045	—	—	—	3,045
Lease contracts	14	30	—	—	43
Impairments of receivables	100	—	—	—	100
Other items	-61	190	—	—	129
Total	4,118	241	—	—	4,359
Netting of deferred taxes	3,022				3,022
Deferred taxes, net	1,096				1,337
Deferred tax losses					
Intangible assets and property, plant and equipment	-3,983	181	—	-5,188	-8,991
Lease contracts	-9	-7	—	—	-16
Other items	-499	-147	—	—	-646
Total	-4,491	27	—	-5,188	-9,653
Netting of deferred taxes	3,022				3,022
Deferred taxes, net	-1,469				-6,630

The most significant temporary differences between accounting and taxation relate to the intangible assets recognised in connection with the acquisition of Megatuuli Oy. The acquisition of Enersense Offshore Oy is described in Note 2. Acquisitions. The Group has confirmed losses for which a deferred tax asset of EUR 3.0 million has been recognised. The recognition of deferred tax assets is primarily based on the availability of taxable income that the temporary differences can be set against.

EUR thousand	1.1.	Recognised in income	Recognised in other comprehensive income	Business combinations	31.12.
2021					
Deferred tax assets					
Intangible assets and property, plant and equipment	328	605	—	—	933
Post-employment benefits	87	1	—	—	88
Tax losses	2,330	—	—	715	3,045
Lease contracts	6	8	—	—	14
Impairments of receivables	100	—	—	—	100
Other items	26	-87	—	—	-61
Total	2,877	527	—	715	4,118
Netting of deferred taxes	2,307				3,022
Deferred taxes, net	570				1,096
Deferred tax losses					
Intangible assets and property, plant and equipment	-2,266	33	—	-1,750	-3,983
Lease contracts	—	-9	—	—	-9
Other items	-41	—	—	-458	-499
Total	-2,307				-4,491
Netting of deferred taxes	2,307			715	3,022
Deferred taxes, net	—				-1,469

EUR thousand	Unused losses		Recognised deferred tax receivables		Unrecognised deferred tax receivables	
	2022	2021	2022	2021	2022	2021
Expires in 10 years	152,260	133,590	3,045	3,045	30,452	17,646
Total	152,260	133,590	3,045	3,045	30,452	17,646

Accounting principle

Income tax

The tax expense or income presented for the period is the tax arising from the taxable income for the period in accordance with the income tax rate of each country, adjusted for changes in deferred tax assets and liabilities arising from temporary differences. The tax based on taxable income is calculated on the basis of the prevailing tax rates in the Group's countries of operation.

Taxes are recognised through profit or loss, except when they are related to items of other comprehensive income or items recognised directly in equity. In such cases, the tax is recognised accordingly in items of other comprehensive income or directly in equity.

Tax assets and liabilities based on taxable income for the period are deducted from each other when there is a legal right to do so and when the payment is to be settled at the net amount or the asset and the liability are to be realised at the same time.

Deferred taxes

Deferred taxes are recognised for the temporary differences between the book values and tax values of assets and liabilities included in the consolidated financial statements. Deferred tax is not recognised for the initial recognition of goodwill or assets and liabilities when the transaction is not a business combination and does not affect the accounting result or taxable income at its time of implementation.

Deferred taxes are determined on the basis of the tax rates (and laws) that have been passed or adopted in practice by the end of the reporting period and that are expected to be applied when the deferred tax asset in question is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that there will be taxable income in the future against which temporary differences can be used.

Deferred tax assets and liabilities are deducted from each other when there is a legal right to deduct tax assets and liabilities based on taxable income from each other and when deferred tax assets and liabilities are related to income taxes levied by the same taxation authority.

Key judgements

Recognition of income tax

The tax expense in the income statement consists of taxes and deferred taxes based on taxable income for the financial period. Taxes are recognised in the income statement, except when they are related to other items of comprehensive income or items recognised directly in equity. The tax based on taxable income for the period is calculated on the basis of taxable income in accordance with the tax rates determined in each country by the balance sheet date. The tax is adjusted for any taxes related to previous financial periods.

The management assesses the practices applied to tax returns in cases where the tax legislation leaves room for interpretation. The tax liabilities recognised in such situations are based on the management's estimates. Significant judgement is required to assess the total amount of income tax at the Group level, meaning that the amount of the final tax involves uncertainty.

Recognition of deferred tax assets based on tax losses

The management's judgement is required to determine the extent to which deferred tax assets can be recognised. The Group's management has exercised judgement in deciding whether deferred tax assets are recognised for unused tax losses or unused tax credits. These are recognised to the extent that it is probable that taxable income will be generated in the future against which unused tax losses and unused taxation-related credits can be used.

The assessment of future taxable profits is based on Enersense's strategy, forecasts and the assessment of uncertainties. Enersense's management monitors the Group's financial position and assesses future developments monthly. The amount of deferred tax assets recognised for tax losses and unused credits is reviewed on the end date of each reporting period.

11. INTANGIBLE ASSETS

EUR thousand	Goodwill	Customer relationships	Development Costs	Immaterial rights	Other intangible assets	Advance payments for intangible assets	Other intangible assets total
2022							
Cost at 1 Jan	26,154	9,647	2,848	193	10,538	122	23,348
Business combinations	1,720	—	618	1	22,838	38	23,495
Additions	—	—	16	2	36	1	55
Disposals	—	—	—	-37	-125	-17	-179
Reclassifications	—	—	-147	—	147	—	—
Exchange differences	—	—	—	—	—	—	—
Cost at 31 Dec	27,874	9,647	3,335	159	33,435	144	46,720
Accumulated depreciation and impairment at 1 January	—	-1,371	-1,721	-92	-1,572	—	-4,757
Depreciation	—	-966	-260	-54	-323	—	-1,603
Disposals	—	—	—	37	—	—	37
Reclassifications	—	—	—	—	—	—	—
Exchange differences	—	—	—	—	—	—	—
Impairment charge	—	—	-5	-14	—	—	-18
Accumulated amortisation and impairment at 31 December	—	-2,337	-1,985	-123	-1,895	—	-6,341
Net book value at 1 January	26,154	8,276	1,127	101	8,966	122	18,592
Net book value at 31 December	27,874	7,310	1,349	36	31,540	144	40,379

Other intangible assets consist mainly from wind farm projects and other intangible assets from acquisitions. For further information on acquisitions, see Disclosure 2. Acquisitions. Customer relations have been formed in connection with the Empower business acquisition in 2020.

In April 2021, the IFRS Interpretations Committee issued its final agenda decision on the accounting of configuration and customisation costs in a cloud computing arrangement (IAS 38 Intangible Assets). In this agenda decision, the Interpretations Committee examined whether customers should recognise the configuration and customisation of an application as an intangible asset in accordance with IAS 38, and if an intangible asset is not recognised, how customers should recognise such configuration and customisation costs. The IFRIC agenda decisions do not have a date of entry into force, and are therefore expected to be adopted as soon as possible. Because the Group has cloud computing arrangements in place, it has analysed whether this agenda decision has an impact on the accounting principles applied to the implementation costs of cloud services. The analysis was made within the Group during the autumn of 2021, and the impacts were taken into account retrospectively in the financial statements for 2021. The impacts were minor.

EUR thousand	Goodwill	Customer relationships	Development Costs	Immaterial rights	Other intangible assets	Advance payments for intangible assets	Other intangible assets total
2021							
Cost at 1 Jan	26,376	9,660	2,119	127	2,213	737	14,856
Business combinations	—	—	—	67	8,750	—	8,817
Additions	—	—	30	2	—	591	622
Disposals	-222	-13	-291	-1	-425	-215	-945
Reclassifications	—	—	991	—	—	-991	—
Exchange differences	—	—	—	-2	—	—	-2
Cost at 31 Dec	26,154	9,647	2,848	193	10,538	122	23,349
Accumulated depreciation and impairment at 1 January	—	-405	-255	-32	-597	—	-1,289
Depreciation	—	-966	-694	-61	-963	—	-2,684
Disposals	—	—	16	1	—	—	17
Impairment charge	—	—	-789	—	-12	—	-800
Accumulated amortisation and impairment at 31 December	—	-1,371	-1,721	-92	-1,572	—	-4,757
Net book value at 1 January	26,376	9,255	1,864	95	1,616	737	13,567
Net book value at 31 December	26,154	8,276	1,127	101	8,966	122	18,592

Goodwill impairment testing

The management monitors goodwill at the level of the four business segments determined in Note 3. The Group tests annually whether the grounds for goodwill continue to exist and whether the predicted cash flows can be generated accordingly. Goodwill impairment testing has been performed for all test 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 timing of the impairment testing was redefined for the year 2022 so that the starting point for the annual testing is the situation in the last quarter of the year.

The period after the forecast period has been determined by extrapolating cash flows using the estimated probable annual growth rate at the time of testing.

In connection with impairment testing, the Group has analysed the sensitivity of the test results to changes in key assumptions. The test results are most sensitive to changes in EBITDA forecasts and discount rates. The management estimates that there are no somewhat probable changes in the discount rate or the return level would cause the book values of the goodwill tested to exceed the recoverable amounts in any of tested Smart Industry, Power and Connectivity business segments. The management estimates that in International Operation segment EBITDA is sensitive for changes. If EBITDA -margin go down annually by 1.1 percentage points, the accumulated cash flows measure the book value what is allocated to business segment.

Goodwill per segment:

EUR thousand	2022
Smart Industry	11,250
Power	5,074
Connectivity	4,586
International operations	6,965
Total	27,874

The assumptions used to calculate value in use by time of testing:

	Revenue growth, Forecast period	Terminal growth assumption	Operating profit % terminal value	Projected operating % terminal value	Discount rate before taxes
2022					
Smart Industry	12,5% – 50,0%	1.0%	1,8% – 8,1%	8.0%	11.1%
Power	7,3% – 29,7%	1.0%	11,8% – 27,1%	12.8%	11.1%
Connectivity	3,0% – 21,4%	1.0%	0,3% – 2,0%	1.9%	11.1%
International operations	-9,3% – 3%	1.0%	-0,6% – 2,7%	2.7%	11.1%
2021					
Smart Industry	12,2% – 17,9%	1.0%	4,0% – 9,7%	9.6%	10.0%
Power	6,9% – 20,9%	1.0%	1,8% – 4,9%	4.8%	10.0%
Connectivity	0,9% – 4,0%	1.0%	-0,4% – 4,2%	4.2%	10.0%
International operations	-5,4% – 21,0%	1.0%	-0,3% – 3,0%	3.0%	10.0%

Accounting principle

Goodwill

Goodwill arises in connection with the acquisition of subsidiaries when the consideration provided exceeds the fair value of the net assets acquired. Goodwill is recognised in intangible assets on the balance sheet, excluding accumulated impairment losses. Amortisation is not recognised for goodwill, but goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate potential impairment.

Customer relationships

Customer agreements acquired in a business combination are recognised at fair value at the time of acquisition. They have a limited useful life, so they are recognised at acquisition cost on the balance sheet, excluding accumulated depreciation and impairment losses.

Development expenses

Development costs directly arising from the planning, testing and implementation of identifiable and unique assets controlled by the Group are recognised as intangible assets on the balance sheet if the following criteria are met:

- An intangible asset is technically feasible so that it can be completed and put into use or sold
- 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 is able to demonstrate how the intangible asset is likely to generate financial benefits
- The Group has sufficient technical, financial and other resources to complete the development work and use or sell the intangible asset, and
- The Group is able to reliably determine the costs incurred during the development phase of the intangible asset.

Direct expenses capitalised in development costs include direct personnel expenses arising from development, an appropriate portion of the related general expenses and direct purchases.

Capitalised development costs are recognised at acquisition cost in intangible assets on the balance sheet, excluding accumulated depreciation and impairment losses. Depreciation starts when the asset is ready for use.

Intangible rights and other intangible assets

Intangible rights and other intangible assets are recognised at acquisition cost on the balance sheet, excluding accumulated amortisation and impairment. In connection with the acquisition of Megatuuli Oy, intangible assets were recorded at fair value. The fair value of identifiable intangible assets at the time of acquisition was EUR 22.9 million, including EUR 22.8 million in intangible assets based on wind

farm projects. An external expert was consulted for the assessment of fair value. The intangible assets based on technology are tested annually for impairment, or more frequently if events or changes in circumstances indicate that impairment may have occurred.

The estimated useful lives of intangible assets are as follows:

- Customer relationships: 10 years
- Development expenses: 3–5 years
- Intangible rights: 5–10 years
- Other intangible assets: 1–15 years
- Wind farm project based intangible assets: the useful lifetime is reviewed by project. When selling a project its asset value is amortised through deducting sales value. If project is cancelled, it is amortised through impairment costs. Impairment of win farm projects are tested on a project-by-project basis annually, in addition to which their book values are regularly assessed to detect possible indications of impairment. Estimates of future cash flows used in value-in-use calculations are based on project-specific financial plans, and the time periods from which cash flows are taken into account in the forecasts vary depending on the project.

Impairment

Amortisation is not recognised for goodwill or intangible assets with an indefinite useful life. These are tested for impairment annually, or more frequently if events or changes in circumstances indicate possible impairment. Other intangible assets and property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that it may not be possible to recover an amount corresponding to the book value.

The amount by which the book value of an asset exceeds its recoverable amount is recognised as an impairment loss. The recoverable amount is the fair value of the asset less the costs of disposal or its use value, depending on which is higher. For the purposes of assessing impairment, assets are grouped at the lowest levels that accumulate identifiable cash flows that are largely independent of the cash flows of other assets or asset groups (cash-generating units).

At the end of each reporting period, it must be reviewed whether the impairment of an asset, excluding goodwill, should be reversed. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Key judgements

Impairment testing

The Group's management has assessed the useful lives of customer relationships recognised in connection with acquisitions. The useful lives are assessed on each balance sheet date and adjusted if necessary.

The potential impairment of tangible assets is tested when there are indications that the value of an asset may be impaired (assessed at the end of each reporting period at the minimum). An impairment test is based on calculations that determine the recoverable amounts of cash-generating units. The recoverable amount of a cash-generating unit is its fair value less the costs of disposal or its use value, depending on which is higher. Use value calculations are based on discounted cash flows that the asset is estimated to generate.

Key estimates and acquisitions related to use value calculations are described below:

- Forecasting future cash flows – these are based on the most recent five-year forecasts approved by the management and reflect expectations concerning sales revenue growth, business expenses, the EBITDA margin (%), investments and cash flows, and are based on previous experience and the management's expectations regarding future changes in the markets.
- Discount rates applicable to the cash flows – the discount rates used are determined before taxes and are based on the weighted average of capital costs that has been determined on the basis of inputs received from the markets at the time of examination and adjusted to take account of the

specific risks related to the cash-generating unit. The adjusted discount rate determined after tax is converted into an interest rate before tax for each cash-generating unit based on the tax rate applicable where the cash-generating unit operates.

- Expected long-term growth rates – cash flows after the five-year period are extrapolated using estimated growth rates. The growth rates are based on the expected long-term performance of each cash-generating unit in the market in which it operates, and correspond to the average long-term growth rates of the markets for energy solutions.

Estimates and judgements may change as financial and operational conditions change. Actual cash flows may therefore differ from forecasts, and this may result in changes in the recognition of impairment losses in future periods.

The book value of goodwill is reduced if its book value is higher than the estimated recoverable amount. Impairment is recognised in the income statement if the book value of a cash-generating unit exceeds its recoverable amount. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Other intangible assets are tested by estimating the recoverable amount of each individual asset, or if this is not possible, by estimating the recoverable amount of the cash-generating unit to which the asset belongs. Cash-generating units are the lowest level at which assets are grouped and which generates separately identifiable cash flows.

The impacts of the coronavirus pandemic have been taken into account in determining projected cash flows. Enersense's management has estimated that it is unlikely that any change in the key assumptions would cause the book value of a cash-generating unit to exceed its recoverable amount.

12. PROPERTY, PLANT AND EQUIPMENT

EUR thousand	Land areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and construction in progress	Total
2022						
Acquisition 1 Jan	359	14,910	16,580	273	102	32,225
Business combinations	—	6	772	—	—	778
Increases	5	3,300	4,131	112	1,736	9,285
Divestments in subsidiaries	—	—	—	—	—	—
Decreases	-10	-820	-494	-70	-1,482	-2,876
Transfers between items	—	-5	5	—	—	—
Exchange rate differences	—	—	—	—	—	—
Acquisition cost 31 Dec	355	17,390	20,995	315	357	39,412
Accumulated depreciation and Impairment 1 Jan	-17	-5,004	-5,418	-80	—	-10,519
Depreciation	-12	-3,130	-3,859	-94	—	-7,094
Decreases	—	106	260	64	—	431
Impairment	—	-8	-9	—	—	-16
Transfers between items	—	—	—	—	—	—
Exchange rate differences	—	—	—	—	—	—
Accumulated depreciation and Impairment 31 Dec	-29	-8,035	-9,025	-109	—	-17,199
Book value 1 Jan	342	9,906	11,163	193	102	21,705
Book value 31 Dec	325	9,355	11,970	206	357	22,213

EUR thousand	Land areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and construction in progress	Total
2021						
Acquisition 1 Jan	143	8,861	13,810	294	69	23,177
Business combinations	3,763	3,763	2,014	308	116	9,964
Increases	9	6,571	6,727	38	97	13,442
Divestments in subsidiaries	—	—	-108	-2	—	-109
Decreases	-3,556	-4,295	-5,863	-366	-180	-14,259
Transfers between items	—	11	—	—	—	11
Exchange rate differences	—	—	—	—	—	—
Acquisition cost 31 Dec	359	14,910	16,580	273	102	32,225
Accumulated depreciation and Impairment 1 Jan	-5	-2,183	-2,191	-14	—	-4,393
Depreciation	-12	-2,814	-3,285	-119	—	-6,230
Decreases	—	—	83	53	—	137
Impairment	—	-7	-25	—	—	-33
Exchange rate differences	—	—	—	—	—	—
Accumulated depreciation and Impairment 31 Dec	-17	-5,004	-5,418	-80	—	-10,519
Book value 1 Jan	126	3,857	8,392	214	69	12,658
Book value 31 Dec	342	9,906	11,163	193	102	21,705

Right-of-use assets are included in property, plant and equipment. More information about right-of-use assets is provided in Note 13 ("Leases"). Increases in the 2021 financial period are mainly related to new leases on buildings, structures, machinery and equipment.

Sale and leaseback

The Group carried out a car sale and leaseback arrangement in June 2021. A previous item of property, plant and equipment (EUR 5.4 million) was removed from the balance sheet, and a right-of-use asset (EUR 3.4 million) was recognised instead. At the end of year 2022, the balance sheet had leased cars of EUR 7.1 million.

The Group carried out a real estate sale and leaseback arrangement in October 2021. A previous item of property, plant and equipment (EUR 8.0 million) was removed from the balance sheet, and a right-of-use asset (EUR 3.7 million) was recognised instead. At the end of year 2022, the balance sheet had leased real estate of EUR 9.3 million.

Accounting principle

Land areas are recognised at original cost in property, plant and equipment on the balance sheet. Other items of property, plant and equipment are recognised at acquisition cost less depreciation in property, plant and equipment on the balance sheet. The acquisition cost includes expenses arising directly from the acquisition of assets. 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 as follows:

- Buildings: 10–30 years
- Machinery and equipment: 3–15 years
- Other items of property, plant and equipment: 3–5 years

The residual values and useful lives of assets are reviewed on the end date of each reporting period and adjusted if necessary. If the book value of an asset is higher than its estimated recoverable amount, the book value is immediately reduced to correspond to the recoverable amount. Gains and losses from sales are determined by comparing sales revenue with the book value, and are recognised in the income statement. Information about impairment is presented in Note 11 ("Intangible assets").

13. LEASES

Enersense mainly leases facilities, apartments, passenger cars, vans, lorries and tools. Its leases on facilities and apartments are typically agreements of indefinite duration. Its leases on vehicles and tools are typically fixed-term. The agreements may include extension and termination options. Most facility leases include index-based increase conditions, which are typically linked to a consumer price index or a property maintenance cost index. These are not included in lease liabilities until they are executed.

The balance sheet shows the following amounts related to leases:

EUR thousand	31.12.2022	31.12.2021
Land	113	130
Buildings and structures	9,258	9,736
Vehicles	7,066	6,792
Other	—	0
Total	16,437	16,658
Lease liabilities		
Current	5,968	4,427
Non-current	10,738	12,825
Total	16,705	17,251

The maturity of lease liabilities is presented in Note 20 ("Financial risk and capital management").

The income statement includes the following amounts related to leases:

EUR thousand	1–12/2022	1–12/2021
Depreciation charge of right-of-use assets ^{*)}		
Land	-12	-12
Buildings and structures	-3,051	-2,732
Vehicles	-2,492	-1,693
Other	—	—
Total depreciation charge of right-of-use assets	-5,555	-4,437
Interest expense ^{**)}	-444	-361
Expense relating to short term leases ^{***)}	-914	-1,103
Expense relating to leases of low value ^{***)}	-1,050	-1,374
Cash outflow relating to leases in total	-8,890	-7,261

^{*)} Included in the line item Depreciation and amortisation in the income statement

^{**)} Included in the line item Finance expenses in the income statement

^{***)} Included in the line item Other expenses in the income statement

Enersense has entered into business premises and car lease agreements beginning in the next financial year 2023.

Accounting principle

At the time of entering into an agreement, Enersense assesses whether the arrangement includes a lease. An agreement is a lease or includes a lease if it provides the right to control the use of a specific asset against consideration for a specific period of time. For a lease in which Enersense acts as the lessee, Enersense recognises a right-of-use asset and the corresponding lease liability on the start date of the lease. The start date is the time when the underlying asset of the lease becomes available for use to the lessee.

Enersense measures the lease liability on the start date of the agreement by discounting expected future lease payments at their present value. The payments included in the measurement of the lease liability include fixed-rate payments, payments based on an index or other price level, the amounts of residual value guarantees that are expected to be payable by Enersense and the execution amount of the purchase option if its use is reasonably certain. Penalty payments for terminating a lease are included in the measurement of the lease liability if it has been taken into account in the lease period that Enersense will exercise the termination option.

Enersense discounts lease payments using the interest rate implicit in the lease. If this rate is difficult to determine, Enersense uses the lessee's incremental borrowing rate – that is, the interest rate that Enersense would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The interest expense on the lease liability is presented in the cash flow from operating activities.

After the start date of the lease, the lease liability is measured at amortised cost using the effective interest method. The amount of the lease liability is redetermined when a change occurs in lease payments because of changes in the index, for example, or when the use of the options included in the agreement is reassessed, or to take account of other changes in the lease. Right-of-use assets are measured at acquisition cost, including the initial amount of the lease liability, lease payments made before the start date of the agreement, initial direct costs and restoration costs. Depreciation for right-of-use assets is usually recognised using the straight-line method over the useful life of the asset, or over the lease period if it is shorter than the useful life. If Enersense is reasonably certain that it will exercise the purchase option, right-of-use assets are depreciated over their useful life. For more information, see disclosure 12. Property, plant and equipment.

Enersense applies the exemptions provided by the standard concerning short-term and low-value leases. A short-term lease is an agreement with a lease period of 12 months or less. Low-value assets include tools and ICT equipment, for example. Payments for these leases are recognised as an expense using the straight-line method. Enersense does not separate components other than lease components from lease components in leases on facilities, apartments and vehicles.

Enersense has no significant operations as a lessor.

Key judgements

Determining the lease period

Enersense's leases may be valid for an indefinite period or include extension or termination options. In determining the lease period, Enersense takes account of all the facts and circumstances that create a financial incentive to continue the lease. These include, but are not limited to, the necessity of the asset for Enersense's business operations, major improvements to the leased property and any costs associated with the lease of a substitute asset. The lease period is reassessed when a significant event or change in circumstances takes place.

Determining the incremental borrowing rate

The Group determines the incremental borrowing rate for leases on the basis of its interest rates for loans granted by financial institutions and in accordance with the requirements of IFRS 16, meaning that the borrowing rate to be used takes account of the start dates and lease periods of leases and the impacts of the sites and the operating environment.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Enersense's share of associated companies and joint ventures:

Name of entity	Country of incorporation	% of ownership interest	
		31.12.2022	31.12.2021
Empower 4Wind OÜ	Estonia	60.0%	60.0%
Yrittäjien Voima Oy	Finland	40.0%	40.0%
Harku Sindi JV OÜ	Estonia	50.0%	50.0%
P2X Solution Oy	Finland	16.3%	—%
Suomi Teline Oy	Finland	—%	25.0%

Empower 4Wind OÜ is an Estonian company providing maintenance and repair services for wind turbines. Despite majority ownership, Empower 4Wind OÜ has been treated as a joint venture because of a decision-making process based on a consensus among shareholders. This decision-making process has been agreed upon in the shareholders' agreement of Empower 4Wind OÜ. Suomi Teline Oy is Finnish supplier of scaffolding. Yrittäjien Voima Oy is a Finnish limited liability company providing electricity and other forms of energy to its shareholders. Yrittäjien Voima Oy holds an interest in Voimaosakeyhtiö SF, which in turn holds an interest in Fennovoima Oy and therefore the book value of Yrittäjien Voima Oy was written down. Additionally Enersense has other off-balance sheet liability EUR 0.7 million to Yrittäjien Voimo Oy.

Harku Sindi JV OÜ is an Estonian joint venture that has been building a power line in Estonia. The company is currently inactive. Enersense acquired on 1 Feb 2022 16.3% share of P2X Oy, whose business is the production of green hydrogen. Despite less than 20% ownership, P2X Solution Oy is considered as associate company, because Enersense has based on agreement right name a board member in P2X Solution Oy. Share of Suomi Teline Oy was sold 12 Sep 2022.

A summary of the financial information of associated companies and joint ventures is presented below. The figures presented correspond to the figures presented in the financial statements of the associated companies and joint ventures, and not to Enersense's share.

2022	Assets	Liabilities	Revenue	Profit / loss for the period
Empower 4Wind OÜ	1,566	309	2,771	99
Yrittäjien Voima Oy	5	4	22	-67
Harku Sindi JV OÜ	2,449	2,446	—	—
P2X Solution Oy	23,088	3,621	22	-1,555
2021				
Empower 4Wind OÜ	1,586	273	2,682	230
Suomi Teline Oy	5,061	4,567	5,938	-171
Yrittäjien Voima Oy	1,294	7	7	—
Harku Sindi JV OÜ	2,376	2,373	—	—

Investments in associates

EUR thousand	2022	2021
Carrying value 1 Jan	1,564	1,467
Business combinations	—	—
Additions	10,399	104
Disposals	-228	—
Impairments	-516	—
Share of the result for the period	-282	-7
Carrying value 31 Dec	10,937	1,564

Transactions with associates

EUR thousand	2022	2021
Sales of goods and services	79	157
Purchases of goods and services	2	3
Interest income	—	13

Balance with associates

EUR thousand	2022	2021
Loan receivables	—	150
Trade and other receivables	663	3,449

Main conditions for capital loan receivables

The capital of a capital loan can be repaid and interest can be paid only to the extent that the amount of all the capital loans in the company's unrestricted equity at the time of payment exceeds the amount of losses to be confirmed for the most recent financial period or included in the balance sheet in more recent financial statements. Capital loans are unsecured in accordance with the law. The agreements on capital loans have been made in writing.

Enersense had EUR 150 thousands capital loan from Suomi Teline Oy, which portion Enersense sold 12 Sep 2022. The buyer paid back from this loan EUR 80 thousand and will pay the rest EUR 70 thousands 28 Dec 2023. The interest for the loan is 8,0% annual.

Accounting principle

Associated companies

Associated companies are companies in which the Group has significant influence, but not control or joint control. This is usually based on share ownership corresponding to 20–50% of the voting rights. Investments in associated companies are initially recognised at acquisition cost and then accounted for using the equity method. The Group's share of profits or losses after the acquisition is recognised in the income statement, and its share of changes in other comprehensive income after the acquisition is recognised in items of other comprehensive income. The book value of the investment is adjusted accordingly. If the Group's share of the losses of an associated company exceeds the book value of the investment, the losses in excess of the book value are recognised unless the Group has legal or actual obligations related to associated companies or it has made payments on behalf of associated companies. The Group's share of the result of the associated companies for the financial period has been calculated in accordance with the Group's holding and is presented as part of the operating profit in the consolidated income statement. At the end of each reporting period, it is determined whether there is objective evidence that the value of an investment made in an associated company has decreased.

Joint ventures

Joint ventures are companies in which the parties with joint control have rights to the net assets of the arrangement. Shares in joint ventures are initially recognised at acquisition cost in the consolidated income statement and then accounted for using the equity method.

Capital loan receivables

Capital loan receivables are initially recognised at fair value. They are then measured at amortised cost using the effective interest method, because cash flows from capital loans consist exclusively of the payment of capital and interest and Enersense's business model related to capital loans is the collection of cash flows. Impairment of capital loan receivables is calculated using a three-step model.

If the credit risk related to a loan receivable has been found to be low or has not increased significantly, the loan receivable is in stage 1, and its impairment is recognised on the basis of the expected 12-month credit loss. If the credit risk has increased significantly, the receivable is transferred to stage 2.

15. INVENTORIES

EUR thousand	1-12/2022	1-12/2021
Materials and supplies	2,930	2,238
Work in progress	8,558	3,557
Advance payments	1,636	718
Total	13,124	6,513

In the financial period, Enersense has recognised an inventory acquisition cost of EUR 71.6 (45.8) million as an expense. The expense is presented under "Materials and services" in the income statement. In the financial period, EUR 0.0. (0.0) million was recognised in impairment for inventories. No impairment entries were reversed during the financial period (2021: no reversals).

Accounting principle

Inventories are measured at acquisition cost, or at net realisable value if it is lower than the acquisition cost. The acquisition cost is determined using the FIFO (first in, first out) method or the weighted average price method, depending on the nature of the inventories. The acquisition cost of materials and supplies includes the purchase price and transport costs. Work in progress includes direct salaries and other social security costs, as well as a share of the general costs related to work in progress. Net realisable value means the estimated actual selling price in normal business operations, less the estimated costs necessary to complete the sale.

16. TRADE AND OTHER RECEIVABLES

EUR Thousand	31.12.2022	31.12.2021
Non-current		
Pledged account	1,325	875
Account receivables	703	—
Other receivables	2,250	2,052
Total	4,278	2,927
Current		
Pledged account	33,696	18,064
Factoring trade receivables	—	—
Other financial assets ^{*)}	2,289	2,177
Other receivables	—	1,849
Prepaid expenses and accrued income	31,833	12,372
Total	67,818	34,462
Material items under prepaid expenses and accrued income		
Accrued income related to revenue recognition over time	20,897	5,257
Prepaid expenses	10,877	7,097
Other	58	18
Total	31,833	12,372

**) Enersense has pledged accounts to its financiers to secure its commitments. Enersense's long-term pledged account of EUR 1.3 million is pledged for the duration of the commitment. Of the pledged accounts, EUR 2.3 million were short-term pledges for contractual obligations expiring during the financial year 2023.*

Accounting principle

The Group's financial assets consist of 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"). These are classified as financial assets measured at amortised cost, because these financial assets are held to collect contractual cash flows and their cash flows consist exclusively of the payment of capital and interest. The Group's financial assets are measured at amortised acquisition cost using the effective interest method. Loan receivables and other receivables are initially recognised at fair value. Trade receivables are initially recognised at transaction price. Interest income is included in financial income. An item included in financial assets is derecognised on the balance sheet when the rights to its cash flows have expired or have been transferred to another party and when a significant portion of the risks and benefits related to the ownership has been transferred to another party. Profit or loss arising from the derecognition of an asset on the balance sheet is recognised through profit or loss and presented in financial expenses.

Factoring

Enersense uses a factoring arrangement, where the essential risks and benefits of trade receivables have been transferred to the factoring company. Such trade receivables are presented in the balance sheet until payment has been received from the factoring company and they are valued in the balance sheet at the amortized acquisition cost. Enersense mainly receives payment as soon as the receivables have been transferred to the factoring company. In the Group's view, the business model according to which receivables are held to collect cash flows is still applicable to these receivables, and therefore they continue to be measured at amortised cost.

The fair value of these is not based on observable input data, in which case their fair value is at level 3 of the fair value hierarchy. The fair value does not essentially differ from the original acquisition cost. The fair value hierarchy is described in Appendix 21. Loans. The change in fair value is presented in other income or expenses, and the financial costs of factoring are presented in financial costs.

Impairment of financial assets

Expected credit losses related to financial assets are estimated proactively. The measurement of trade receivables and assets arising from customer agreements is based on a simplified model: credit loss is recognised on the basis of expected credit losses over the lifetime of trade receivables or assets arising from customer agreements. Enersense has determined expected credit loss rates for trade receivables of different ages in accordance with their age distribution, taking account of the special characteristics and risks of the receivables. The amount of expected credit loss is based on the management's best estimate of foreseeable default. The credit loss model takes account of customers' past payment behaviour and the available future forecasts (such as the development of the coronavirus pandemic) and their potential impact on customers' credit ratings and payment behaviour, in addition to any collateral and credit insurance.

Receivables are derecognised on the balance sheet as final credit losses when they cannot reasonably be expected to be settled. Indications that payment cannot reasonably be expected include the debtor's inability to enter into a payment plan with the Group and the likelihood of bankruptcy, for example.

The credit risk related to financial assets, credit risk management and the provision matrix for trade receivables are described in Note 20 ("Financial risk and capital management").

17. CASH AND CASH EQUIVALENTS

EUR thousand	31.12.2022	31.12.2021
Cash in hand and at bank	38,704	29,166

Accounting principle

Cash and cash equivalents consist of cash assets and demand deposits.

18. EQUITY

EUR thousand	31.12.2022	31.12.2021
Share capital	80	80
Reserve for invested unrestricted equity	64,010	43,794
Legal reserve	313	313
Cumulative translation difference	84	17
Retained earnings	-500	95
Profit (loss) for the period	-1,768	4,301
Total equity attributable to owners of the parent company	62,220	48,599
Non-controlling interests	389	1,064
Total equity	62,609	49,663

The owners of Megatuuli Oy's B-series shares are entitled to a dividend from the sale proceeds of the designated wind farm projects. Initial public offering expenses EUR 2.9 million are reduced from reserve for invested unrestricted equity in year 2021.

Quantity of shares

	Date	Pcs
Shares 1 Jan 2021		9,547,729
Directed shares: Nidoco AB	15.3.2021	2,075,000
Public and personnel offering of shares	22.6.2021	1,775,000
Shares 31 Dec 2021		13,397,729
Directed shares: Megatuuli Oy acquisition	1.2.2022	2,598,331
Directed shares: KPY Cooperative	28.6.2022	297,297
Directed shares: Unified Chargers Oy acquisition	15.11.2022	199,174
Shares 31 Dec 2022		16,492,531

Share Capital

Enersense International Plc has one series of shares. One share entitles its holder to one vote at a general meeting. On 31 December 2022, the share capital of Enersense International Plc was EUR 80,000 (80,000) and the number of shares on 31 December 2022 was 16,492,531 (31 Dec 2021: 13,397,729 and 31 Dec 2020: 9,547,729). Enersense International Plc's share is listed on Nasdaq Helsinki Ltd and the shares are included in the book-entry system maintained by Euroclear Finland Ltd. The company holds no treasury shares. In accordance with the Limited Liability Companies Act, its invested unrestricted equity reserve includes the share subscription price, unless the company has expressly decided otherwise.

On 31 Jan 2022 Enersense board of directors decided to execute a share issue, through which 2,598,331 new shares were directed to Megatuuli Oy owners. Through the share issue, the company raised round EUR 18.5 million. It was recorded 1 Feb 2022 in full in the company's invested unrestricted equity reserve.

On 20 Jun 2022 Enersense board of directors decided to execute a share issue, through which 297,297 new shares were directed to KPY Cooperative. Through the share issue, the company raised round EUR 2.2 million. It was recorded 28 Jun 2022 in full in the company's invested unrestricted equity reserve.

On 15 Nov 2022 Enersense board of directors decided to execute a share issue, through which 199,174 new shares were directed to Unified Chargers Oy owners. Through the share issue, the company raised round EUR 18.4 million. It was recorded 16 Nov 2022 in full in the company's invested unrestricted equity reserve.

Reserve

The reserve includes the portion transferred from unrestricted equity in accordance with the Articles of Association or by decision of a general meeting.

Translation differences

Translation differences arising from the conversion of the financial statements of a foreign subsidiary are recognised in other comprehensive income and are accumulated in a separate equity reserve. The accumulated amount is transferred to profit or loss when the net investment is divested.

Accounting principle

Expenses directly attributable to the issue of new shares are presented as a decrease in payments received in equity.

19. EARNINGS PER SHARE

	1-12/2022	1-12/2021
Earning per share		
Profit operations attributable to the owners of the Company (EUR million)	-1,768	4,301
Weighted average number of shares outstanding during the period, undiluted	15,986	12,131
Weighted average number of shares outstanding during the period, diluted	16,382	12,131
Earnings per weighted average share, undiluted, (EUR)	-0.11	0.35
Earnings per weighted average share, diluted, (EUR)	-0.11	0.35

Enersense has during 2022 two instruments (Convertible notes and share based payments), which dilute earning per share. The total amount was 3,407,774 pcs at the end of the year 2022. During finance year 2021 did not have any instruments.

The board of Enersense decided on 31 Jan 2022 on a direct share issue, total of 2 598 331 new shares at value of EUR 18.5 million related to Megatuuli Oy acquisition. It was completed on 1 Feb 2022 and it was recorded in full in the company's unrestricted equity reserve.

The board of Enersense decided on 20 Jun 2022 on a direct share issue to KPY Co-operative, total of 297 297 new shares at a value of EUR 2.2 million. It was completed on 28 Jun 2022 and it was recorded in full in the company's unrestricted equity reserve.

The board of Enersense decided on 15 Nov 2022 to direct share issue, total of 199 174 new shares at a value of EUR 1.2 million related to Unified Chargers Oy acquisition. It was completed on 16 Nov 2022 and it was recorded in full in the company's unrestricted equity reserve.

Accounting principle

Earnings per share (EPS) are calculated by dividing the profit attributable to the owners of the parent company by the weighted average number of outstanding shares during the financial period. Earnings per share adjusted for the dilutive effect are calculated on the same basis as undiluted earnings per share, except that the Group's possible commitments to issuing new shares in the future are taken into account.

20. FINANCIAL RISK AND CAPITAL MANAGEMENT

Enersense is exposed to liquidity, credit, currency and interest rate risks in its business operations. The purpose of Enersense's financial risk management is to reduce the impact of factors arising from changes in financial markets on the company's performance, operations and balance sheet structure. Enersense's financial management regularly reports to the Group's management on identified financial risks and measures that the Group intends to take to hedge against potential risks. The Group's financial management also supports the segments in their financial risk management. The segments provide the Group's financial management with up-to-date information about their financial position and cash management, so that the financial management can ensure effective financial, liquidity and risk management.

Credit risk

Enersense's credit risk is related to customers with which the Group has open receivables or long-term agreements. The credit risk may materialise if the customer is unable to meet its contractual obligations. Enersense checks the credit history and solvency of its major new customers before entering into agreements and actively monitors the creditworthiness and solvency of its customers.

The Group also hedges against the credit risk by selling receivables to a third party that bears the credit risk related to the purchased trade receivables. No material interests in these receivables remain with Enersense. Enersense also manages the credit risk by means of advance payments and front-loaded project payment plans.

Trade receivables and assets arising from agreements

Trade receivables are recognised on the balance sheet at the original invoice value, less any impairment. For the purpose of determining expected credit losses, trade receivables and assets arising from agreements are grouped on the basis of common credit risk characteristics and delayed payment. The expected loss model is based on a provision matrix in which expected credit losses are calculated by applying historical credit losses and the business management's estimates of future developments with regard to different maturity distributions of open trade receivables. The expected credit loss provision is recognised immediately through profit or loss. Enersense derecognises trade receivables on the balance sheet as final credit losses when their collection has proved unsuccessful. For example, a final credit loss is recognised when the collection partner issues a credit loss recommendation, the debtor files for bankruptcy or agreement on a payment plan cannot be reached with a customer experiencing payment difficulties.

Assets arising from agreements are related to uninvoiced work in progress and have the same risk characteristics as trade receivables arising from agreements of the same type. Enersense's management has therefore assumed that the expected loss rate of non-overdue trade receivables is relatively close to the loss rate of assets arising from agreements.

Estimated credit loss

	Not overdue	Under 30 days	30-60 days	61-90 days	Over 90 days	Total
31 Dec 2022						
Expected loss rate	0%	1%	3%	3%	44%	
Gross carrying amount	29,221	938	939	-7	474	31,565
Loss allowance	0	-9	-32	0	-207	-247
Net carrying amount	29,221	929	907	-6	267	31,318
31 Dec 2021						
Expected loss rate	—%	—%	1%	8%	13%	
Gross carrying amount	14,521	1,671	207	2	397	16,796
Loss allowance	—	-1	-3	—	-53	-57
Net carrying amount	14,521	1,670	204	1	344	16,739

Reconciliation of estimated credit loss

	1-12/2022	1-12/2021
Opening loss allowance at 1 Jan	57	126
Increase in the allowance recognised in profit or loss during the period	197	173
Receivables written off during the year as uncollectible	-6	-242
Closing loss allowance at 31 Dec	247	57

Credit loss provision recognised for loan receivables

Enersense had loan receivables of EUR 288 (150) thousands on 31 December 2022. By selling associate company Suomi Teline Oy the new owner paid EUR 80 thousand of the loan and remaining is in short-term loans. Enersense's management estimates that the credit risk related to loan receivables has not increased, and that the expected credit loss is not material. Loan repayments are expected to be received in accordance with the agreed payment schedule. Enersense's management monitors the probability of the repayment of loan receivables, and a credit loss provision is recognised if necessary. The amounts of and main conditions for capital loan receivables are provided in Note 14 ("Investments accounted for using the equity method").

Cash and cash equivalents and other deposits have been placed in banks with a high capital adequacy ratio, and the company does not consider them to involve a material credit risk. These are highly liquid investments, and no expected credit losses have been recognised for them.

Solvency risk

Enersense's solvency risk is divided into refinancing and liquidity risks. The refinancing risk is related to a circumstance in which Enersense does not have sufficient liquid assets to repay its loans or in which refinancing is not available on favourable terms. Enersense seeks to protect against the refinancing risk by diversifying the maturity distribution of its loan portfolio and by assessing the share of short-term financing and the Group's need for long-term financing.

The liquidity risk is related to a circumstance in which Enersense does not have access to sufficient liquid assets to meet its obligations. To maintain sufficient liquidity, Enersense prepares short-term and long-term cash forecasts and makes arrangements for additional financing if necessary. Enersense is continuously seeking to predict and monitor its need for business financing to ensure sufficient liquid assets to finance its operations and meet its obligations.

Sources of financing

The cash and cash equivalents on Enersense's balance sheet totalled EUR 38.7 (29.2) million at the end of 2022. Trade receivables totalled EUR 33.7 (18.0) million at the end of 2022. Enersense had EUR 7.0 million non-current loans and EUR 2.4 million current loan from financial institutions at the end of 2022. Enersense had IFRS 16 related leasing loans, of which was non-current EUR 10.7 million and current EUR 5.9 million

Enersense has agreed instalment debts for vehicles and ERP implementation project. From instalment debts was non-current EUR 0.7 million and current EUR 1.0 million at the end of 2022.

On 20 Jun 2022, Enersense announced that it had completed negotiations on the financing of its operations. The company's new financing package consists of two senior loans, a financing facility and several bank guarantee and invoice factoring facilities.

In the financing package was agreed two senior loans, together EUR 10.5 million, which mature in year 2026, and possibility to withdraw EUR 5 million financing facility. This will help company to reduce changes in its operation due seasonality.

The company has access to a total of EUR 44.2 million in invoice financing facilities, which include new limits totally EUR 5.5 million

During the 4th quarter Enersense agreed changes to its covenants related to convertible notes. With convertible notes was agreed, that it will be less secured loan and it will be handled as part of equity, when calculating equity ratio. Interest bearing debt/EBITDA -covenant together with convertible note is interpret as non-interest bearing loan. In addition, it was agreed that minimum liquidity covenant would be applied with equity ratio covenant if Company does not fulfil net debt to EBITDA covenant. Threshold value for Liquidity covenant is 15 million euros and Company reports it to its financiers on monthly basis. In addition, Company has a right to make adjustments maximum of 5 million euros during the year 2023 to minimum liquidity covenant related to certain adjustment items.

Also guarantee limits were increased by EUR 5 million in June and Enersense has now totally EUR 45 million guarantee limits.

By end of the financial year 2022 Enersense had raised EUR 8.4 million senior loans.

1 Dec 2022 Enersense International Plc completed an offering EUR 26.0 million of senior unsecured conditionally convertible notes due on the 15 Jan 2027. The initial conversion price per share has been set at EUR 8.00 and it present 32.1% conversion premium. The Notes will carry a coupon of 7.0 % per annum, payable semi-annually in equal instalments on 15 January and 15 July in each year, commencing on 15 July 2023. Should all of the Notes be converted into new Shares of the Company at the initial conversion price, the new Shares to be issued by the Company based on the special rights would be up to 3,250,000 Shares, representing approximately 19.7 % of the current total amount of Shares (approximately 16.5 % on a fully diluted basis). After initial recognition, the debt component of the combined instrument is valued at amortised cost using the effective interest method.

Maturities of financial liabilities

EUR thousand	2023	2024	2025	2026	2027	2028	Total contractual cash flows	Book value
Convertible notes	910	1,820	1,820	1,820	26,910		33,280	22,700
Borrowings (excluding lease liabilities)	2,935	2,831	2,728	1,424	1,992	121	12,031	9,414
Instalment debt	1,037	746	—	—	—	—	1,783	1,783
Payment arrangement with the Tax administration	25	—	—	—	—	—	25	25
Lease liabilities	5,622	4,604	3,634	1,188	—	—	15,047	16,687
Trade and other payables ^{*)}	51,748	2	—	—	—	—	51,750	51,750
Total	62,277	10,003	8,182	4,432	28,902	121	113,916	102,359

**) Doesn't include other than borrowings (VAT liability excluded), such as employee benefit liabilities or accruals. The amount of those are in the disclosure 23. Trade and other payables*

EUR thousand	2022	2023	2024	2025	2026	2027	Total contractual cash flows	Book value
Borrowings (excluding lease liabilities)	2,661	2,598	2,681	2,591	1,930	458	12,918	11,590
Instalment debt	350	656	573	—	—	—	1,579	1,577
Payment arrangement with the Tax administration	822	182	—	—	—	—	1,004	963
Lease liabilities	5,154	4,663	4,474	1,748	691	5	16,736	16,817
Trade and other payables ^{*)}	25,585	5	—	—	—	—	25,590	25,590
Total	34,572	8,103	7,728	4,339	2,621	463	57,827	56,536

**) Doesn't include other than borrowings (VAT liability excluded), such as employee benefit liabilities or accruals. The amount of those are in the disclosure 23. Trade and other payables*

Figures above are not discounted including interest payments and other contract based payments to creditors.

Market risks

Currency risk

Enersense is exposed to currency risks. Its most significant currency risks are related to the Swedish krona because of Swedish branches, which have trade receivables and trade payables denominated in a foreign currency. Enersense does not have foreign currency loans. Enersense does not actively hedge against currency risks, because the income and expenses arising from its business operations are usually in the same currency, which gives rise to natural hedging. The transaction risk is not material.

Interest rate risk

In its operations, Enersense is exposed to the interest rate risk through the variable interest rates of existing financing agreements and the availability of financing. Changes in the macroeconomic environment or the general situation of the financial markets may have a negative impact on the availability, price and other conditions of financing. An increase in the interest rate level could have a material direct impact on the costs of available financing and the costs of the company's existing financing agreements. Enersense does not hedge against the interest rate risk, because the risk is not considered to be significant at the current interest rate level. Enersense has protect round 60 % of its variable interest loans with interest swap. The interest swap's nominal value is EUR 5.0 million and the fair value of EUR 0.3 million has been recognised through profit and loss.

Enersense had EUR 8.4 million (11.6) in variable-rate loans from financial institutions at the end of 2022. Interest rate sensitivity to profit after taxes for the 2022 financial period would have been EUR 15.0 (58.0) thousand, assuming an interest rate increase of 0.5% with all other factors remaining unchanged.

Financial assets and liabilities by measurement category

	Disclosure	31.12.2022		31.12.2021	
		At amortised cost	At fair value through profit or loss	At amortised cost	At fair value through profit or loss
Financial assets					
Non-current					
Investments		—	2,251	—	
Loan receivables	14	—	—	150	—
Pledged account	16	1,325	—	875	—
Other receivables	16	2,250	—	1,500	—
Trade receivables	16	703	—	552	—
Total non-current assets		4,278	2,251	3,077	—
Current assets					
Trade receivables	16	33,033	—	18,064	—
Other financial assets	16	2,289	—	4,076	—
Cash and cash equivalents	17	38,704	—	29,166	—
Total current assets		74,026	—	51,306	—
Total assets		78,304	2,251	54,383	—
Liabilities					
Financial liabilities Long-term liabilities					
Loans	21	30,458	—	10,095	—
Trade payables	23	2	929	5	—
Total non-current liabilities		30,460	929	10,099	—
Current liabilities					
Loans	21	3,439	—	3,072	—
Trade payables	23	55,230	—	21,813	—
Total current liabilities		58,670	—	24,885	—
Total liabilities		89,130	929	34,984	—

Investments include 10% or less ownership in companies. These are Parkkisähkö Oy (10%) and Megatuuli Oy's project related ownership in three wind farm companies (4.6-10%). Investments book value are based on investment agreements and acquired price.

Reconciliation liabilities from financing activities

EUR thousand	Borrowings	Leases	Total
Debt as at 1 Jan 2021	17,940	8,990	26,930
Business acquisitions	3,160	752	3,912
Cash flows from financing activities			
Proceeds from borrowings	14,964	—	14,964
Repayment of borrowings	-22,898	-4,485	-27,383
New leases	—	11,994	11,994
Debt as at 31 Dec 2021	13,166	17,251	30,417
Business acquisitions	892	—	892
Cash flows from financing activities			
Proceeds from borrowings	23,304	—	23,304
Repayment of borrowings	-3,466	-6,473	-9,938
New leases	—	5,927	5,927
Debt as at 31 Dec 2022	33,897	16,705	50,603

Capital management

The purpose of Enersense's capital management is to ensure a high return on the capital invested by shareholders and support the company's business operations through an optimal capital structure. Enersense's management and Board of Directors monitor the Group's solvency and net gearing on a monthly basis. Enersense affects its capital structure by collecting equity and debt financing and directing investments and working capital tied up in business operations

Enersense's loans involve covenants related to the company's solvency and ability to service its debt. The covenants are calculated from the figures in accordance with the IFRS and are reported to the providers of financing four times a year.

The covenants are consistent with the key figures monitored by the management.

Enersense met the covenants on solvency and ability to service debt on 31 December 2022 and has confirmed the values of the covenants to the financiers. Enersense expects to continue to meet the covenants in its financing agreement during the financial year 2023 at all measurement dates.

In case terms of covenants are not fulfilled, must parties negotiate for the actions to correct situation. The covenants are related to senior and financial limit loans and at 31 Dec 2022 Enersense had those in total EUR 8.4 million.

Covenants

	Covenant value, 31.12.2022	2022	Covenant value, 31.12.2021	2021
Covenants for loan agreements				
Equity ratio ¹⁾	>37,5 %	39.3%	>35,0%	33.9%
Interest bearing debt / EBITDA ²⁾	<2,25	-0.8	<3,5	1.8
Minimum cash ³⁾	>15 MEUR	38.7		

1) Adjusted equity include convertible notes

2) Convertible notes are not counted to interest bearing debt

3) Minimum cash is counted, when company do not full fill interest bearing debt / EBITDA -covenant

Reconciliation of covenants

EUR thousands	2022	2021
Interest bearing debt/EBITDA		
Interest bearing debts	27,886	30,962
Cash	38,704	
EBITDA	12,210	16,639
Adjustments	1,000	1,000
Interest bearing debt/EBITDA	-0.8	1.8
Equity ratio		
Equity	85,456	49,664
Total balance	230,168	146,709
Received advances	12,637	
Equity ratio	39.3%	33.9%

21. BORROWINGS

EUR thousand	31.12.2022 Book value	31.12.2021 Book value
Non-current borrowings		
Loans	29,712	9,189
Installment debt	746	906
Lease liabilities	10,738	12,825
Total non-current borrowings	41,196	22,919
Current borrowings		
Bank loans	2,401	2,400
Installment debt	1,037	671
Lease liabilities	5,968	4,427
Factoring liability	1	1
Total current borrowings	9,407	7,499
Total	50,603	30,418

The fair value of short-term bank loans corresponds to their book value, because they are payable on demand. Enersense has estimated that the fair value of other financial liabilities also materially corresponds to their book value, because the liabilities are based on market terms and the impact of discounting is immaterial. The interest rates on loans range from 2.25% to 3.5%. The fair value hierarchy level for bank loans is 3, because their fair values are not based on observable inputs.

The levels of the hierarchy are as follows:

Level 1: The fair values of financial instruments (such as listed derivatives and shares) subject to trading on an active market are based on market prices at the end of the reporting period and are classified at Level 1.

Level 2: If all significant inputs required to measure the fair value of an instrument are observable, but the price does not come directly from an active market, the instrument is classified at Level 2.

Level 3: If one or more significant inputs are not based on observable market data, the instrument is classified at Level 3.

Accounting principle

Enersense's loans are classified as financial liabilities recognised at amortised cost. Loans are initially recognised at fair value, less transaction costs. The loans are subsequently measured at amortised cost.

The difference between the amount received (less transaction costs) and the amount to be repaid is recognised in the income statement over the loan period using the effective interest method. Fees to be paid for loan facilities are recognised as transaction costs related to the loan to the extent to which the facility is likely to be partly or fully used. In such a case, the fee is capitalised on the balance sheet until the loan is withdrawn. If there is no evidence that the loans included in the facility are likely to be partly or fully withdrawn, the fee is capitalised as an advance payment for solvency services and is amortised over the duration of the facility in question.

Convertible bond is treated as a composite instrument consisting of two components: a financial debt and an equity instrument. The fair value of the financial debt at the time of issuance is determined by discounting the future cash flows of the convertible bond with the market interest rate of the corresponding loan, which does not include a conversion right. The value of an equity instrument is determined by subtracting the fair value of the financial debt from the payment received by the entity. An equity-based instrument is a connected option that gives the right to exchange the issuer's debt for equity.

Loans are derecognised on the balance sheet once the contractual obligation has been fulfilled or revoked or its validity period has expired. The difference between the book value of a financial liability that has been cancelled or transferred to another party and the consideration paid – which includes transferred assets other than cash assets or liabilities – is recognised through profit or loss and presented in financial items.

Loans are classified as short-term unless the Group has an unconditional right to repay them at least 12 months after the end of the reporting period.

Key judgements

Convertible notes

The value determined by the management for the interest rate on convertible notes without the conversion right would be 10.5%.

22. PROVISIONS

EUR thousand	Warranty provisions	Loss provisions	Other provisions	Total
2022				
At 1 Jan	584	615	271	1,470
Business combinations	—	—	—	—
Additions	—	346	149	495
Used during the year	-2	—	—	-2
Unused provisions reversed	-338	-437	-61	-836
Exchange rate differences	—	—	—	—
At 31 Dec	244	524	359	1,127
Current	85	524	359	968
Non-current	159	—	—	159
Total	244	524	359	1,127

EUR thousand	Warranty provisions	Loss provisions	Other provisions	Total
2021				
At 1 Jan	530	1,170	374	2,073
Business combinations	—	—	—	—
Additions	209	516	561	1,286
Used during the year	-2	—	—	-2
Unused provisions reversed	-153	-1,071	-664	-1,888
Exchange rate differences	—	—	—	—
At 31 Dec	584	615	271	1,470
Current	425	615	200	1,240
Non-current	159	—	71	231
Total	584	615	271	1,470

Accounting principle

A provision is recognised on the balance sheet when the Group has a valid legal or actual obligation arising from a previous event, when it is likely that meeting the obligation will require the transfer of assets from the Group and when the amount of the obligation can be reliably estimated. Provisions are not recognised for future business losses. Provisions are presented as short-term if the related payments are expected to be made within 12 months of the end of the reporting period. Otherwise, provisions are presented as long-term. The amount recognised as a provision is the present value of the expenses that meeting the obligation is expected to require at the end of the reporting period according to the management's best estimate.

Warranty provisions

The Group grants warranty periods for products sold under customer agreements. The warranty period is usually 24 months. The amount of the warranty provision is estimated on the basis of historical warranty costs. The amount of the warranty provision is assessed specific to each project on each reporting date.

Loss provisions

The Group recognises a provision for loss-making agreements when the expected total costs, including material and labour costs and external services, arising from the agreement exceed the total revenue generated by the agreement. The probable loss is recognised as an expense as soon as it is identified. The amount of the provision is the amount of the expenses necessary to meet the contractual obligation or the amount of compensation and penalties arising from neglecting contractual obligations, depending on which is smaller. The amount of the loss provision is assessed specific to each agreement on each reporting date.

Key judgements

Assessing the amount and timing of a provision

An estimate of the financial impact of a previous event requires the Group's management to exercise judgement based on past similar events, and on statements issued by an external expert in some cases. Provisions are reviewed regularly and adjusted as necessary to reflect the best estimate at the time of examination. Actual costs may differ from estimates

23. TRADE AND OTHER PAYABLES

EUR thousand	31.12.2022	31.12.2021
Non-current		
Trade payables	2	5
Other liabilities	929	2,746
Total	931	2,751
Current		
Trade payables	36,271	14,758
Advances received	12,637	7,203
Current income tax liabilities ^{*)}	14,097	11,355
Other liabilities	1,414	815
Accruals	35,449	26,563
Total	99,867	60,118
Material items under accruals		
Accrued personnel expenses	23,244	18,484
Accrued expense related to revenue recognition over time	12,087	7,869
Accrued interest expenses	103	57
Other accruals	16	153
Total	35,449	26,563

**) Doesn't include the coronavirus pandemic ancillary VAT refund liability presented in the line tax administration payment arrangement*

On the balance sheet date, the financial statements and tax return required by local legislation are still incomplete, so the estimate of the purchase obligation is also provisional.

Accounting principle

Trade payables and other financial liabilities included in the item are classified as financial liabilities measured at amortised cost. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. The book values of trade and other payables are considered to correspond to their fair value because of their short maturity. The liabilities are unsecured and are normally settled within 30 days of their initial recognition. The book value of trade payables and other financial liabilities included in this balance sheet item is presented in Note 20 ("Financial risk and capital management").

Trade and other payables are classified as current liabilities if they fall due within 12 months of the end of the reporting period. Advances received are contractual liabilities until the Group meets the performance obligation promised to the customer.

24. GROUP STRUCTURE

Subsidiaries

Subsidiary	Country of incorporation	Group ownership 31.12.2021 (%)	Group ownership 31.12.2020 (%)
Enersense AS	Estonia	100%	100%
Empower Invest Oy ¹⁾	Finland	—%	100%
Enersense SIA	Latvia	59%	59%
Enersense AS	Norway	100%	100%
Enersense Engineering Oy	Finland	100%	100%
Enersense GmbH	Germany	100%	100%
Enersense HSE Oy ²⁾	Finland	—%	100.0%
Enersense Hungary Kft.	Hungary	80%	80%
Enersense IN Oy	Finland	100%	100%
Enersense Irmak Insaat Proje Yönetimi Sanayi ve Ticaret A.S. ^{*)}	Turkey	—%	50%
Enersense Ltd	UK	100%	100%
Enersense Offshore Constructions Oy	Finland	100%	100%
Enersense Oy	Finland	100%	100%
Enersense Painting Oy	Finland	100%	100%
Enersense PN Oy	Finland	100%	100%
Enersense SAS	France	100%	100%
Enersense Services Oyj	Finland	100%	100%
Enersense Solutions Oy	Finland	100%	100%
Enersense TN Oy	Finland	100%	100%
Enersense Works Oy	Finland	100%	100%
Enersense UAB ³⁾	Lithuania	100%	75%
Megatuuli Oy ⁴⁾	Finland	100%	—%
Lehtivuoret Wind Farm Oy ⁴⁾	Finland	100%	—%
Pohjoismäki Wind Farm Oy ⁴⁾	Finland	100%	—%
Joupinkangas Wind Farm Oy ⁴⁾	Finland	100%	—%
Kurikka Energy Oy ⁴⁾	Finland	100%	—%
Neittävänvaara Wind Farm Oy ⁴⁾	Finland	100%	—%
Lakkasuo Wind Farm Oy ⁴⁾	Finland	100%	—%
Lapinsalo Wind Farm Oy ⁴⁾	Finland	100%	—%
Honkalankangas Wind Farm Oy ⁴⁾	Finland	100%	—%
Unified Chargers Oy ⁵⁾	Finland	100%	—%

1) Empower Invest Oy fusion to Enersense Service Oy 30.6.2022

2) Enersense HSE Oy fusion to Enersense Engineering Oy 1.6.2022

3) Enersense UAB 25% share acquired 1.8.2022

4) Megatuuli Oy with subsidiaries acquired 1.2.2022. B-series shares owners are entitled to a dividend form the sale proceeds of the named wind farm projects.

5) United Chargers Oy acquired 15.11.2022

*) Enersense Irmak Insaat Proje Yönetimi Sanayi ve Ticaret A.S closed 30.5.2022

Filials

Filials	County of incorporation
Empower AS filial Latvia	Latvia
Enersense Engineering filial Italy	Italy
Enersense International filial Sweden	Sweden
Enersense Works filial Germany	Germany

Accounting principle

Subsidiaries

Subsidiaries are companies in which the group has control. The group has control over the company when, by being part of it, it is exposed to its variable returns or is entitled to its variable returns and is able to influence this return by using its power over the company to direct its operations. Subsidiaries are combined in the consolidated financial statements in their entirety from the day the group acquires control over them. The merger is terminated when control ceases. Business transactions between group companies, including internal receivables and payables, income and expenses and unrealized profits are eliminated. Unrealized losses are eliminated, unless the transaction gives indications of impairment of the transferred asset. The share of non-controlling owners in the profit and equity of subsidiaries is presented as a separate item in the consolidated income statement, the comprehensive income statement, the statement of changes in equity and the balance sheet. Enersense owns Enersense SIA 59% and it was considered according IFRS as subsidiary.

25. SHARES ON NON-CONTROLLING INTERESTS AND TRANSACTIONS WITH NON-CONTROLLING ISSUES

Shares on non-controlling interest

EUR thousand	2022	2021
At 1 Jan	1,064	1,768
Business combinations	—	—
Acquisitions	-14	-235
Other changes	—	-142
Share of profit (loss) for the period	-661	-328
At 31 Dec	389	1,064

Enersense SIA specialises in the design, construction and maintenance of transmission grids, electric substations and wind farms. The company's revenue in 2022 was approximately EUR 11.9 (12.4) million and the profit for the financial year 2022 was approximately EUR -1.2 (-0.8) million. Enersense SIA has around 200 employees.

A summary of the impacts of acquisitions on equity attributable to Enersense International Plc's equity holders.

Transactions with non-controlling issues

EUR thousand	2022	2021
Carrying amount of non-controlling interests acquired	33	240
Consideration paid to non-controlling interests	-326	-306
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	-293	-66

Accounting principle

Completed business transactions with non-controlling interests that do not result in loss of control are treated as business transactions with shareholders. The difference between consideration for shares purchased from non-controlling interests and the book value of the acquired share of the net assets of a subsidiary is recognised in equity. Similarly, gains or losses from the sale of a holding to non-controlling interests are recognised directly in equity.

26. RELATED PARTY TRANSACTIONS

Enersense's related parties include its associated companies and joint venture, the members of the Board of Directors, its CEO, the members of the Group Executive Team and its shareholders with significant influence over the company. Its related party also includes the close family members of these people, as well as the entities over which these people have control or joint control.

Wages, salaries and benefits paid to chief executive officer and management team

EUR thousand	1-12/2022	1-12/2021
Management team (excluding chief executive officer)	-1,551	-1,485
Chief executive officer	-285	-322
Total	-1,836	-1,808

Board of directors remuneration

EUR thousand	1-12/2022	1-12/2021
Eskola Jaakko	-55	-28
Helander Sari	-36	-26
Jokinen Päivi	-34	-24
Kankaala Markku	—	-20
Plit Herkko	-36	-27
Rötsä Kalervo	—	-5
Sormunen Sirpa-Helena	-38	-25
Suokas Petri	-34	-29
Total	-233	-183

Board of directors and chief executive officer, other remuneration

EUR thousand	1-12/2022	1-12/2021
Statutory pensions	-236	-265
Supplementary pensions	—	—
Share-based benefits	—	-55
Total	-236	-320

Transactions with key management

EUR thousand	1-12/2022	1-12/2021
Sales of goods and services	-1	-23
Purchases of goods and services	-1	-258
Total	-2	-282

Balances with key management

EUR thousand	1-12/2022	1-12/2021
Trade and other payables	—	—

Enersense International Plc's related parties include the members of the Board of Directors, its CEO, the members of the Group Executive Team and its shareholders with significant influence over the company. Its related parties also include the close family members of these people, as well as the entities over which these people have control or joint control. In addition, related party includes group companies, associated companies and joint ventures. Open balances and business transactions with the

associated companies and the joint venture are presented in Note 14 ("Investments accounted for using the equity method").

Enersense AS, an Estonian Group company of Enersense International Plc, has an insignificant vehicle lease agreement with a company controlled by a person belonging to the company's related parties. The total value of the transactions related to the agreement was EUR 37,000 in the financial period.

On 8 December 2021, Enersense International Plc announced that it had signed an agreement on an equity investment of EUR 13–18 million in P2X Solutions Oy. The investment was implemented on 14 Feb 2022, at around EUR 13 million, of which EUR 10.6 million was paid by 31 Dec 2022. The rest was paid in January 2023. Before the arrangement, Herkko Plit, a member of Enersense's Board of Directors, was one of the largest shareholders in P2X through a company in which he exercises control, and he exercises joint control in P2X. In connection with the investment, Enersense subscribed for new shares in P2X so that its holding in P2X is around 16.3% after any options. In connection with the investment, the company and P2X have also agreed on a partnership arrangement in which, if certain preconditions related to pricing, quality level and some other aspects are met, the company will have the status of the primary partner in the work to be carried out during the construction phase of Finland's first green hydrogen production plant, which P2X will build in Harjavalta, as well as in maintenance and operation after the plant has been completed. The value of the cooperation is estimated at around EUR 7–8 million, which will mainly be spread over 2023–2024, and will continue in terms of maintenance and operation. If the preconditions mentioned above are met, the primary partnership will also concern any other future projects of P2X, for which an agreement on partnership has been signed for three years.

27. SHARE-BASED INCENTIVE PLANS

Performance share plan 2022–2025

During the financial year 2022 the Company had a share plan 2022–2025 in operation. In the plan Enersense shares can be earned on the basis of performance criteria set for the performance period 2022–2023. The shares possibly earned in the plan are paid to the participants partly in spring 2024 and partly in spring 2025, provided that the employment precondition until the reward payment is fulfilled as stipulated by the plan terms and conditions. The purpose of the plans is to retain key management, as well as to motivate and reward the management for good performance that supports the company's profitability and the implementation of the company's strategy.

The President and CEO of Enersense International Plc and the members of the Group Executive Team must own at least 50 per cent of the shares received as a net reward from the plan, until the value of the President and CEO's shareholding in Enersense International Plc equals to that of his annual base salary of the preceding year, and until the value of other Group Executive Team member's shareholding in Enersense International Plc equals 50 per cent of their annual base salary of the preceding year. Such a number of Enersense International Plc shares must be held as long as the membership in the Group Executive Team continues.

Restricted share plan 2022–2024

The reward from the Restricted Share Plan 2022–2024 is based on a valid employment or director contract and on the continuity of the employment or service during a vesting period. The reward will be paid after the end of a 24–36-month vesting period. The plan is intended for selected key employees only.

The rewards to be allocated based on the Restricted Share Plan during 2022–2024 correspond to the value of a maximum total of 10,000 Enersense International Plc shares, also including the proportion to be paid in cash. By end of fiscal year this was not in place.

Key characteristics and terms of Enersense share plans are listed in the table below

Basic description and general terms	Performance Share Plan 2022–2025
Type	Share
Maximum amount, pcs	211,000
Initial allocation date	17.03.22
Start of the performance period	1.1.2022
End of the performance period	31.12.2023
Vesting date approximation	50%: 15/03/2024 and 50%: 28/02/2025
Maximum contractual life, yrs	3.0
Remaining contractual life, yrs	2.2
Vesting conditions	Total Shareholder Return, EBITDA, renewable and zero emission energy revenue
Number of persons at the end of reporting year	36
Method of settlement	Cash and equity, net settlement

Changes during period, pcs

The amounts include the cash portion intended for taxes arising

01.01.22	
Outstanding in the beginning of the period	0
Granted	203,978
Forfeited	7,792
Exercised	0
31.12.2022	
Outstanding at the of the period	196,186

Fair value determination

The weighted average of the inputs used in the valuation of the share based incentives granted during the period are listed in the below table. The fair value of share based incentives has been determined at the grant date and expensed until vesting.

Valuation parameters for instruments granted during period:

Share price at grant, €	7.65
Expected dividends total during the plan life time, discounted €	0.27
Expected volatility, %	51.46
Discount rate, %	-0.32
Effect of market condition in fair value, %	12.15
Valuation model	Monte Carlo
Fair Value per share, €	6.48

Expected volatility was determined by calculating the historical volatility of the Group's share using monthly observations over corresponding maturity.

Effect of Share-based Incentives on the result and financial position during period:

Expenses for the financial year, share-based payments, €	87,681
Expenses for the financial year, share-based payments, equity-	87,681
Liabilities arising from share-based payments on the reporting	—
An estimated amount of the settlement of the employee's tax	—

Accounting principle

Share-based incentive is booked as cost during the vesting period to personnel costs in income statement. Amount booked to costs is based on estimated vesting conditions, which are expected to be realized. Estimate of vested shares is recalculated each balance sheet date. When estimate is changed, the impact is booked to the period it is noticed. From share-based incentives portion of payment paid in shares is included to non-restricted equity.

28. CONTINGENT LIABILITIES, ASSETS AND COMMITMENTS

Contingent liabilities

EUR thousand	1-12/2022	1-12/2021
Guarantees		
Company mortgages	591,200	584,800
Real estate mortgages	7,200	7,200
Contract and delivery guarantees	77,096	35,354
Bank guarantees	2,047	185
Other guarantees	—	20
Pledged assets		
For own commitments	80,421	61,782

Enersense has pledged the shares of its subsidiaries as collateral for its loans. Contract, delivery and bank guarantees mainly consist of guarantees provided by Enersense to its customers as collateral for projects.

Other off-balance sheet liabilities

Enersense has to an associated company Yrittäjien Voima Oy other off-balance sheet liability EUR 0.7 million. Together with impairment of the investment of EUR 0.5 million, the total liabilities are EUR 1.2 million.

Legal disputes

The Group companies have ongoing legal disputes, some of which are in progress in general or administrative courts in Finland and abroad. The disputes are typically related to claims against Enersense concerning alleged defective performance, delays or damage incurred by customers in project operations in particular, or to claims made by Enersense against its suppliers. Some of the disputes and claims relate to acquisitions made by Enersense and compensation obligations made in connection with them, or claims related to employment contracts. Enersense has received a request for clarification from employee unions regarding the Empower subgroup's 2020 performance bonus scheme, in respect of which Enersense's Board of Directors used its discretion under the terms of the performance bonus scheme and decided not to pay the bonuses in question. Enersense has responded to the request for clarification and is addressing the matter in cooperation with the employee unions.

The outcome of the claims, disputes and legal processes are difficult to predict. Write-downs and provisions are made in accordance with applicable accounting rules. To the extent that Enersense deems it unlikely that a dispute or legal proceedings will result in a loss of financial resources, Enersense has not recognised a provision.

Accounting principle

A contingent liability is a potential obligation arising from past events the existence of which is not confirmed until an uncertain event outside the Group's control is realised. Contingent liabilities also include existing obligations that are not likely to require meeting a payment obligation, or the amount of which cannot be reliably determined. Contingent liabilities are presented in the notes to the financial statements.

29. NEW AND AMENDED STANDARDS APPLIED IN THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for financial years beginning on or after 1 January 2022)

When an onerous contract is accounted for based on the costs of fulfilling the contract, the amendments clarify that these costs comprise both the incremental costs and an allocation of other direct costs.

Annual Improvements to IFRS Standards 2018–2020 (effective for financial years beginning on or after 1 January 2022)

The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments clarify the following standards:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter: This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter later than its parent. A subsidiary may elect to measure cumulative translation differences at amounts included in the consolidated financial statements of the parent.
- IFRS 9 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities: This amendment clarifies that – for the purpose of performing the "10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- IFRS 16 *Leases* – Lease incentives – Example 13. The amendment removes the illustration of payments from the lessor relating to leasehold improvements. The example was not clear as to why such payments are not a lease incentive.

Property, Plant and Equipment – Proceeds before Intended Use – Amendments to IAS 16 *Property, Plant and Equipment* (effective for financial years beginning on or after 1 January 2022)

Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items.

Reference to the Conceptual Framework – Amendments to IFRS 3 *Business Combinations* (effective for financial years beginning on or after 1 January 2022)

The amendments update a reference in IFRS 3 and makes further reference related amendments.

Adoption of new and amended standards in future financial years

*) = not yet endorsed for use by the European Union as of 31 December 2022

IFRS 17 Insurance Contracts, including Amendments Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for financial years beginning on or after 1 January 2023, early application permitted for companies that also apply IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers)

The new standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. This standard replaces IFRS 4 standard.

The amendments to IFRS 17 alleviate mismatches in comparative information arising from the different transition requirements of IFRS 9 and IFRS 17. The amendments also allow the comparative information about financial assets to be presented in a manner that is more consistent with the requirements in IFRS 9 Financial Instruments.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1 Presentation of Financial Statements^{*)} (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

Disclosure of Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments clarify the application of materiality to disclosure of accounting policies.

Definition of Accounting Estimates – Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 Income Taxes (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments narrow the initial recognition exemption (IRE) and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations which give rise to equal and offsetting temporary differences.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 Leases^{*)} (effective for financial years beginning on or after 1 January 2024, early application is permitted)

The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

Non-current Liabilities with Covenants – Amendments to IAS 1 Presentation of Financial Statements^{*)} (effective for financial years beginning on or after 1 January 2024, early application is permitted)

The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. The amendments require to disclose information about these covenants in the notes to the financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures^{*)} (available for optional adoption, effective date deferred indefinitely)

The amendments address the conflict between the existing guidance on consolidation and equity accounting and require the full gain to be recognised when the assets transferred meet the definition of a 'business' under IFRS 3 Business Combinations.

30. EVENTS AFTER THE FINANCIAL STATEMENTS

On 26 Jan 2023, Enersense announced that the Shareholders' Nomination Board proposes that, for the term of office lasting until the end of the Annual General Meeting 2024, Jaakko Eskola, Sirpa-Helena Sormunen, Sari Helander and Petri Suokas will be re-elected as board members, and Anna Miettinen and Carl Haglund will be elected as new board members. Current board members Herkko Plit and Päivi Jokinen will no longer continue as board members.

Enersense announced 15 Feb 2023 that it withdraws from the merger concerning Voimatel Oy. On 13 Jan 2023, the Finnish Competition and Consumer Authority (FCCA) decided to initiate further proceedings regarding the acquisition, because it considered it necessary to continue investigating its competition impacts. The further proceedings may take a maximum of 69 working days.

Enersense has been informed by the FCCA that, according to the analyses carried out by the competition authority, the combined market share of the operators concerned would grow too large in several market segments. Neither did the FCCA consider, contrary to Enersense's views, the customers' bargaining power or countervailing buyer power a sufficiently countervailing factor in the competitive situation.

For this reason, Enersense's Board of Directors has considered it impossible to implement the merger in the desired form and decided to withdraw from the acquisition. The withdrawal occurs by consensus with Osuuskunta KPY, the owner of Voimatel.

Parent company's financial statements, FAS

PARENT COMPANY – INCOME STATEMENT

EUR	1–12/2022	1–12/2021
Revenue	22,596,943.08	38,447,181.33
Other operating income	410,157.14	241,795.26
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	-838,716.82	-1,901,878.54
Variation in stocks	-38,165.05	-4,782.83
External services	-6,678,653.05	-11,013,373.95
Raw materials and services, total	-7,555,534.92	-12,920,035.32
Staff expenses		
Wages and salaries	-9,983,969.56	-15,329,456.90
Social security expenses		
Pension expenses	-1,678,862.88	-2,516,697.09
Other social security expenses	-433,678.53	-698,705.29
Staff expenses, total	-12,096,510.97	-18,544,859.28
Depreciation, amortisation and reduction in value		
Depreciation and amortization according to plan	-12,831.66	-12,071.88
Impairment on investments	-542,716.64	—
Depreciation, amortisation and reduction in value, total	-555,548.30	-12,071.88
Other operating expenses	-5,851,620.75	-5,273,996.80
Operating profit (loss)	-3,052,114.72	1,938,013.31
Financial income and expenses		
Other interest income and other financial income		
from group undertakings	1,526,884.93	769,119.53
from others	264,410.63	36,363.00
Interest and other financial expenses		
from group undertakings	-124,710.74	-48,995.17
from others	-1,984,751.26	-5,117,185.64
Financial income and expenses, total	-318,166.44	-4,360,698.28
Profit (loss) before appropriations and taxes	-3,370,281.16	-2,422,684.97
Appropriations		
Group contribution	—	—
Income taxes	-39,481.73	-15,070.96
Profit (loss) for the financial year	-3,409,762.89	-2,437,755.93

PARENT COMPANY – BALANCE SHEET

EUR	1–12/2022	1–12/2021
ASSETS		
Non-current assets		
Intangible assets		
Intangible rights	9,116.44	14,814.16
Intangible assets, total	9,116.44	14,814.16
Tangible assets		
Machinery and equipment	10,702.23	17,836.17
Advance payments and construction in progress	—	941,504.35
Tangible assets, total	10,702.23	959,340.52
Investments		
Holdings in group undertakings	30,093,284.44	9,226,131.47
Participating interests	13,184,196.73	515,636.64
Other long term investments	850,000.00	—
Investments, total	44,127,481.17	9,741,768.11
Non-current assets, total	44,147,299.84	10,715,922.79
Current assets		
Stocks		
Finished products/goods	13,463.96	51,629.01
Stocks, total	13,463.96	51,629.01
Receivables		
Long-term receivables		
Accounts receivable	—	—
Amounts owned by group undertakings	34,767,470.11	28,235,903.77
Other receivables	2,825,000.00	2,375,000.00
Long-term receivables, total	37,592,470.11	30,610,903.77
Short-term receivables		
Accounts receivable	2,308,739.30	4,150,835.41
Amounts owned by group undertakings	8,238,530.36	6,047,931.60
Other receivables	285,861.80	576,409.05
Accrued income	1,057,099.37	914,983.40
Short-term receivables, total	11,890,230.83	11,690,159.47
Cash at bank	25,611,250.57	11,676,432.53
Current assets, total	75,107,415.47	54,029,124.78
ASSETS, TOTAL	119,254,715.31	64,745,047.57
EQUITY AND LIABILITIES		
Equity		
Share capital	80,000.00	80,000.00
Other reserves	312,642.01	312,642.01
Reserve for invested non-restricted equity	69,231,829.33	47,326,875.90
Distribution of funds	-1,614,470.85	—
Retained earnings (loss)	-785,593.01	1,665,017.31
Profit (loss) for the financial year	-3,409,762.89	-2,437,755.93
Equity, total	63,814,644.59	46,946,779.29
Provisions		
Other provisions	150,000.00	150,000.00
Provisions, total	150,000.00	150,000.00
Liabilities		
Long-term liabilities		
Liabilities to credit institutions	6,000,000.00	8,400,000.00
Convertible notes	26,000,000.00	—
Long-term liabilities, total	32,000,000.00	8,400,000.00
Short-term liabilities		
Liabilities to credit institutions	2,400,000.00	2,798,981.40
Trade creditors	832,266.40	1,689,144.70
Amounts owned to group undertakings	14,355,840.98	2,102,196.56
Other creditors	2,867,947.50	346,565.31
Accruals and deferred income	2,834,015.84	2,311,380.31
Short-term liabilities, total	23,290,070.72	9,248,268.28
Liabilities, total	55,440,070.72	17,798,268.28
EQUITY , PROVISIONS AND LIABILITIES, TOTAL	119,254,715.31	64,745,047.57

PARENT COMPANY – CASH FLOW STATEMENT

EUR	1–12/2022	1–12/2021
Net profit (loss) before taxation, and extraordinary items	-3,370,281.16	-2,422,684.97
Adjustments for:		
Depreciation according to plan	12,831.66	12,071.88
Unrealised foreign exchange wins and losses (+/-)	—	-14,225.03
Other non-cash items (+/-)	720,368.75	150,000.00
Financial income and expenses	318,166.44	4,360,698.28
Other adjustments	—	1,219,798.70
Working capital changes:		
Increase (-) or decrease (+) in trade and other receivables	4,699,571.92	135,099.98
Increase (-) or decrease (+) in inventories	38,165.05	4,782.83
Increase (+) or decrease (-) in trade payables	-1,336,202.96	-4,254,125.86
Interest paid	-825,887.13	-2,272,378.02
Dividends received	—	—
Interest received	2,862.63	-665.53
Income taxes paid	—	-137,717.56
Net cash from operating activities	259,595.21	-3,219,345.29
Net cash used in investing activities		
Purchase of tangible and intangible assets	—	—
Proceeds from sale of tangible and intangible assets	—	—
Proceeds from sale of subsidiary shares	—	500,000.00
Investments in associated companies	—	-283,774.16
Purchase of subsidiary shares	-1,269,060.67	-1,378,330.19
Purchase of subsidiary shares/unrestricted capital	-11,434,556.00	—
Deposit paid	-450,000.00	-752,250.00
Loans granted	-16,145,017.40	-31,204,330.00
Proceed from repayments of loans	6,816,170.37	7,343,521.40
Interest paid	-35,142.41	—
Interest received	331,647.48	404,123.76
Dividends received	—	20,100.00
Net cash used in investing activities	-22,185,958.63	-25,350,939.19
Net cash used in financing activities		
Personnel share issue	—	972,759.06
Proceeds from issuance of share capital	2,199,997.80	30,073,906.60
Listing costs	—	-2,854,245.84
Proceeds from long-term borrowings	26,000,000.00	9,600,000.00
Repayment of long-term borrowings (-)	-2,400,000.00	-1,222,785.32
Proceeds from short-term borrowings	6,800,000.00	2,400,000.00
Repayment of short-term borrowings (-)	-2,188,981.40	-1,002,012.84
Cash pool change	7,636,260.96	—
Group contributions paid	—	-780,397.19
Interest and fee paid	-571,625.05	—
Distribution of funds paid	-1,614,470.85	—
Net cash used in financing activities	35,861,181.46	37,187,224.47
Net increase/decrease in cash and cash equivalents	13,934,818.04	8,616,939.99
Cash and cash equivalents at beginning of period	11,676,432.53	3,059,492.54
Cash and cash equivalents at end of period	25,611,250.57	11,676,432.53
Net increase/decrease in cash and cash equivalents	13,934,818.04	8,616,939.99

PARENT COMPANY – DISCLOSURES TO THE FINANCIAL STATEMENTS

Accounting policies

Valuation and accrual principles and methods

Valuation of fixed assets

The acquisition cost of intangible and tangible assets entered in the balance sheet is subject to depreciation according to plan. The acquisition cost includes variable costs of acquisition and production. Scheduled depreciation is calculated on a straight-line basis over the useful lives of intangible and tangible assets. Depreciation has been recognised starting from the month when the asset was brought to use. During the financial year, the company has changed the depreciation plan, the declining-balance depreciation of 25% for equipment was changed to straight-line depreciation over 5 years. There have been no changes to the depreciation plan.

Depreciation periods

Other intangible assets 5 years.

Machinery and equipment 5 years.

The acquisition cost of fixed assets with a probable useful life of less than 3 years and minor purchases (less than EUR 1,000.00) are fully expensed in the acquisition period.

Valuation of inventories

Inventories are recognised in the balance sheet at cost, or at the acquisition price or probable selling price, if these are lower than the acquisition cost, in accordance with the FIFO principle.

Financial instruments included in inventories are valued at the acquisition cost.

Pension commitments

The pension cover of the company's employees is arranged through Tel insurance with a pension insurance company.

Sales revenue recognition principles and methods

Sales are recognised on an accrual basis. There was no fixed-price work in progress on the balance sheet date. If necessary, such work is allocated in accordance with its level of completion.

Revenue consists of the sale of resources.

Currency-denominated items

The company's foreign currency assets and liabilities are translated into euros at the exchange rate quoted by the European Central Bank on the balance sheet date.

Leasing

Lease payments have been treated as rental expenses.

Taxes

Income taxes include income taxes calculated on the basis of the profit for the financial year and taxes charged or refunded for previous financial years. Deferred taxes are not recognised in the parent company's income statement or balance sheet.

Accounting principles for the cash flow statement

The statement of cash flows has been prepared in accordance with the Finnish Accounting Board's general instructions (30 January 2007) as a cash flow statement using the indirect method of presentation.

Branch

The subsidiary has been consolidated in the accounts of Enersense International Plc and the mutual items have been eliminated

DISCLOSURES TO THE INCOME STATEMENT

Geographical distribution of revenue by target country

EUR	1-12/2022	1-12/2021
Finland	21,765,328.74	37,401,754.26
Other countries	831,614.34	1,045,428.07
Total	22,596,973.08	38,447,181.33

Other income

EUR	1-12/2022	1-12/2021
Restaurant services	107,323.25	229,140.83
Gain on sale of fixed asset shares	50.00	—
Other income	302,783.89	12,654.43
Total	410,157.14	241,795.26

Other operating expenses

EUR	1-12/2022	1-12/2021
Acquisition related costs	776,276.56	—
Subsidiary dismantle costs	204,732.11	—
Expenses related to listing and transition to IFRS reporting	—	372,985.50
Expenses related to strategic work	—	256,000.00
Group services fee expenses	2,773,152.56	2,547,601.74
Other expenses	2,094,759.52	2,097,409.56
Total	5,851,620.75	5,273,996.80

Auditor's fee

EUR	1-12/2022	1-12/2021
Audit	122,559.00	228,471.00
Auditors' statements	—	—
Tax advisory services	8,605.00	4,337.00
Other services	8,576.00	1,064,836.00
Total	139,740.00	1,297,644.00

Personnel

	1-12/2022	1-12/2021
Average number of employees	203	308

Salaries and bonuses for management

EUR	1-12/2022	1-12/2021
Members of the Board of Directors and the President	232,500.00	183,305.42
CEO	284,968.80	322,452.56

Financial income and expenses

EUR	1-12/2022	1-12/2021
Other interest and financial income		
From Group companies	1,526,884.93	769,119.53
From associated companies	—	—
From others	264,410.63	36,363.00
Total	1,791,295.56	805,482.53
Interest and other financial expenses		
Loss on sale of fixed assets shares	—	1,219,798.70
Listing costs	—	2,854,245.84
Convertible note fee	736,386.85	—
Share issue fees	74,230.00	—
Refinancing arrangement fees	65,625.00	373,876.71
To group companies	12,471.74	48,995.17
To associated companies	—	—
To others	1,108,509.41	669,264.39
Total	2,109,462.00	5,166,180.81

Appropriations

EUR	1-12/2022	1-12/2021
Group contributions	—	—
Total	—	—

DISCLOSURES ON ASSETS IN THE BALANCE SHEET

Breakdown on fixed assets

Intangible assets

EUR	31.12.2022	30.12.2021
Acquisition 1 Jan	33,030.16	33,030.16
Increase	—	—
Decrease	—	—
Transfers between items	—	—
Acquisition 31 Dec	33,030.16	33,030.16
Accumulated depreciation and Impairment 1 Jan	-18,216.00	-13,278.00
Depreciation	-5,697.72	-4,938.00
Impairment	—	—
Accumulated depreciation and Impairment 31 Dec	-23,913.72	-18,216.00
Book value 31 Dec	9,116.44	14,814.16

Tangible assets

EUR	31.12.2022	30.12.2021
Acquisition 1 Jan	159,557.04	159,557.04
Increase	—	—
Decrease	—	—
Transfers between items	—	—
Acquisition 31 Dec	159,557.00	159,557.00
Accumulated depreciation and Impairment 1 Jan	-141,720.87	-134,586.99
Depreciation	-7,133.94	-7,153.00
Impairment	—	—
Accumulated depreciation and Impairment 31 Dec	-148,854.80	-141,719.99
Book value 31 Dec	10,702.23	17,837.05

Advance payments and construction in progress

EUR	31.12.2022	30.12.2021
Acquisition 1 Jan	941,504.35	—
Increase	987,680.65	941,504.35
Decrease	-1,929,185.00	—
Transfers between items	—	—
Acquisition 31 Dec	—	941,504.35

Investments

EUR	Participating interests	Holdings in group companies	Total
Acquisition 1 Jan	515,636.64	9,226,131.47	9,741,768.11
Increase	13,184,196.73	20,870,752.97	34,054,949.70
Decrease	-515,636.64	-3,600.00	-519,236.64
Transfers between items	—	—	—
Acquisition 31 Dec	13,184,196.73	30,093,284.44	43,277,481.17
Accumulated impairment 1 Jan	—	—	—
Impairment	—	—	—
Accumulated impairment 31 Dec	—	—	—
Book value 31 Dec	13,184,196.73	30,093,284.44	43,277,481.17
Book value 31 Dec 2021	515,636.64	9,226,131.47	9,741,768.11

LONG-TERM RECEIVABLES

Receivables from group companies

EUR	31.12.2022	31.12.2021
Loans receivables	18,950,000.00	19,650,000.00
Capital loans receivables	15,817,470.11	8,585,903.77
Total	34,767,470.11	28,235,903.77

Enersense International Plc provides financing to the Group companies in a centralised manner. Loans granted by the parent company to subsidiaries totalled EUR 34,767,470.11, including EUR 15,817,470.11 in subordinated loans. The terms and conditions of the subordinated loans are in accordance with chapter 12, section 1 of the Limited Liability Companies Act. Other long-term interest-bearing loans granted by the parent company to subsidiaries totalled EUR 18,950,000.00. The interest rates of the loans vary from 2% to 5%.

Receivables from others

EUR	31.12.2022	31.12.2021
Accounts receivables	—	—
Other receivables	2,825,000.00	2,375,000.00
Total	2,825,000.00	2,375,000.00
Long-term receivables, total	37,592,470.11	30,610,903.77

SHORT-TERM RECEIVABLES

Receivables from group companies

EUR	31.12.2022	31.12.2021
Accounts receivables	200,628.20	2,480,248.35
Loans receivables	5,663,451.06	468,224.50
Other receivables	903,157.01	2,199,575.88
Interest receivables	1,112,339.44	540,378.99
Accrued income	358,954.65	358,503.88
Total	8,238,530.36	6,046,931.60

The amount of short-term interest-bearing loans granted by the parent company to subsidiaries totalled EUR 5,663,451.06. The interest rates of the loans vary from 2% to 5%.

Receivables from others

EUR	31.12.2022	31.12.2021
Accounts receivables	2,308,739.30	4,150,835.41
Other receivables	285,861.80	576,409.05
Accrued income	1,057,099.37	914,983.40
Total	3,651,700.47	5,642,227.87
Short-term receivables, total	11,890,230.83	11,689,159.47

ACCRUED INCOME

Material items of accrued income

EUR	31.12.2022	31.12.2021
Material items of accrued income		
Compensation for occupational health care	45,744.53	76,530.12
Deferred income taxes	—	—
Unbilled revenue	776,999.84	760,753.11
Others	234,355.00	77,700.17
Total	1,057,099.37	914,983.40

EQUITY

Equity

EUR	31.12.2022	31.12.2021
Share capital 1 Jan	80,000.00	80,000.00
Share capital 31 Dec	80,000.00	80,000.00
Other reserves 1 Jan	312,642.00	312,642.00
Other reserves 31 Dec	312,642.00	312,642.00
Reserve for invested non-restricted equity 1 Jan	47,326,875.90	14,560,210.24
Share exchange	19,704,955.63	—
Share issue	2,199,997.80	30,073,906.60
Personnel share issue	—	972,759.06
Correction of an error in the previous financial year	—	1,720,000.00
Distribution of funds	-1,614,470.85	—
Reserve for invested non-restricted equity 31 Dec	67,617,358.48	47,326,875.90
Retained earnings 1 Jan	-772,738.62	3,355,272.94
Correction of an error in the previous financial year	—	-1,690,255.63
Translation difference	-12,854.39	—
Retained earnings 31 Dec	-785,593.01	1,665,017.31
Net result for the period	-3,409,762.89	-2,437,755.93
Equity, total	63,814,644.59	46,946,779.29

Calculation of distributable funds

EUR	31.12.2022	31.12.2021
Retained earnings	-785,593.01	1,665,017.31
Net result for the period	-3,409,762.89	-2,437,755.93
Reserve for invested non-restricted equity	67,617,358.48	47,326,875.90
Total	63,422,002.58	46,554,137.28

The Board of Directors of Enersense proposes to the General Meeting that the result for the financial period 1 January 2022 to 31 December 2022 be transferred to the profit and loss account for previous financial periods and that, based on the balance sheet to be adopted for the financial period, funds be distributed to shareholders from the invested unrestricted equity reserve of the Company as a return of capital of EUR 0.10 per share, i.e. EUR 1,649,253.10 in total. The return of capital shall be paid in two instalments.

The first instalment, EUR 0.05 per share, shall be paid to shareholders that are registered in the Company's shareholders' register maintained by Euroclear Finland Oy on the record date of the first instalment of the return of capital on 6 April 2023. The Board of Directors proposes that the first instalment of the return of capital shall be paid as from 5 May 2023.

The second instalment, EUR 0.05 per share, shall be paid to shareholders that are registered in the Company's shareholders' register maintained by Euroclear Finland Oy on the record date for the second instalment of the return of capital, as later decided by the Board of Directors. The Board of Directors will decide the record date and the payment date for the second instalment of the return of capital at its meeting to be held in October 2023. The record date for the second instalment of the return of capital is planned to be on 1 November 2023, and the payment date as from 8 November 2023.

According to the proposal, no dividend would be paid based on the balance sheet to be adopted for the financial period.

There have been no significant changes in Enersense's financial position after the end of the financial year. The company's liquidity is good, and it is the Board of Directors' view that the proposed distribution of profits does not jeopardise the company's solvency.

DISCLOSURES ON LIABILITIES IN THE BALANCE SHEET

Provisions

EUR	31.12.2022	31.12.2021
Other provisions	150,000.00	150,000.00
Total	150,000.00	150,000.00

The mandatory provisions relate to the company's pending legal dispute in an administrative court in the United States.

LONG-TERM CREDITORS

EUR	31.12.2022	31.12.2021
Capital loans to group companies	—	—
Liabilities to credit institutions	6,000,000.00	8,400,000.00
Convertible note	26,000,000.00	—
Total	32,000,000.00	8,400,000.00

Liabilities falling due later than 5 years

EUR	31.12.2022	31.12.2021
Liabilities to credit institutions	—	—
Total	—	—

SHORT-TERM CREDITORS

Amounts owned to group undertakings

EUR	31.12.2022	31.12.2021
Trade creditors	1,090,385.02	1,520,195.11
Loans	13,233,030.00	586,769.04
Group contribution debt	—	—
Other creditors	-115,745.20	-4,767.59
Accruals and deferred income	148,171.16	—
Total	14,355,840.98	2,102,196.56

To other than group companies

EUR	31.12.2022	31.12.2021
Liabilities to credit institutions	2,400,000.00	2,798,981.40
Trade creditors	832,266.40	1,689,144.70
Other creditors	2,867,947.50	346,565.31
Accruals and deferred income	2,834,015.84	2,311,380.31
Total	8,934,229.74	7,146,071.72

Accrued liabilities and deferred income

EUR	31.12.2022	31.12.2021
Wages and salaries debts	69,667.87	267,375.42
Holiday pay debt	891,594.59	1,356,797.39
Statutory insurance payments	394,955.46	109,508.15
Convertible note fee	736,386.85	—
Other	741,411.07	577,699.35
Total	2,834,015.84	2,311,380.31

COMMITMENTS AND CONTINGENT LIABILITIES

Debts secured by securities

EUR	31.12.2022	31.12.2021
Unused credit limits	5,000,000.00	—
Pledged securities at book value	20,588,708.77	—
Business mortgages provided as collateral	7,000,000.00	—
Loans from financial institutions	8,400,000.00	10,800,000.00
Pledged securities at book value	20,588,708.77	1,003,584.20
Other pledges provided as collateral	1,325,000.00	875,000.00
Business mortgages provided as collateral	7,000,000.00	7,000,000.00
Total secured debts	8,400,000.00	10,800,000.00
Total pledged securities	20,588,708.77	1,002,584.20
Total business mortgages provided as collateral	7,000,000.00	7,000,000.00
Unsecured debts total	26,000,000.00	—

Other off-balance sheet liabilities

Enersense International Plc has to an associated company Yrittäjien Voima Oy other off-balance sheet liability EUR 720,683.

Legal disputes

Security for debts of subsidiaries and other group companies

EUR	31.12.2022	31.12.2021
Other pledges provided as collateral	1,325,000.00	477,250.00
Other guarantees	42,464,456.37	16,625,820.71

Other commitments

Leasing agreements	31.12.2022	31.12.2021
Payable in the following financial year	1,971.70	26,985.00
To be paid later	—	1,882.30
Total	1,971.70	28,867.30

The loans secured with collaterals include covenants. The specific conditions agreed relate to the company's solvency and ability to service its debt. Breach of the covenants may increase financing costs or lead to a termination of the loans. The company's management believes that the covenants have been met and are being monitored.

Signatures on the report by the Board of Directors and financial statements

Helsinki, 8 March, 2023

Jussi Holopainen
President and CEO

Jaakko Eskola
Chairman of the Board

Sirpa-Helena Sormunen
Board member

Petri Suokas
Board member

Herkko Plit
Board member

Päivi Jokinen
Board member

Sari Helander
Board member

FINANCIAL STATEMENT ENTRY

An audit report has been issued today.

Helsinki, 8 March, 2023

Audit firm
KPMG Oy Ab

Heli Tuuri
KHT

Auditor's report

ENERSENSE INTERNATIONAL PLC
AUDITOR'S REPORT
FINANCIAL STATEMENTS 1.1.–31.12.2022

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Enersense International Plc (0609766-7) for the year ended 31 December 2022. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements section of our report*.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 8 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Goodwill, intangible assets and business restructuring (notes 2, 4 and 11 to the consolidated financial statements)	
<p>At 31 December 2022, goodwill totaled EUR 27.9 million, customer relationships EUR 7.3 million, and other intangible assets EUR 31.5 million, mainly resulting in from the business combinations.</p> <p>During the financial year ended, the Group completed multiple acquisitions, Megatuuli Oy being the most significant. The negative goodwill attributable to the acquisition of Megatuuli Oy amounted to EUR 2.1 million. The item is included in the line item Other operating income in the consolidated statement of comprehensive income. Based on the purchase price allocation of Megatuuli Oy, the Group recognised assets from wind power development projects in different development stages amounting to EUR 22.8 million. Development projects are recorded as a cost when the project is sold and the revenue recognised.</p> <p>Goodwill and acquisition-related intangible assets are tested at least annually for impairment. Preparation of cash flow projections underlying impairment testing requires management to make judgements and assumptions over certain key inputs, for example profitability, long-term growth rate and discount rate.</p> <p>Valuation of goodwill and acquisition-related intangible assets is considered a key audit matter due to the significance of the carrying amounts and high level of management judgement related to forecasts and assumptions.</p>	<p>In respect to impairment testing, we assessed key inputs in the calculations such as profitability, discount rate and long-term growth rate in relation to budgets approved by the Board of Directors, external sources and our views.</p> <ul style="list-style-type: none"> • We utilised KPMG valuation specialists who tested the technical accuracy of the calculations and compared the assumptions used to market and industry information. • We assessed the accounting treatment and appropriateness of the recognised intangible assets from the purchase price allocation related to Megatuuli Oy acquisition by reviewing the calculations and assumptions used by the management. • We assessed the accounting treatment of the acquisitions. • Furthermore, we considered the appropriateness of the presentation and disclosures provided in respect of the items referred to above.
Turnover and project revenue (note 3 to the consolidated financial statements)	
<p>The company's turnover, EUR 268,0 million, mainly comprises service revenue, project revenue and resourcing revenue. Most of the the company's revenues is recognised over time.</p> <p>The company has a significant number of fixed-price long-term projects. When recognising revenue from fixed-price projects the progress of the stage of completion is monitored throughout the project delivery. Recognition of revenue accounted for using the percentage-of-completion method requires management judgement and assumptions, in particular regarding expected costs and workload forecasts.</p> <p>Revenue recognition is considered a key audit matter due to a significant amount of transactions and management judgement related to the project revenue recognition.</p>	<p>We evaluated the revenue recognition principles and accounting policies by reference to applicable IFRS standards. In addition, we performed both analytical and substantive audit procedures.</p> <ul style="list-style-type: none"> • Our audit procedures covered assessment of the internal control environment for sales processes, as well as testing of the key controls. • We tested the functionality of the processes to enter, record and invoice sales transactions. We also tested the accuracy of recognition of revenues on accrual basis. • In addition, we considered the company's project calculations for fixed-price long-term projects by examining changes in project margin levels, and cumulative cost and revenue amounts reported by project officers, as well as assessed the company's process for identifying any potential need for cost provisioning. • Furthermore, we considered the appropriateness of the Group's disclosures provided on revenues.
Adequacy of funding and financial arrangements (note 1 and 20 to the consolidated financial statements)	
<p>On 1 December 2022, Enersense International Plc completed offering of EUR 26 million senior unsecured conditionally convertible note.</p> <p>On 20 June 2022, the parent company concluded new financing agreement with creditors. The financing agreement consists of two senior loans, several bank guarantees, revolving credit facilities and invoice financing facilities.</p> <p>The financing agreement contains financial covenants measuring the Group's equity ratio and the ratio of interest-bearing debt to EBITDA, which are monitored quarterly. In addition, there is covenant for minimum cash which is monitored monthly.</p> <p>Based on the budget prepared by the management for the financial year 2023 and approved by the Board of Directors in February 2023, the company assessed it will be in compliance with the covenant terms set in the current financing agreement for the financial year 2023.</p>	<p>We gained an understanding of the company's financial forecasting process.</p> <ul style="list-style-type: none"> • To evaluate the adequacy of funding, we analysed, the cash flow projections and sensitivity calculations prepared by the company, the reliability of the underlying data. • We analysed the financial arrangements for 2022 and related accounting treatments. • We assessed the sensitivity calculations prepared by management to test the headroom for funding adequacy, in particular in relation to the covenants. • In addition, we have evaluated the appropriateness of the classification of the financial liabilities as well as the appropriateness of the related disclosures.

Responsibilities of the Board of Directors and the President and CEO for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 18 December 2015 and our appointment represents a total period of uninterrupted engagement of 7 years. Enersense International Plc has become a public interest entity on 14 June 2021.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 8 March 2023

KPMG OY AB
Heli Tuuri
Authorised Public Accountant, KHT



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