enersense

The Board of Directors' Report and Financial Statements 2023

Contents

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.

This is a voluntary non-official English translation of Enersense's Board of Directors' Report and Financial Statements for 2023 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 8 March 2024 and it is available on the company's website.

The Board of Directors' Report

Operating environment in 2023

Despite the impacts of the Russian attack on Ukraine and general economic uncertainty, the market situation in Enersense's business areas as a whole remained favourable during 2023. Although the prices of raw materials, other materials and energy, which have risen as a result of the war, have stabilised and partly returned to pre-war levels, overall inflation in the markets relevant to Enersense remains high, with a particular impact on material and salary costs and thus on the profitability of projects in a tight competitive environment.

Increased uncertainty about economic development and higher operational and financial costs had a negative impact on the investment environment of certain customers in some respects. On the other hand, given the changed geopolitical situation, energy solutions are becoming more self-sufficient in Europe, and this is expected to speed up the implementation of projects related to the energy transition. This trend is also supported by EU-level and national energy and climate policy.

Since the beginning of 2023, the coronavirus pandemic has been treated as a normal virus disease and it no longer involves exceptional restriction measures.

Financial result

Order backlog

The order backlog grew by 10% and was EUR 457 (415) million at the end of the fiscal year. The order backlog decreased by EUR 54 million compared with the third quarter of 2023.

Compared with the comparison period the order backlog increased in the Connectivity and Power segments but decreased in the Smart Industry and International Operations segments.

Order backlog by segment

MEUR	31.12.2023	31.12.2022	Change, %
Smart Industry	144	172	-28
Power	87	70	24
Connectivity	128	57	125
International Operations	98	116	-15
Group	**457**	**415**	**10**

Revenue and profitability

Revenue by segment

Accounting of wind power projects was changed from the beginning of 2023. Comparison figures for 2022 are reported according to the new accounting principle.

EUR thousand	1–12/2023	1–12/2022	Change, %
Smart Industry	113,712	72,721	56.4
Power	87,487	74,958	16.7
Connectivity	57,771	47,230	22.3
International Operations	104,204	87,007	19.8
Items not allocated to business areas	144	81	76.9
Total	**363,318**	**281,997**	**28.8**

EBITDA by segment

EUR thousand	1–12/2023	1–12/2022	Change, %
Smart Industry	5,262	268	n.a.
Power	10,714	19,237	-44.3
Connectivity	2,273	362	n.a.
International Operations	4,019	-3,930	n.a.
Items not allocated to business areas	-7,564	-3,726	103.0
Total	**14,704**	**12,210**	**20.4**

Revenue by target area

EUR thousand	1–12/2023	1–12/2022	Change, %
Finland	241,397	192,317	25.5
Other countries	121,921	89,680	36.0
Total	**363,318**	**281,997**	**28.8**

January–December 2023

Revenue increased by 28.8% and was EUR 363.3 (282.0) million. The revenue includes EUR 7.6 (14.0) million of realised sales gains from completed wind power projects.

Revenue increased in all segments.

EBITDA increased by 20.4% and was EUR 14.7 (12.2) million. The EBITDA margin was 4.0 (4.3)%. EBITDA for the fiscal year includes EUR 0.4 million arising from a change in the contingent consideration related to the acquisition of Enersense Offshore, a capital gain of EUR 0.9 million from the sale of Enersense Solutions, a provider of contractor liability services, and a credit loss provision of EUR -0.4 million related to a customer's insolvency. In the comparison period, EBITDA was improved by significant sales revenue from wind power projects and EUR 4.2 million in items consisting of the recognition of negative goodwill related to the acquisition of Enersense Wind, a capital gain on the sale of Suomi Teline and a change in the contingent consideration related to the acquisition of Enersense Offshore. On the other hand, the EBITDA in the comparison period was burdened by a EUR 3.5 million loss booked related to certain projects in the Baltics and EUR 1.2 million costs that related to M&A.

EBITDA improved markedly in Smart Industry, Connectivity and International Operations segments. In the Power segment, EBITDA decreased compared with the comparison period. Investments in the ramp-up of the offshore and electric vehicle charging solutions businesses and in a new ERP system continued. Their total impact on EBITDA was of EUR -11.8 (-6.1) million.

Adjusted EBITDA increased by 10.7% and was EUR 15.1 (13.7) million or 4.2 (4.8)% of revenue. The net impact of items affecting comparability was EUR 0.4 million mainly arising from process integration costs related to the Empower-Enersense corporate arrangement. In the comparison period, In the comparison period, 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.

The operating profit increased by 51.2% and was EUR 5.3 (3.5) million. The profit margin was 1.4 (1.2)%.

The segment-specific figures are presented under Segment reviews.

Financial position and cash flow

Profit before taxes, result for the period and earnings per share

January–December 2023

Net financial expenses were EUR -13.8 (-10.5) million including distribution of funds to minority shareholders in Enersense Wind based on the shareholders' agreement as well as interests from the convertible bond as well as other loans and financing.

The result before taxes was -8.5 (-2.8) and the result for the period was EUR -9.1 (-9.8) million. Undiluted earnings per share were EUR -0.54 (-0.57).

Cash flow and financial position

January–December 2023

Net cash flow from operating activities was EUR -15.2 (1.9) million. Cash flow was impacted by projects that tie up working capital as well as distribution of funds to minority shareholders in Enersense Wind based on the shareholders' agreement.

Net cash flow from investing activities was EUR -3.1 (-9.3) million, where the change from the comparison period is related to smaller investments in P2X and the sale of Enersense Solutions.

Net cash flow from financing activities was EUR -9.2 (16.9) million, including repayment of loans and lease liabilities and distribution of funds paid. The comparison period included a share issue of EUR 2.2 million as well as issue of a EUR 26-million convertible bond.

The Group's cash and cash equivalents totalled EUR 11.2 (38.7) million at the end of the fiscal year. Cash and cash equivalents decreased by EUR 27.5 million compared with the comparison period and increased by EUR 0.9 million from the end of September 2023.

The Group's balance sheet total stood at EUR 213.7 (230.2) million at the end of 2023. The decrease in the balance sheet was mainly related to decrease in cash and cash equivalents and trade and other payables.

Equity stood at EUR 52.1 (62.6) million at the end of 2023. Liabilities amounted to EUR 161.6 (167.6) million. At the end of the fiscal year, the equity ratio was 26.0 (28.8)% and net gearing was 70.2 (19.0) %. Increase in net gearing was impacted mainly by the decrease in cash and cash equivalents. Return on equity in the fiscal year was -16.0 (-17.5)%.

Financing package

Enersense has access to a financing package consisting of a EUR 26-million convertible bond, two senior loans totalling EUR 6.3 million and maturing in 2026, R&D loans totalling EUR 1 million, installment debt totalling EUR 1.6 million, a EUR 5-million revolving committed credit facility, and a total of EUR 39.9 million factoring facilities, as well as bank guarantee facilities. The funding is used for operational development and working capital management.

In addition, the total amount of guarantee facilities was increased by EUR 10 million during 2023, and Enersense currently has access to a total of 55 million in guarantee facilities.

Convertible bond

On 1 December 2022, Enersense issued a EUR 26-million senior convertible bond, which will mature on 15 January 2027. 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 23 December 2022 (around 16.5% when the dilution effect is taken into account). 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.

Covenants

Enersense financing package that covers the company's senior loans and bank, leasing and financial guarantee facilities includes covenants concerning the equity ratio and the ratio of interest-bearing net debt to EBITDA, which are reviewed quarterly, and a minimum liquidity covenant, which is reviewed monthly, if the covenant for the ratio of interest-bearing net debt to EBITDA was not met.

It has been agreed with the financiers that the convertible bond is interpreted as a subordinated loan and is treated as equity in the calculation of adjusted equity. In connection with the covenant concerning the ratio of interest-bearing net debt to EBITDA, the convertible loan is interpreted as a non-interest-bearing loan. It has also been agreed that in addition to the equity ratio covenant, a minimum liquidity covenant will be applied. This covenant will be reviewed if the requirements of the covenant concerning the ratio of interest-bearing net debt to EBITDA are not met. The threshold value for the minimum liquidity covenant is EUR 15 million, and the company reports on its implementation to the financiers on a monthly basis if the covenant concerning the ratio of interest-bearing net debt to EBITDA is not met. The company met the covenant requirements on 31 December 2023 and, according to the management's forecast, will continue to meet them for 12 months from the financial statements.

Segment reviews

Smart Industry

The Smart Industry segment helps customers improve the reliability of their production plants and the efficiency of their maintenance operations, in addition to developing digital solutions that improve profitability. As its strategic growth area, the segment also provides resource and project services for Finnish and international customers' onshore and offshore projects.

MEUR	1–12/2023	1–12/2022	Change, %
Revenue	113.7	72.7	56.4
EBITDA	5.3	0.3	n.a.
EBITDA-%	4.6	0.4	
Order backlog	144	172	-27.7
Personnel (FTE)	716	769	

January–December 2023

Although general uncertainty continued in the global economy, the market environment of the Smart Industry segment began to return to normal in the first quarter of the year and has since remained stable. Some customers in the Offshore business line have decided to manage part of their purchases of materials on their own which has affected Smart Industry's projects. The anticipated impacts of the adjustment measures in progress in the Finnish paper industry were not meaningful in the final quarter of 2023.

The Smart Industry segment's revenue increased by 56.4% and was EUR 113.7 (72.7) million. Higher volumes in both service and project businesses increased the revenue. On the other hand, revenue was lowered by the changed purchasing practices of some Offshore business line's customers.

The Smart Industry segment's EBITDA increased markedly and was EUR 5.3 (0.3) million. EBITDA for the fiscal year includes EUR 0.4 million arising from a change in the contingent consideration related to the acquisition of Enersense Offshore, a capital gain of EUR 0.9 million from the sale of Enersense Solutions, a provider of contractor liability services, and a credit loss provision of EUR -0.4 million related to a customer's insolvency. In the comparison period, EBITDA was improved by EUR 2.1 million in items consisting of a capital gain on the sale of Suomi Teline and a change in the contingent consideration related to the acquisition of Enersense Offshore.

In the fiscal year, the growth in volumes improved the profitability of both service and project business operations. The level of activity has also increased in offshore business operations, but investments in growth continued to burden the segment's overall profitability. The EBITDA was also lowered by the changed purchasing practices of certain Offshore business line's customers. In the comparison period, the multiplier effects of Russian attack on Ukraine, lower volumes in the Olkiluoto nuclear power plant project, and partly by the ramp-up costs related to Enersense Offshore. were burdening profitability.

The average number of personnel in the Smart Industry segment was 716 (638.4) person-years during the fiscal year.

Order backlog

The Smart Industry segment's order backlog stood at EUR 144 (172) million. Order backlog decreased by EUR 28 million or 16% year-on-year. At the end of the year, the order backlog was EUR 24 million lower than at the end of the third quarter of 2023.

SIGNIFICANT ORDERS RECEIVED DURING THE FINANCIAL PERIOD:

- An agreement with Boliden, a Swedish metals company, in a large development project at the Odda production plant in Norway (press release 24 Jan 2023). In the project, which aims for increasing sustainability and the production capacity of the plant, Enersense is responsible for the supply and installation of steel, equipment installations and insulation work in one of the project areas. The project was launched in early 2023.
- An agreement with Q Power, a Finnish company specialising in Power-to-X technology deliveries, on the delivery of steel structures for reactor modules for a methanation plant (investor news 6 Mar 2023). The agreement is related to the synthetic methane production plant delivered by Q Power to P2X Solutions in Harjavalta. The plant is being built in connection with a green hydrogen production plant. The modular structures will be manufactured in Enersense's production facilities in Mäntyluoto.
- An agreement to deliver steel structures (pre-assembled units) to Aker Solutions, who is involved in various offshore projects internationally, for the Hugin A production platform which is part of the Aker BP-operated Yggdrasil oil and gas development in the North Sea (Investor News 7 July 2023). The fabrication of the modules started in Enersense's production facilities in Mäntyluoto towards the end of the year. The last modules are scheduled to be delivered in December 2024.
- An agreement with P2X on an equipment and pipeline contract for Finland's first renewable green hydrogen production plant. The plant is under construction in Harjavalta and is expected to be commissioned in 2024 (Investor News 18 July 2023).

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 design, construction and maintenance of transmission grids and electric substations. Additionally, the segment also covers, as its strategic growth areas, the design, construction, maintenance and project development of wind farms and solar farms as well as solutions for charging systems for electrically powered transport and electricity storage. In the future, the aim is also to invest in starting its own renewable energy production.

Accounting of wind power projects was changed from the beginning of 2023. Comparison figures for 2022 are reported according to the new accounting principle.

MEUR	1–12/2023	1–12/2022	Change, %
Revenue	87.5	75.0	16.7
EBITDA	10.7	19.2	-44.3
EBITDA-%	12.2	25.7	
Order backlog	87	70	24
Personnel (FTE)	203	156	

January–December 2023

The market situation, particularly in services related to the construction of transmission networks, was strong in the fiscal year. Uncertainty increased towards the end of the fiscal year and was reflected in some customers' investment decisions.

The Power segment's revenue increased by 16.7% and was EUR 87.5 (75.0) million. The revenue includes EUR 7.6 (14.0) million of realised sales gains from completed wind power projects.

The Power segment's EBITDA decreased by -44.3% and was EUR 10.7 (19.2) million. In the comparison period, significant sales revenue from wind power projects had a positive impact on the EBITDA, and the comparison period also includes the recognition of EUR 2.1 million in negative goodwill arising from the Enersense Wind acquisition.

The segment's profitability was burdened by investments in the electric vehicle charging solutions business.

The average number of personnel in the Power segment was 203 (172) person-years during the fiscal year.

Wind and solar power project development

The development of Enersense's wind and solar power project portfolio was continued. At the end of 2023, the onshore wind power project portfolio was approximately 8,400 MW (6/2023: 8,100 MW), of which 1,500 MW will be developed in cooperation with a partner. The projects in the feasibility study phase total around 6,600 MW, and projects totalling 1,800 MW are in the permit, land use and EIA phase.

The projects developed earlier by Enersense's subsidiary Enersense Wind that have progressed to the construction and operation phase total 314 MW. For these projects, Enersense will receive development fees during 2022–2025, as announced on 3 February 2022.

The size of Enersense's solar power portfolio is approximately 400 MW (6/2023: 60 MW). Enersense's renewable energy project development portfolio of approximately 8,800 MW enables the company to develop energy production of its own.

In June 2023 an evaluation of options was initiated to further accelerate Power segment's growth ambitions and specifically the Group's strategy to become a significant zero-emission energy producer. Enersense's own energy production target by 2027 is 600–700 MW, of which 600 MW would be wind power and 100 MW solar power.

The options to be considered include creating a new, separate Enersense subsidiary for renewable energy development and production. An update will be given in due course, if any concrete outcome were to materialise.

Order backlog

The progress of the energy transition is supporting demand in the Power segment, and the order backlog increased year-on-year, thanks to successful sales work.

The Power segment's order backlog stood at EUR 87 (70) million at the end of 2023. Its order backlog grew by EUR 17 million or 24% year-on-year. Compared with the end of the third quarter 2023, the order backlog decreased by 6 million.

SIGNIFICANT ORDERS RECEIVED DURING THE FINANCIAL PERIOD:

- A project won in Fingrid's public procurement tendering regarding adding capacitors into substations in order to improve transmission capacity (investor news 12 April 2023). The project will employ Enersense for approximately two years, and the value of the project is approximately EUR 6.6 million.
- A project won in Fingrid's public procurement tendering regarding substation expansions in Huittinen-Forssa, Finland (investor new 14 April 2023). The project will employ Enersense for approximately three years and the value of the project is approximately EUR 13 million.
- An agreement with Gigawatti Oy about construction of the Oosinselkä wind farm in Luvia at Eurajoki, Finland (investor news 17 April 2023). Oosinselkä wind farm consists of 13 turbines. According to plans, the project will be completed by the end of 2024. Enersense will provide construction of the wind farm's roads and platforms, foundations and internal network as a turnkey delivery. Gigawatti Oy is fully owned by S-Voima Oy, who is responsible for the S Group's electricity procurement. S-Voima Oy is owned by the cooperatives and SOK together.
- A project won in Fingrid's public procurement tendering regarding substation contract to build a new transformer substation and expand the 110 kV switchgear in Nuojuankangas (investor news 6 June 2023). The project also includes the expansion of the substation in Pyhänselkä. The project will employ Enersense until spring 2026. The value of the contract is more than EUR 20 million.
- An agreement with Ilmatar Energy on the construction of the Korpilevonmäki wind farm in Säkylä (investor news 29 November 2023). Ilmatar's Korpilevonmäki wind farm consists of six turbines. The construction project started in November, and the contract is expected to be completed in autumn 2024. Enersense's delivery includes the construction of roads and lifting areas in the farm, turbine foundations and the internal network as a turnkey delivery.

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	1–12/2023	1–12/2022	Change, %
Revenue	57.8	47.2	22.3
EBITDA	2.3	0.4	n.a.
EBITDA-%	3.9	0.8	
Order backlog	128	57	125
Personnel (FTE)	355	345	

January–December 2023

Demand in the Connectivity segment has been good in the fiscal year, during the early part of the year activity in fibre-to-the home construction projects, in particular, was strong.

The Connectivity segment's revenue increased, backed by the strong order backlog, by 22.3% and was EUR 57.8 (47.2) million.

The Connectivity segment's EBITDA increased markedly especially due to the strong second half of the year and was EUR 2.3 (0.4) million.

Profitability development was supported by higher volumes in fiber-to-home construction projects and the segment's profitability improvement programme. Higher costs have been successfully transferred to sales prices, but discussions with customers to adjust prices to healthier levels continue. In the comparison period, EBITDA was burdened by higher labour and material costs caused by inflation, a shortage of materials and the long strike in the ICT sector. In addition to this, EBITDA in the comparison period was burdened by costs relating to Voimatel acquisition preparations that was cancelled in early 2023.

The average number of personnel in the Connectivity segment was 354.58 (347) person-years during the fiscal year.

Order backlog

The Connectivity segment's order backlog stood at EUR 128 (57) million at the end of 2023. Its order backlog increased by EUR 71 million or 125% year-on-year. Compared with the end of the third quarter of 2023, its order backlog decreased by EUR 13 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.

SIGNIFICANT ORDERS RECEIVED DURING THE FINANCIAL PERIOD:

- An agreement with a Finnish optic fiber company Valoo on a turn-key project contract of construction of an optic fiber network (stock exchange release, insider information 17 Jan 2023). The total value of the contract that spans over four years is approximately EUR 35 million. Enersense is responsible for the turn-key delivery which contains project management, planning, construction and documentation of the network. In the first phase the focus of the construction works is in the South-Eastern part of Finland in Lappeenranta, Kotka and Hamina.
- An add-on turnkey contract with Elisa, a Finnish telecommunications and digital services company, for the construction of Elisa's Fibre to the Home optic fibre network in Finland (stock exchange release, insider information 19 June 2023). The total value of the add-on contract is EUR 35 million, and it more than doubles the volume of optic fibre networks Enersense will construct for Elisa in 2024–2026. Enersense is responsible for the turnkey delivery, which contains the project management, planning and construction of the network, materials logistics, and customer deliveries.
- A one-year extension agreement between Enersense and Telia Finland on the provision of telecommunications network field services (investor news 22 August 2023). The value of the agreement is EUR 25 million. The agreement is a continuation of the companies' long-term cooperation, and its substance corresponds to the scope of their previous framework agreement on field services. The new agreement period will begin on 1 April 2024.

International Operations

The International Operations segment includes Enersense's international business operations mainly in Estonia, Latvia and Lithuania.

MEUR	1–12/2023	1–12/2022	Change, %
Revenue	104.2	87.0	19.8
EBITDA	4.0	-3.9	202.2
EBITDA-%	3.9	2.8	
Order backlog	98	116	-15
Personnel (FTE)	609	579	

January–December 2023

Annual inflation started leveling off during 2023 and prices for materials have stabilised.

The International Operations segment's revenue increased by 19.8% and was EUR 104.2 (87.0) million.

The increase in revenue was mainly supported by high-voltage power line construction projects in progress in the Baltics. The majority of the segment's revenue comes from construction and maintenance projects in power grids and distribution grids.

The International Operations segment's EBITDA strengthened markedly and was EUR 4.0 (-3.9) million.

The increase in EBITDA was supported by improved project profitability. Compensation regarding inflation has been agreed with most of the customers, and inflation is taken into account in new contracts.

The average number of personnel in the International Operations segment was 609 (590) person-years during the fiscal year.

Order backlog

The International Operations segment's order backlog stood at EUR 98 (116) million. Its order backlog decreased by EUR -18 million from the corresponding period. The order backlog decreased by EUR -10 million from the end of of the third quarter 2023.

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. In the synchronisation projects between the Baltic countries' and European electricity distribution systems, the order intake reached its peak in early 2023, which is why the segment's order backlog has decreased during 2023. The order intake has remained good in the segment's other business operations.

SIGNIFICANT ORDERS RECEIVED DURING THE FINANCIAL PERIOD:

- A contract with Estonian transmission system operator AS Elering (press release 3 Jan 2023). The contract covers the renewal of the 330-kV power line between Mustvee and Paide substations as well as construction of a new 110-kV power line between Mustvee and Kantkyla substations. The project includes preparatory and design works, demolition of the existing power line and construction of a 90-km-long new 330 kV and 110 kV power line. The project is expected to be completed in July 2025 at the latest. The total value of the contract is EUR 36.9 million. Enersense's share of the contract is approximately EUR 18.5 million. Enersense As and Leonhard Weiss Oü, who specializes in design, construction and maintenance of integrated transmission systems, will carry out the project in a consortium.
- A follow-up agreement with Elektrilevi, the largest network operator in Estonia, regarding the maintenance of the electricity networks (investor news 24 November 2023). The two-year agreement includes maintenance and troubleshooting of electricity distribution networks in the Saaremaa and Hiiumaa area. The value of the agreement is approximately EUR 7.4 million.

Group personnel

Enersense mainly operates in Finland, Estonia, Latvia and Lithuania. The Group had an average of 1,942 (1,836) employees during the fiscal year.

The growth in business volume was also reflected in the number of personnel, which increased by 7% year-on-year.

At the end of 2023, the Group's total head count was 1,982.

Person-years (average over the period)

	1–12/2023	1–12/2022
Smart Industry	716	638
Power	203	172
Connectivity	355	347
International	609	590
Other	59	90
Group total	**1,942**	**1,836**

Governance

Enersense's Corporate Governance Statement as well as the Remuneration report for 2023 are published simultaneously with, but separately from, the Board of Directors' Report and they are available on the Company's website.

Annual General Meeting

The The Annual General Meeting (AGM) of Enersense International Plc was held in Helsinki on 4 April 2023.

The AGM adopted the financial statements for the financial period 1 January to 31 December 2022, including the consolidated financial statements and discharged the members of the Board of Directors and the CEO from liability.

The AGM decided that, based on the balance sheet adopted for the financial period 2022, 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. The return of capital shall be paid in two installments: in May and November 2023. The AGM decided that no dividend is paid based on the balance sheet adopted for the financial period.

The AGM was in favour of all the proposals made to the AGM and approved the remuneration report. The resolution is advisory in accordance with the Finnish Companies Act.

The AGM authorised the Board to decide on the issue of shares against payment, as well as on the acquisition and/or acceptance as pledge of the company's own shares, according to the Board's proposal.

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 2023 on the company's website.

More detailed description of the authorisations of the Board of Directors is available in section Authorisations of the Board of Directors.

Board of Directors

In accordance with the proposal of the Shareholders' Nomination Board, the 2023 Annual General Meeting (AGM) decided that 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. The Board members' term of office ends at the close of the first AGM following their election.

At its organising meeting immediately after the AGM, in accordance with the recommendation of the Nomination Board, the Board re-elected Jaakko Eskola as its Chair and Sirpa-Helena Sormunen as its Vice Chair. The Board elected, from among its members, Sari Helander as Chair of the Audit Committee and Carl Haglund and Petri Suokas as the other members. Jaakko Eskola was elected as Chair of the Remuneration Committee, and Anna Miettinen and Sirpa-Helena Sormunen were elected as the other members.

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

- Annual fee of EUR 42,000 for the Chair
- Annual fee of EUR 32,000 for the Vice Chair
- Annual fee of EUR 27,000 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.

Authorisations of the Board of Directors

Authorisations to issue shares as well as option rights and other special rights entitling to shares

The Annual General Meeting 2023 authorised the Board of Directors to issue shares as well as option rights and other special rights entitling to shares in accordance with the Board's proposal. A total maximum of 1,649,250 new and/or treasury shares of the Company may be issued under the authorization (including shares issued on the basis of special rights). Within the limits of the authorization, the Board of Directors is authorized to decide on all terms and conditions regarding the issuance of shares and the issuance of option rights and other special rights entitling to shares. The authorization revokes the authorizations granted by the Annual General Meeting on 4 April 2022 and by the Extraordinary General Meeting of 10 November 2022 concerning the issuance of shares and the issuance of option rights and other special rights entitling to shares, but not the authorization granted by the Extraordinary General Meeting on 23 December 2022 to decide on the issuance of special rights entitling to shares. The authorization is valid until the end of the next Annual General Meeting, but no later than 30 June 2024.

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

The Annual General Meeting 2023 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. A maximum of 824,630 shares may be repurchased and/or accepted as pledge. The Board of Directors decides how the shares are to be repurchased and/or accepted as pledge. The authorization revokes previous authorizations granted by the general meeting to repurchase and/or accept as pledge of own shares. The authorization is valid until the end of next Annual General Meeting, but no later than 30 June 2024.

Group Executive Team

At the end of 2023, 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
- Margus Veensalu, EVP, International Operations.

Ownership structure

The number of registered shareholders in Enersense was 6,973 (6,882). at the end of 2023. The ten largest shareholders accounted for 63.09% of all shares on 31 December 2023. The proportion of nominee registered shareholders was 0.87%. More information about Enersense's largest shareholders is available on the company's website.

The Boards of Directors of Enersense International Plc and MBÅ Invest Oy ("MBÅ Invest ") decided on 27 March 2023 to complete the merger of MBÅ Invest with Enersense in accordance with the merger plan signed on 23 September 2022. On the basis of the merger plan, a total of 2,176,068 new Enersense shares were issued as Merger Consideration to the shareholders of MBÅ Invest. The registration of the completion of the merger in the Trade Register took place on 1 April 2023. Following the registration of the new shares and of the cancellation of own shares transferred to the Company in the merger, the total number of Enersense's shares is 16,492,527.

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 1,481,905 shares at the end of the financial period, which represented 9.0% of all the shares in the Enersense International Plc on 31 December 2023.

Related party transactions

MBÅ Invest Oy

The Merger between MBÅ Invest Oy and Enersense International Plc constitute a related party transaction for Enersense since MBÅ Invest has been Enersense's related party exercising significant influence. Furthermore, Enersense's Board Member Petri Suokas, President and CEO Jussi Holopainen and Executive Team Member Jaakko Leivo have been MBÅ Invest's shareholders. Petri Suokas and Jussi Holopainen were also members of the Board of Directors of MBÅ Invest. According to the assessment by Enersense's Board of Directors, the related party transaction is in the best interest of the Company, and it has been conducted under customary commercial terms. Petri Suokas, Jussi Holopainen and Jaakko Leivo have not participated in the discussion concerning the merger or in the decision-making of Enersense's Board of Directors. The related party transaction was supported by all members of the Board of Directors of Enersense who are not in a related party relationship with MBÅ Invest or the matter to be resolved.

Additional information on the completion of the merger is available in the Stock Exchange Release of 27 March 2023.

P2X Solutions Oy

Enersense's investment in the associated company P2X Solutions Oy in August 2023 increased Enersense's shareholding to 18.5%. Despite the minority shareholding, P2X Solutions Oy is treated as an associated company because Enersense is entitled to a board position in the company under the agreement.

More detailed information on related party transaction in Note 26 to the Financial Statements.

Flagging notifications

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

Date of registration	Shareholder	Reason for flagging	Direct ownership, %	Indirect ownership, %	Total shareholding, %
1.4.2023	MBÅ Invest	fell below 5%	0	-	0
1.4.2023	Petri Suokas and controlled entities*)	exceeded 5%	0.07	5.58	5.66

*) Suotuuli Oy, a company controlled by a party subject to the flagging obligation, received a total of 680,020 shares in the target company as merger consideration after MBÅ Invest Oy merged with Enersense International Plc on 27 March 2023 in accordance with release issued by Enersense International Plc.

Share-based incentive schemes

Enersense International Plc's Board of Directors decided on 27 February 2023 on new share-based incentive scheme for the Group's key personnel.

Share-based incentive scheme for 2023–2025

The Performance Share Plan 2023–2025 consists of one performance period, covering the financial years 2023–2025.

In the plan, the target group is given an opportunity to earn Enersense International Plc shares based on performance. The potential rewards based on the plan will be paid in one installment after the end of the performance period, in 2026.

The rewards of the plan are based on the absolute total shareholder return of the company's share (TSR) for the financial years 2023–2025, on the Group's cumulative adjusted EBITDA in euro for the financial years 2023–2025, and on the Group's ESG development program. The rewards to be paid based on the plan correspond to the value of an approximate maximum total of 241 100 Enersense International Plc shares, also including the proportion to be paid in cash.

Approximately 40 persons, including the President and CEO and other members of the Group Executive Team, belong to the target group of the plan.

Additional information on incentive schemes is available in Note 27 to the Financial Statements.

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 16,492,527 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.

Treasury shares

The company holds no treasury shares.

Market capitalisation and share turnover

The market value of Enersense's shares was EUR 72 (94) million on 31 December 2023.

The closing price of the shares was EUR 4.35 (5.69) on 31 December 2023. The volume-weighted average price (VWAP) of the shares during the fiscal yer was EUR 5.36 (6.80). The highest price was EUR 6.99 (8.22), and the lowest price was EUR 3.87 (5.22). The price of the share decreased by 23.6% from the end of 2022. During the fiscal year, around 3.1 million shares in Enersense were traded on the Nasdaq Helsinki stock exchange, which corresponds to a turnover of around EUR 16.8 million. The average daily share turnover was12,506 shares, which corresponds to an average daily turnover of around EUR 0.1 million.

Business strategy

Enersense is a key contributor to the energy transition through its profitable and growing business operations. The company'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. In addition to continuous development and improvement of own operations, the tools to achieve the goals also include investments, M&A as well as ensuring financing arrangements relating to the own energy production capacity. During the next few years, the goal is to actively seek various kinds of equity-based financing arrangements to enable value chain expansion. The 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
The company's core operations include design, installation, construction and operation and maintenance services in the fields of energy, maritime transport, industry and telecommunications infrastructure. 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 are built, and new talents are acquired to join the company to fill the identified gaps.

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 decided to make a commitment to the Science Based Targets initiative (SBTi). In connection with this, Enersense decided to align its previous carbon neutrality target up to 2030, concerning its own operations, with its near-term SBTi-compliant emissions reduction target. Enersense is committed to setting science-based near-term emissions reduction targets by the end of 2025.

Long-term financial targets

TARGET IN 2027	SITUATION IN 2023
Revenue of EUR 500 million, of which • strategic development projects 100 MEUR • own energy production 100 MEUR • core business operations 300 MEUR.	The Group's revenue increased by 29%, y-o-y, and was EUR 363 million. Core business operations were the main contributor to the revenue.
EBITDA of EUR 100 million, of which • strategic development projects 35 MEUR • own energy production 35 MEUR • core business operations 30 MEUR.	The Group's adjusted EBITDA EUR 15.1 million.
The share of revenue that belongs to the EU environmental taxonomy[1]: 65–70%.	The share of revenue that belongs to the EU environmental taxonomy: 55%.
Own renewbale energy production in total 600–700 MW.	For the time being, the company has no energy production of its own. Wind and solar power project development portfolio increased to 8,800 MW (6/2023: 8,100 MW), which gives a solid ground on which to build own production.
Dividend policy: The company's goal is to distribute at least 30% of earnings per share as dividends.	The Board of Directors proposes to the AGM of 2024 that the Board of Directors be authorized to decide on the distribution of funds to shareholders from the invested unrestricted equity reserve as a return of capital of at most EUR 0.10 per share.

1) The basis for the target was changed in 2023. The target is now based on revenue that belongs to the EU environmental taxonomy. Previously, the share of revenue included certain other Enersense's operations related to the energy transition and energy efficiency.

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 (currently Enersense Charging). The Group has not had any research activities.

MEUR	2023	2022	Change, %
R&D expenses	2.2	0.7	n.a.
% of revenue	0.6	0.3	—

Development expenses in 2023 totalled EUR 2.2 (0.7) million, or 0.6 (0.3)% of revenue. Of the development expenses, EUR 0.7 (0.2) million were recognised as costs in the income statement, and EUR 1.5 (0.6) million were capitalised on the balance sheet.

Investments and M&A

In 2023, a total of EUR 4.0 (33.1) million were spent on investments and M&A.

MEUR	2023	2022	Change, %
Investments in fixed assets*)	0.8	1.6	-50.0
Equity investments	3.2	11.2	n.a.
Investments in company and business acquisitions	—	20.3	n.a.
Investments and M&A, total	**4.0**	**33.1**	**n.a.**

*) without lease agreements.

Investments in fixed assets excluding lease liabilities totalled EUR 0.8 (1.6) million in 2023 and were mainly related to machinery and equipment.

A total of EUR 3.2 (11,2) million was used in investments in the associated company P2X Solutions. The comparison figure includes also investments in Parkkisähkö Oy.

In 2023, investments in company and business acquisitions totalled EUR 0.0 (20.3) million, In the comparison year, EUR 19,7 million was carried out through an exchange of shares. The net assets of the acquired companies during the comparison year totalled EUR 20.7 million and increased Enersense's goodwill, as stated in the Balance Sheet, by EUR 1.7 million to EUR 27.9 million.

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 2023

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 reviews 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 sustainability 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, on its Code of Conduct and Supplier Code of Conduct.

The Board of Directors approves the Code of Conduct and 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 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.

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:

- In 2023, the company updated its competition law policy, which is a separate policy approved by the CEO.
- The importance of fair competition and compliance with competition law is highlighted in the company's Code of Conduct and the Supplier Code of Conduct. The company makes every effort to increase its employees' awareness of the theme.

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

Neither the company nor any of its management members (including top executives of the company's subsidiaries) have been convicted of any breach of competition law.

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

Management systems

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 further during 2023, and all operations in Finland and Estonia were integrated into a single certificate. Also, new operations of the earlier certified companies were added to the certification. During 2024, we will explore opportunities to integrate companies that are currently separately certified or uncertified into the same process.

In terms of revenue, 95 (93*))% of Enersense's operations were covered by the ISO 14001:2015, ISO 45001:2018 and ISO 9001:2015 certificates in 2023.

*) Enersense's revenue recognition was changed in 2023. The revenue behind the KPI for 2022 has been changed accordingly.

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 together with other risk categories. 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 Audit Committee and 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.

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

More information about risk management at Enersense is available on the company's website.

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 2023, 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's sustainability work focuses on:

- **Sustainable work** – occupational safety and other personnel matters in its own operations
- **Sustainable business** – implementing the energy transition by helping customers build a sustainable energy system and promoting renewable energy production as part of a sustainable value chain
- **Environmental responsibility** – greenhouse gas emissions in the company's own operations and the value chain.

Enersense's business operations are closely linked to the implementation of the energy transition. The company's core operations include design, installation, construction, operation and maintenance services in the fields of energy, maritime transport, industry and telecommunications infrastructure. In addition, the company has three strategic focus areas:

- Turnkey deliveries of high power charging systems for electric transport based on proprietary technologies, as well as installation and life-cycle services for charging devices based on other equipment suppliers' technologies
- Comprehensive deliveries of offshore wind power plant foundations
- Development of Enersense's own wind and solar power production.

Increased demand for green energy solutions creates significant business opportunities for Enersense, as the implementation of the energy transition increases investments related to clean technology and a sustainable energy system (wind power, solar power, battery storage, green hydrogen, electricity transmission, carbon capture and electrification solutions for processes, transport and heating, as well as energy efficiency investments). Weather fluctuations increase with climate change, creating pressure to strengthen critical infrastructure such as local energy production and energy transmission, as well as storage.

On the other hand, the company must also be prepared for negative changes brought about by climate change. 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. This may reduce investments in companies that are not leaders in environmental, climate and energy matters. 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.

The HR and social aspects of Enersense's operations are discussed on pages 26–28 of this report. Its business model is discussed on pages 21–22 and strategy on page 16. Environmental aspects are discussed on pages 24–26.

UN Sustainable Development Goals

In addition to the internal material sustainability themes in its operations, Enersense is committed to promoting the following five UN Sustainable Development Goals:

7 AFFORDABLE AND CLEAN ENERGY	We are developing renewable energy projects and our goal is also to own production plants and use them to produce renewable energy.
8 DECENT WORK AND ECONOMIC GROWTH	We have set ambitious growth and profitability targets for our business operations, and are increasing the share of those business operations that belong to the EU environmental taxonomy. Diversity, equality and inclusion are important parts of our management and ethical principles.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	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.
11 SUSTAINABLE CITIES AND COMMUNITIES	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.
13 CLIMATE ACTION	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. At the end of 2023, we made a commitment to the SBT initiative and will set science-based emissions reduction targets by the end of 2025.

Business model

In 2023, Enersense's operating activities were 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 high power 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.

From the beginning of 2024, Smart Industry business area is changed to Industry.

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 International Operations segment includes Enersense's international business operations mainly in Estonia, Latvia and Lithuania.

From the beginning of 2024, Enersense' international operations are included in the Power business area.

Operating environment

The energy 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 may also promote 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 clean hydrogen instead of fossil fuels, 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 entire energy sector's 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.

Value creation

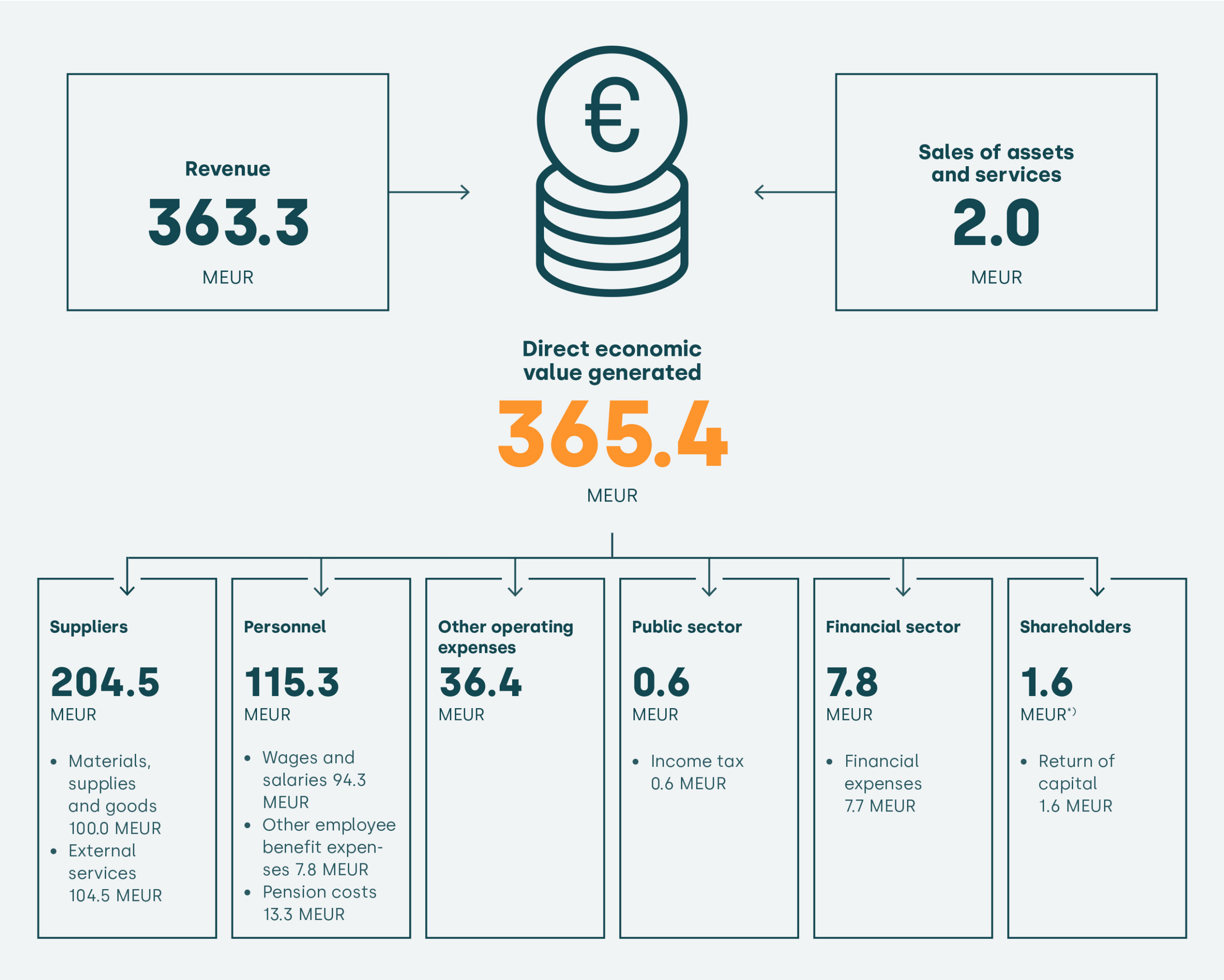
In 2023, Enersense's revenue from customer business operations was EUR 363.3 million. During 2023, the company sold its share in a wind farms it had developed, as well as a 100% -owned subsidiary. The sales gains recognised for these totalled EUR 2.0 million. The direct economic value generated by Enersense was EUR 365.4 million.

The direct economic value distributed by Enersense to its stakeholders for the year 2023 totalled EUR 364.6 million. The most significant part of this consisted of payments for materials and external services which totalled EUR 204.5 million. Employee benefit expenses totalled EUR 115.3 million. In 2023, the company had a total of 1,942 employees (average for the year). Other operating expenses totalled EUR 36.4 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 0.6 million in 2023. More information about Enersense's tax footprint.

Expenses to the financial sector totalled EUR 7.8 million.

The Board of Directors proposes to the AGM of 2024 that the Board of Directors be authorized to decide on the distribution of funds to shareholders from the invested unrestricted equity reserve as a return of capital of at most EUR 1.6 million.



*) Proposal to the AGM to authorise the Board of Directors to distribute funds at most.

Tax footprint 2023

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. The company does not choose its operating countries based on taxation criteria and it does not practise aggressive tax planning. The company has not been convicted of tax evasion.

Enersense is committed to accountability also in tax matters. 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 OECD-compliant internal transaction guidelines that help the company meet the requirements of 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 engages in proactive dialogue with the Finnish Tax Administration regarding tax matters subject to interpretation.

Paid taxes for the fiscal year, EUR million	
Income taxes	2.9
Other taxes	0.1
Paid taxes, total	**3.0**

Remitted taxes for the fiscal year, EUR million	
Value added taxes, sales (+)	106.2
Value added taxes, procurement (-)	-80.3
Withholding taxes	27.2
Remitted taxes, total	**53.2**
Paid and remitted taxes, total	**56.2**

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.

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.
- Code of Conduct training is mandatory for all employees.
- Enersense requires all its suppliers to abide by good business practice and comply with Enersense's current Supplier Code of Conduct. Suppliers must also ensure that their suppliers and subcontractors comply with Enersense's Supplier Code of Conduct or the supplier's own, similar code when supplying products or providing services to Enersense. Enersense monitors 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.

Enersense has not identified significant risks related to human rights violations in its 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.

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. The company has not been informed of nor has it reason to suspect that its operations have resulted in any human rights violations.

Prevention of bribery and corruption

Enersense observes absolute zero tolerance regarding bribery and corruption. 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.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 anti-corruption policy, which has been approved by the Board of Directors and was updated in 2023.
- The company communicates its anti-bribery and anti-corruption policy in connection with its other policies, which are all available in the company's intranet.
- The company's legal department also provides anti-bribery and anti-corruption policy training regularly for target groups determined in cooperation with the company's business units.

Neither the company nor any of its management members (including top executives of the company's subsidiaries) have been convicted of bribery or corruption.

The environment

Enersense's business operations help its customers build a sustainable energy system and promote the production of renewable energy. Enersense's most significant positive environmental impacts arise from its business operations. The company is committed to continuously improving its environmental measures and reducing the adverse environmental impacts of its operations.

At the end of 2023, Enersense made a commitment to the Science Based Targets initiative (SBTi) and will set science-based near-term emissions reduction targets by the end of 2025. The SBTi-compliant emissions reduction targets support the Paris Agreement's policy of limiting global warming to 1.5 degrees, and the measures cover Enersense's entire supply chain.

Greenhouse gas emissions

Enersense has calculated the Group's direct (Scope 1) and indirect (Scope 2, purchased energy) greenhouse gas emissions in accordance with the GHG Protocol for the first time. The calculation concerns the year 2023. Comparison information from 2022 is not available. Calculation of the other indirect emissions from the value chain (Scope 3) will be completed during 2024 (for 2023).

Scope of the calculation

All of the Group's active operations were included in the calculation. Financial control was used as the consolidation principle. Sufficient information was not available concerning the use of biofuels and biomass as an energy source, so results cannot be presented in these respects. Of Enersense's direct greenhouse gas emission 97.9% and of indirect greenhouse gas emissions 94.6% is based on measured information.

Direct greenhouse gas emissions (Scope 1)

In 2023, Enersense's direct greenhouse gas emissions totalled 6,159 tCO_2e. In relation to revenue, emissions were 16.97 tCO_2e per million euros.

Sources of Scope 1 emissions	Greenhouse gas emissions, tCO_2e
Process emissions	484.0
Fuel consumption	5,578.0
Own energy production	97.1
Total Scope 1 emissions	**6,159.1**

The most significant part, 90.6%, of Enersense's direct greenhouse gas emissions are caused by the fuel consumption of vehicles and machines. Greenhouse gas emissions are also caused by process emissions caused by welding and surface treatment, for example. In 2023, these emissions totalled 484 tCO_2e, or 7.9% of Enersense's total direct greenhouse gas emissions. A small part, altogether 97 tCO_2e or 1.6%, is caused by the heating of certain locations in Estonia.

Indirect greenhouse gas emissions (Scope 2. market-based)

In 2023, Enersense's market-based indirect greenhouse gas emissions totalled 3,782 tCO_2e. In relation to revenue, emissions were 10.42 tCO_2e per million euros.

Sources of Scope 2 emissions	Market-based greenhouse gas emissions, tCO_2e	Location-based greenhouse gas emissions, tCO_2e
Electricity	3,667.5	767.9
Heating	114.8	1,192.6
Total Scope 2 emissions	**3,782.0**	**1,960.5**

Indirect greenhouse gas emissions are caused by the electricity use and heating of Enersense's locations as well as by the energy consumption of electric vehicles and the Mäntyluoto production plant. Enersense Offshore, which focuses on offshore wind power foundations, operates at the Mäntyluoto production plant, where also steel structures for the needs of various industries are manufactured. Data on the electricity consumption of electric vehicles was not available at the time of the Scope 2 calculation for 2023, so it is not included in the figure presented.

The Mäntyluoto production plant accounts for 90% of Enersense's total indirect emissions. In 2023, the Mäntyluoto plant's indirect emissions were still caused by the electricity use of the production plant, but its electricity contract was replaced with an emission-free contract at the end of 2023. In terms of thermal energy, Mäntyluoto had no emission impacts because the heating agreement of the production plant has been based on emission-free energy since 2022.

At the end of 2023, Enersense decided that all its new power purchase agreements would be based on the use of zero-emission or renewable energy.

Other indirect emissions from the value chain (Scope 3)

Enersense started its calculation of the other indirect greenhouse gas emissions from the value chain in late 2023. The focus has been on upstream emissions categories in the value chain in line with the GHG Protocol. During 2024, Enersense will also identify relevant emissions downstream in the value chain, and it aims to publish its greenhouse gas emissions for all relevant Scope 3 emission categories in its sustainability report for 2024.

Energy consumption

Enersense's total energy consumption in 2023 was 24,611 MWh, of which electricity accounted for 9,772 MWh and thermal energy for 14,839 MWh.

Energy consumption	MWh
Electricity	9,772.2
Thermal energy	14,839.1
Total energy consumption	**24,611.2**

The Mäntyluoto production plant accounted for 80.9% of the Group's total energy consumption. Of the thermal energy consumption, Mäntyluoto's share was 85.6%. In many Enersense locations, energy consumption is included in the lease agreement, and for these locations, energy consumption has been partly estimated based on the amount of leased square metres.

Environmental risks

The company has not identified significant environmental risks in its operations. Any possible 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 2023.

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

During 2023, Enersense focused on developing and implementing its strategy, common ways of working and values. The goal is to create a strong and forward-looking workplace community and an organisational 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 of operation.

Enersense's personnel survey was revised and modernised in 2023 to ensure that feedback from the personnel can be collected in a more agile manner, and that the results can be used for development purposes, and to enable knowledge-based management. The results of the personnel survey conducted in 2023 reflected the personnel's confidence in the company's operations, with a commitment index of 3.7/5 (international benchmark 3.8/5). The revised personnel survey provides a good basis for the further development of the employee experience.

During 2023, a new HR system was also introduced to support an open and transparent way of working across the company. With the new HR system, Fusion People, all supervisors and employees have access to their own personal data in the system. The introduction of the new HR system is also a major step towards a common management culture, where supervisors, employees and HR are better able to support the achievement of common goals, transparency and clarity and ensure the best possible employee experience.

The development of employees' competence and professional skills is critical for ensuring Enersense's operational capacity and the quality of its services for customers, as well as employees' wellbeing and safety. It is therefore important to ensure that our personnel meet, maintain and continuously develop 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 and management. 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 competences, it is also possible to promote internal mobility and career opportunities within the Group.

At Group level, Enersense has identified the systematic development of its employees' competence and management as a factor critical for future success, and the company will invest in such development over the next few years. In 2023, a development project for the senior management was carried out in cooperation with an external partner to identify leadership capabilities, particularly from the perspective of future leadership. In connection with this, the strategic capabilities of each business were assessed to identify what kind of expertise is needed now – and, most importantly, will be needed in the future – to implement the company's strategy. As part of the revised personnel survey, we also received useful information about the strengths and development needs of supervisory work in the organisation more broadly. The next step is to expand competence and management development to meet the need for a more systematic approach in these areas.

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 2023, Enersense adopted an occupational safety, environmental, quality and corporate security management system as part of the project to update the Group's enterprise resource planning system. The system is being actively developed to meet the HSEQ needs of all businesses as well as possible. In 2023, new businesses and operations were also integrated into Enersense's occupational safety practices.

The operating model for occupational safety work was revised in 2023, and we established a Group-wide cooperation network. The goal is to further develop the occupational safety culture, continuously improve common practices, and share best practices and information between business operations.

Enersense also has a HSE standard 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	2023	2022	Change, %
LTAF	12.1	8.0	51.3
TRIF	21.2	14.5	46.2

In 2023, Enersense's LTAF (lost time accident frequency, accidents leading to an absence of at least one day) was 12.1 (8.0), and its TRIF (total recordable injury frequency) was 21.2 (14.5). Unfortunately, both figures developed unfavourably in 2023. Hence, the investments in improving safety at work continue. Plans for the most important development measures for 2024 have been made to achieve the target levels.

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.

In 2023, operations were guided by the key priorities set for operational development in 2022–2023:

- effective and proactive knowledge-based work ability management;
- prevention of musculoskeletal disorders; and
- engagement of business areas more actively in everyday work ability management.

Investments are made in the well-being of employees and the maintenance of their work ability, as healthy and motivated employees are key in the company's success. During 2023, investments were made especially in supporting everyday work ability management.

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 (operations in Finland)

Own personnel	2023	2022	Change, %
Sickness absence rate	3.4	3.5	2.9
Health rate	51	43	17.6

Enersense's goal is to reduce sick leave and build a work environment that supports employees' health. The sickness absence rate (proportion of days used for sickness absences) in the company's operations in Finland in 2023 was 3.4 (3.5)%, and the health rate (proportion of employees with no sickness absences during the year) was 51 (43)%. During 2023, sick leave due to infections stabilised compared to 2022 when coronavirus-induced sick leave increased significantly.

Risks and their management

The main risks in HR and social matters 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 and important part of Enersense's supply chain and have a significant impact on its overall quality.

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 2023, the total purchases increased by 25% year-on-year and the total value of the purchases was approximately EUR 250 (200) million.

The continuous development of Enersense's supplier network ensures 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. In connection with the supplier audits, it is ensured that the supplier is committed to Enersense's Supplier Code of Conduct and meets the requirements for processes, quality and production. A total of 15 supplier audits were carried out in 2023.

Enersense's supply chain management

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:** • Enersense's Supplier Code of Conduct • Statutory requirements • Enersense's HSE standard	**Conformity of operations and quality control:** • HSEQ audits • Sustainability reports • HSE self-assessments	**Continuous development of critical suppliers** **HSEQ aspects** • Successful cooperation • Deviations • Development needs	**Supplier data management in systems and verification of suppliers' eligibility, e.g. liability reports**

Effective risk management is a prerequisite for an efficient supply chain. At Enersense, risk assessment is used to verify suppliers' backgrounds, ownership, compliance with regulated requirements, quality and efficiency of the supply chain, cost effectiveness as well as maintaining healthy competition. 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. Recent geopolitical tensions and increased uncertainty about the development of the global economy have increased the importance of risk management in procurement.

The Group is undergoing an extensive renewal of its ERP system, which means that we are phasing out the previous systems and concentrating all ERP and procurement in one system.

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. Security threats are also assessed as part of the company's risk management process. 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, despite the security policy situation in Europe, 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 2023, we continued to develop access control and camera surveillance in our locations and invested in matters related to preparedness by participating in national security training and meetings for critical operators, as well as various network events.

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, other than financial companies, to which the Non-Financial Reporting Directive (NFRD) applies, only reported 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 has been applicable from January 2023.

Beginning in the 2022 financial year, non-financial companies must report the compliance of their eligible economic activities and KPIs with regard to the climate change mitigation and adaptation objectives as required by Regulation (EU) 2020/852.

The second delegated act supplementing Regulation (EU) 2020/852 (Taxo4 delegated act) was published in June 2023 and covers the following environmental objectives: sustainable use and protection of water and marine resources; transition to a circular economy; pollution prevention and control; and protection and restoration of biodiversity and ecosystems.

Beginning in 2023, non-financial companies must report the compliance of their eligible economic activities and KPIs with regard to the four environmental goals mentioned above (Taxo4) as required by Regulation (EU) 2020/852. The assessment of taxonomy alignment covers the Taxo4 objectives from 2024 onwards.

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 that are 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. According to its assessment, the company does not have taxonomy-eligible activities related to climate change adaptation. The company has also identified taxonomy-eligible activities in terms of a substantial contribution to the transition to a circular economy in accordance with the act issued to supplement Regulation (EU) 2020/852 based on Article 13.2 of the regulation. The company has assessed that it does not have any taxonomy-eligible activities defined in the delegated act issued on the basis of Article 11.3, Article 12.2, Article 14.2 and Article 15.2 of Regulation (EU) 2020/852.

Changes compared with 2022

Compared with the data reported for 2022, the company has made the following changes:

- In the summer of 2023, the EU amended Regulation (EU) 2021/2139 by establishing additional technical screening criteria to determine the conditions under which economic activity is considered to contribute to climate change mitigation, for example. Enersense has estimated that its manufacturing operations for high-power charging devices for electric cars are related to Section 3.20 added to the supplement to the regulation. The company has therefore decided to transfer the reporting of those operations to this section and abandon Section 6.15, which it previously used for reporting. For 2023, information under the section will only be provided concerning the taxonomy eligibility of the economic activity in question. The comparison information has been adjusted accordingly.

- In the summer of 2023, the EU issued a delegated act supplementing Regulation (EU) 2020/852 in terms of the remaining four environmental objectives (Taxo4). Enersense has identified taxonomy-eligible economic activities related to Section 5.1 ("Repair, refurbishment and remanufacturing") of Annex 2 of the regulation in terms of a substantial contribution to the transition to a circular economy. For 2023, information under the section will only be provided concerning the taxonomy eligibility of the economic activity in question.
- During 2023, Enersense carried out its first offshore wind power projects that are included in Section 4.3 of Delegated Regulation (EU) 2021/2139. Electricity generation from wind power is included in the key figures. The comparison information for 2022 does not include any similar projects.
- Enersense provides operation and maintenance services to a customer that introduced a bio-incineration plant in its operations in 2023. Consequently, Enersense reports on taxonomy eligibility and taxonomy alignment in accordance with Section 4.24 ("Production of heat/cool from bioenergy") of Delegated Regulation (EU) 2021/2139.
- During 2023, Enersense started to provide its customers with servicing and maintenance operations for solar power plants. These operations have been assessed as being eligible for and aligned with the taxonomy. These operations are reported under Section 4.1 (Electricity generation using solar photovoltaic technology) and Section 7.6 (Installation, maintenance and repair of renewable energy technologies). The comparison information for 2022 does not include any similar operations.

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

Climate change mitigation

4.1. Electricity generation using solar photovoltaic technology

The company's maintenance operations for solar farms have been assessed as being taxonomy-eligible. Enersense's operations support the operational reliability of solar power plants. The company has assessed that these activities meet the technical and "Do No Significant Harm" criteria specified 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 solar farm maintenance operations to be aligned with the taxonomy.

4.3. Electricity generation from wind power

The company's operations related to onshore wind power project development, construction and maintenance after commissioning, as well as the construction of offshore wind power foundations, have been assessed to be taxonomy-eligible. Enersense participates in onshore wind power projects, ranging from their preliminary investigation, permit, land use and EIA stages to the construction of wind power infrastructure and foundations and to maintenance, upkeep and monitoring activities following wind power plant commissioning. Enersense has a production facility in Finland that enables the company to build offshore wind power foundations based on both the company's own technology and the customer's design.

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 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 heat pump plants have been assessed to be eligible. Enersense conducts preventive and corrective maintenance for major megawatt electricity pumps. The company's activities ensure the operation of heat pump plants. 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 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.

4.24. Production of heat/cool from bioenergy

The company has assessed that its operation and maintenance activities at a customer's bioenergy heating plant are taxonomy-eligible. The plant was put into operation in 2023. The company has assessed that the operation and maintenance activities, which also include the reception of biofuel, the pre-treatment of fuel and laboratory operations, meet the technical and DNSH criteria specified 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 bioenergy heating plant 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 heat pump plants have been assessed to be eligible. Enersense is responsible for the local operation of its customer's heat pump plant. The plant has five heat pumps that produce heat and cooling from purified wastewater and return waters of district heating as well as from 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 the 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. In addition to natural gas, light fuel oil was used at the plants in 2023. The company has assessed that the activities did not meet the technical criteria defined in delegated regulation (EU) 2021/2139 during the reporting year.

3.20. Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation

The company's charging solutions for electric vehicles and manufacturing activities for 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. In accordance with a new regulation adopted by the EU in the summer of 2023, supplementing Regulation (EU) 2021/2139, only the taxonomy eligibility of the charging solution business will be reported for 2023.

7.6. Installation, maintenance and repair of renewable energy technologies

The company's maintenance operations for solar power plants installed in connection with customers' properties have been assessed as being taxonomy-eligible. Enersense is responsible for servicing and maintaining customers' solar power plants to ensure safe operation and uninterrupted production. The company has assessed that these activities meet the technical and DNSH criteria specified 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 that its maintenance operations for solar power plants installed in connection with properties are aligned with the taxonomy.

The transition to a circular economy

5.1. Repair, refurbishment and remanufacturing

The engine repair and refurbishment business operations carried out by the company for its customers have been assessed to be taxonomy-eligible. Enersense services and repairs customers' engines, thus significantly extending the service life of the equipment.The delegated act supplementing Regulation (EU) 2020/852 (Taxo4 regulation) requires reporting for 2023 only on the taxonomy eligibility of the engine service business operations.

Nuclear power and fossil gases

Enersense provides a customer with local operation services at the customer's combination power plants, which generate electricity and district heating mainly from natural gas. This activity has been assessed as being taxonomy-eligible. The plants also have auxiliary boilers powered by light fuel oil, which have been in use in 2023. For this reason, the activity has not been assessed as being aligned with the taxonomy. The activity is reported in Section 4.30, which is described under "Assessment of compliance with Regulation (EU) 2020/852" in this report.

Enersense provides operation and maintenance services for a customer's heating plants, where both natural gas and light fuel oil are used as fuel. For this reason, the company has assessed that the activity is not covered by the taxonomy.

Enersense had no business operations related to nuclear power in 2023 that would have been covered by the taxonomy.

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.

The specific areas of minimum safeguards (human rights, corruption and bribery, fair competition, taxation) are described in relevant sections of the statement of non-financial information.

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.The determination of performance indicators takes into account the amendments that the EU issued in June 2023 by means of an act amending Delegated Regulation (EU) 2021/2178 in terms of the provision of specific information concerning economic activities.

Revenue

Net revenue (denominator) corresponds with the revenue presented in Enersense's consolidated financial statements. 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.

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. The company has assessed that the business acquisitions that support the implementation of the growth strategy based on zero emission energy are linked to corresponding asset items related to eligible and aligned economic activities, and comprise the numerator for eligible and aligned capital expenditure.The taxonomy report presents information about these investments in accordance with the company's IFRS financial statements. More information is provided under "Investments and corporate restructuring" in the Board of Directors' report and in Note 2 to the financial statements. 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 arises from its activities related to wind power production and high-power charging stations for electric vehicles. Otherwise, the company has assessed that it does not accumulate any eligible or aligned operating expenditure.

These operating expenses have been calculated through Enersense's project monitoring, in which projects are clearly identified and each operating expense item is used only once. The proportions of operating expenditure have been calculated by dividing taxonomy-eligible and taxonomy-aligned operating expenditure with the Enersense Group's reported total operating expenditure.

Performance indicators

Comparison figures for 2022 are presented in brackets.

Revenue

Of the total revenue of Enersense's business operations in 2023, a total of EUR 201 (151) million or 55 (54)%, is taxonomy eligible and EUR 194 (150) million, or 53 (53)% of the Group revenue, is assessed to be taxonomy aligned. Of the taxonomy eligible revenue, a total of EUR 8 (3) million or 2 (1)%, does not comply with the technical criteria of the taxonomy. Of the Group revenue, a total of EUR 162 (131) million or 45 (46)%, is not taxonomy eligible. The Group revenue totalled EUR 363,3 (282,0) million in 2023.

Information affecting the comparability of revenue covered by the taxonomy

Enersense has started to report its electric vehicle charging solutions and its manufacture of high-power charging stations for electric vehicles under Section 3.20 of the climate change mitigation objective, for which alignment with the taxonomy will not be assessed until 2024. In 2022, these business operations were included in Section 6.15 of the climate change mitigation objective, and the company estimated the revenue generated by these operations to be aligned with the taxonomy. Because of the change in reporting, Enersense's taxonomy-aligned revenue for 2023 does not include its business operations related to electric vehicle charging solutions and the manufacture of charging stations. The comparison information for 2022 has been updated accordingly.

On 27 July 2023, Enersense announced that it had changed the accounting of wind power projects so that sales revenue from wind power projects is recognised in revenue in the income statement (previously recognised in other operating income). The comparison information for 2022 has been updated accordingly.

The revenue for 2023 includes the additions resulting from the Taxo4 objectives and the review of nuclear and gas energy operations presented under "Changes compared with 2022". Comparison information for 2022 is not presented for Section 5.1 (circular economy) or Section 4.24 (climate change mitigation objective). In addition, the company has assessed the operation and maintenance services that it provides for solar power plants to be taxonomy-eligible. These operations are reported under Sections 4.1 and 7.6. The company had no operations related to these sections in the 2022 comparison period.

Capital expenditure

Of Enersense's capital expenditure, a total of EUR 5 (30) million or 85 (91)% of the Group's gross investments, is taxonomy eligible and EUR 0 (20) million, or 0 (56)% of the Group gross investments, is assessed to be taxonomy aligned. Of the taxonomy eligible capital expenditure, a total of EUR 5 (10) million or 85 (35)% of the Group's gross investments, does not comply with the technical criteria of the taxonomy. EUR 1 (3) million, or 15 (9)% of the Group's gross investments, is not taxonomy eligible. The Group's gross investments totalled EUR 5 (33) million in 2023.

CapEx plan

Enersense's CapEx plan is primarily related to the company's plans to expand its activities related to charging solutions for electric vehicles classified in sustainable economic activity 3.20 Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation. As it is a new activity in the taxonomy, only taxonomy eligibility of the activity is reported for 2023. Enersense estimates that the annual capital expenditure used in the development of charging solutions for electric vehicles is EUR 2–7 million, and that a total of EUR 10–25 million will be allocated to development investments during the next five-year period.

Operating expenditure

Of Enersense's operating expenditure, a total of EUR 15 (2) million or 5 (1)% is assessed to be taxonomy eligible and EUR 12 (2) million, or 4 (1)%, taxonomy aligned. Of the Group's total operating expenditure, 95 (99)%, or EUR 308 (254) million, is not taxonomy eligible. The Group's total operating expenditure totalled EUR 323 (256) million in 2023.

Template: Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 1.1.–31.12.2023	2023			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic activities	Code	Turnover	Proportion of turnover, 2023	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular Economy	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular Economy	Biodiversity and ecosystems	Minimum safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover,2022	Category enabling activity	Category transitional activity
		Me	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity generation using solar photovoltaic technology	CCM 4.1	0	0	**Y**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	N/A		
Electricity generation from wind power	CCM 4.3	31	9	**Y**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	11		
Electricity generation from hydropower	CCM 4.5	2	1	**Y**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	1		
Transmission and distribution of electricity	CCM 4.9	155	43	**Y**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	41	E	
Storage of electricity	CCM 4.10	0	0	**Y**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0	E	
Storage of thermal energy	CCM 4.11	0	0	**Y**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	K	Y	0	E	
District heating/cooling distribution	CCM 4.15	2	1	**Y**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0		
Production of heat/cool from bioenergy	CCM 4.24	2	1	**Y**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	N/A		
Production of heat/cool using waste heat	CCM 4.25	0	0	**Y**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0		
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	0	0	**Y**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	N/A	E	

Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**194**	**53**	**53**	**0**	**0**	**0**	**0**	**0**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**53**		
Of which Enabling		155	43	43	0	0	0	0	0	Y	Y	Y	Y	Y	Y	Y	41	E	
Of which Transitional		0	0	0						Y	Y	Y	Y	Y	Y	Y	0		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Electricity generation from hydropower	CCM 4.5			**EL**	N/EL	N/EL	N/EL	N/EL	N/EL								0		
High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	CCM 4.30	5	1	**EL**	N/EL	N/EL	N/EL	N/EL	N/EL								0		
Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	CCM 3.20	3	1	**EL**	N/EL	N/EL	N/EL	N/EL	N/EL								1		
Repair, refurbishment and remanufacturing	CE 5.1	0	0	N/EL	N/EL	N/EL	N/EL	**EL**	N/EL								N/A		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**8**	**2**	**2**	**0**	**0**	**0**	**0**	**0**								**1**		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		**201**	**55**														54		
B.TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		162	45																
TOTAL		**363**	**100**																

Template: Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 1.1.–31.12.2023	2023			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic Activities	Code	CapEx	Proportion of CapEx, 2023	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular Economy	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular Economy	Biodiversity and ecosystems	Minimum safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, 2022	Category enabling activity	Category transitional activity
		Me	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity generation from wind power	CCM 4.3															Y	56		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0**													**Y**	**56**		
Of which Enabling		0	0													Y	0	E	
Of which Transitional		0	0													Y	0		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of hydrogen	CCM 3.10	3	58	**EL**	N/EL	N/EL	N/EL	N/EL	N/EL								31		
Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	CCM 3.20	1	27														4		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**5**	**85**	**100**	**0**	**0**	**0**	**0**	**0**								**35**		
A. CapEx of Taxonomy eligible activities (A.1+A.2)		**5**	**85**	**100**	**0**	**0**	**0**	**0**	**0**								**91**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		1	15																
TOTAL		**5**	**100**																

Template: Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 1.1.–31.12.2023	2023			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic Activities	Code	OpEx	Proportion of OpEx, 2023	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular Economy	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular Economy	Biodiversity and ecosystems	Minimum safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, 2022	Category enabling activity	Category transitional activity
		Me	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity generation from wind power	CCM 4.3	12	4	**Y**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	1		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**12**	**4**	**4**	**0**	**0**	**0**	**0**	**0**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**1**		
Of which Enabling		0	0	0	0	0	0	0	0	Y	Y	Y	Y	Y	Y	Y	0	E	
Of which Transitional		0	0							Y	Y	Y	Y	Y	Y	Y	0		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	CCM 3.20	4	1	**EL**	N/EL	N/EL	N/EL	N/EL	N/EL								0		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**4**	**1**	**1**	0	0	0	0	0								**0**		
A. OpEx of Taxonomy eligible activities (A.1+A.2)		**15**	**5**	**5**	0	0	0	0	0								**1**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		**308**	**95**																
TOTAL		**323**	**100**																

Template 1. Nuclear and fossil gas related activities

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No

Row	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	Yes
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	Yes

Template 2. Taxonomy-aligned economic activities (denominator)

		Revenue					
		(CCM+CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	**Economic activities**	**MEUR**	**%**	**MEUR**	**%**	**MEUR**	**%**
1.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
2.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
3.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
4.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
5.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
6.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
7	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**194**	**53**	**194**	**53**	**0**	**0**
8	**Total applicable KPI, Group revenue**	**363**	**100**	**363**	**100**	**0**	**0**

Template 3. Taxonomy-aligned economic activities (numerator)

		Revenue					
		(CCM+CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	**Economic activities**	**MEUR**	**%**	**MEUR**	**%**	**MEUR**	**%**
1.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
2.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
3.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
4.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
5.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
6.	Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
7	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI**	**194**	**100**	**194**	**100**	**0**	**0**
8	**Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI**	**194**	**100**	**194**	**100**	**0**	**0**

Template 4. Taxonomy-eligible but not taxonomy-aligned economic activities

		Revenue					
		(CCM+CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	**Economic activities**	**MEUR**	**%**	**MEUR**	**%**	**MEUR**	**%**
1.	Amount and proportion of taxonomy- eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
2.	Amount and proportion of taxonomy- eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
3.	Amount and proportion of taxonomy- eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
4.	Amount and proportion of taxonomy- eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
5.	Amount and proportion of taxonomy- eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	5	1	5	1	0	0
6.	Amount and proportion of taxonomy- eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
7	**Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI; Group revenue**	**3**	**1**	**3**	**1**	**0**	**0**
8	**Total amount and proportion of taxonomy eligible but not taxonomy- aligned economic activities in the denominator of the applicable KPI; Group revenue**	**7**	**2**	**7**	**2**	**0**	**0**

Template 5. Taxonomy non-eligible economic activities

Row	Economic activities	MEUR	%
1.	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
2.	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
3.	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
4.	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
5.	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
6.	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	3	1
7	**Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI; Group revenue**	**162**	**45**
8	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI; Group revenue**	**165**	**45**

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 on-going international conflicts maintain geopolitical tensions and uncertainty about the development of the global economy. Inflation in the markets relevant to Enersense continues to be high, which is reflected especially in the Baltic countries, where wage inflation is causing costs to increase. The prices of materials are also higher than usual, and there is a risk that old contracts in particular cannot be renegotiated.

Increased uncertainty about economic development and the increase in operating and financial costs caused by high inflation have had a negative impact on investment environment. This may lead to a deterioration in the financial position of customers and further to a decrease in demand for Enersense's services and slower-than-expected sales development. Changes in the investment environment may have a negative impact on Enersense's financial position, through factors such as the availability of financing, as well as value measurement of certain items in the balance sheet.

The tight competitive situation in many of Enersense’s business areas and the offerings of any new competitors may cause pressure in terms of project sales prices and profitability. Challenges in availability of skilled workforce may impact Enersense's operation, if realised.

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. A failure in strategy implementation may also lead to weaker cash flow and insufficient funding.

The company seeks to digitalise its business operations as applicable and to adopt operational efficiency tools and practices. As digitalisation accelerates, failure or wrong choices in the introduction of new tools and operating methods may slow down business operations and their development or reduce the relative efficiency and competitiveness of operations.

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, or the company would have to write down the value of its acquisitions. 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.

General macroeconomic uncertainty may lead to a deterioration in the financial position of Enersense's customers or suppliers through access to financing, for example, which may result in insolvency or even bankruptcies that, if materialised, may result in losses and other negative consequences for the company.

As the company advances in digitalisation and the adoption of new tools, the quality of reliable data and the ability to collect, process and analyse data for the needs of data-driven management are very important. Failure in the selection and adoption of tools or in ensuring data quality may lead to failure in achieving planned benefits and higher efficiency.

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.

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.

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 or have to accept partly unfavourable terms and conditions to ensure the acquisition of such services. 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.

Sustainability risks

The acquisition of services and materials is an integral part of Enersense's business operations. Enersense only deals with reputable and reliable partners. The backgrounds and business operations of subcontractors and other partners are reviewed before starting cooperation. Failure in executing and monitoring the legality and sustainability requirements for subcontractors and suppliers of materials, as well as in addressing shortcomings, could result in additional contractual liabilities or even fines for the company.

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 or in arbitration 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. The company has assessed the potential impacts of the disputes, and has recorded provisions based on these assessments.

Estimate of probable future developments

In 2024, Enersense's revenue is expected to be in the range of EUR 365–435 million and EBITDA in the range of EUR 15–25 million.

The revenue is expected to grow in 2024. Outlook especially for the company's growth areas is favourable. The EBITDA is expected to grow. Profitability is expected to improve even if the investments in growth continue.

Significant events after the financial period

Stock exchange releases:

- On 9 January 2024, Enersense announced that it is merging the Power and International Operations business areas into a single business area. At the same time, the Smart Industry business area will be renamed Industry. From the beginning of 2024, Enersense will report three business areas instead of the current four: Power, Industry, and Connectivity. In accordance with the planned organizational changes Margus Veensalu, a member of the Group Executive Team, will step down from the Group Executive Team but will continue at Enersense in another role.
- On 2 February 2024, Enersense announced that the Shareholders' Nomination Board proposes that the current Board members will be re-elected as board members, and Ville Vuori and Anders Dahlblom will be elected as new board members.

Investor News:

- Enersense told on 5 February 2024 that it has won Fingrid's public bidding process to build three new 110 kV substations in the Harjavalta area. The substations will be built as gas insulated switchgear (GIS) using a gas insulation solution that does not contain any SF6 gas which is a significant greenhouse gas. The value of the contract is roughly EUR 20 million and the project will continue until the summer of 2027.
- Enersense told on 12 February 2024, that it has signed a follow-up agreement with the Estonian network operator, Elektrilevi, regarding the maintenance of electricity networks. The total value of the contract for Enersense is approximately EUR 8 million. The order will be recognised in the order backlog of Enersense's Power business area for the first quarter of 2024.

Distribution of funds to the shareholders

The Board of Directors proposes to the General Meeting that the result for the financial period 1 January 2023 to 31 December 2023 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, no dividends be paid to shareholders.

In addition, the Board of Directors proposes to the General Meeting that the Board of Directors be authorized to decide on the distribution of funds to shareholders from the invested unrestricted equity reserve as a return of capital of at most EUR 0.10 per share, i.e. at most EUR 1.6 million in total. The return of capital could be paid in up to two instalments during the period between July and December 2024 as determined by the Board of Directors. The possible return of capital would be paid to shareholders who, on the record dates determined subsequently by the Board of Directors, are registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd. The authorization is valid until 31 December 2024 at the latest.

Key Figures

Key figures

Key figures for operating activities

	1–12/2023	1–12/2022	1–12/2021
Revenue, (EUR 1,000)	363,318	281,997	239,110
EBITDA, (EUR 1,000)	14,704	12,210	16,639
EBITDA, %	4.0	4.3	7.0
Operating profit, (EUR 1,000)	5,260	3,479	6,834
Operating profit, %	1.4	1.2	2.9
Result for the period, (EUR 1,000)	-9,149	-9,835	3,973
Equity ratio, %	26.0	28.8	35.6
Gearing, %	70.2	19.0	3.6
Return on equity, %	-16.0	-17.5	8.3
Earnings per share, undiluted, EUR	-0.54	-0.57	0.35
Earnings per share, diluted, EUR	-0.54	-0.57	0.35
Equity per share	3.2	3.8	3.7
Distribution of funds	0.11	0.10	0.1
Distribution of funds of earnings, %	-20.3	-14.6	31.2
Effective dividend yield, %	2.8	1.8	1.5
Price to profit ratio	-8.0	-11.9	32.1

Share information

	2023	2022	2021
Market value, EUR	71,742,492	93,842,501	91,640,466
Number of shareholders at the end of the period	6,973	6,844	6,957
Share price at the end of the period	4.35	5.69	6.84
Average share price (VWAP), EUR	5.36	6.80	8.63
Highest share price, EUR	6.99	8.22	12.00
Lowest share price, EUR	3.87	5.22	5.96
Number of shares at the end of the period, undiluted	16,492,527	16,492,531	13,397,729
Number of shares at the end of the period, diluted	19,990,949	19,897,335	13,397,729
Average number of shares during the period, undiluted	16,492,528	15,986,151	12,130,679
Average number of shares during the period, diluted	19,970,469	16,381,629	12,130,679
Share trading, pcs	3,138,895	5,712,374	9,568,586
Turnover rate, %	19.0	34.6	78.8

Reconciliation of alternative performance measures

EUR thousand	1–12/2023	1–12/2022
Adjusted EBITDA		
Operating profit (loss)	5,260	3,479
Depreciation, amortisation and impairment	9,444	8,731
EBITDA	**14,704**	**12,210**
Differences affecting comparability	411	1,444
Adjusted EBITDA	**15,115**	**13,654**

EUR thousand	1–12/2023	1–12/2022
Items affecting comparability		
+/- Items outside the ordinary course of business	411	1,444
Gains (-) / losses (+) from the sale of fixed assets	—	—
Total extraordinary items affecting the adjusted EBITDA	**411**	**1,444**

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.

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 impairment
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, 2023*)

Share holder	Number of shares	% of shares
Nidoco AB	4,425,000	26.8
Ensto Invest Oy	1,346,125	8.2
Verman Group Oy**)	1,343,461	8.1
Suotuuli Oy***)	680,022	4.1
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	569,053	3.5
Danske Invest Finnish Equity Fund	451,027	2.7
Holopainen Jussi	436,509	2.6
Taloustieto Incrementum Oy	416,313	2.5
Eläkevakuutusosakeyhtiö Veritas	395,292	2.4
Mapps Global Invest Oy	342,732	2.1
Total	**10,405,534**	**63.1**

*) Source Euroclear Finland Oy.
**) Janne Vertanen, who exercises control in Verman Group Oy, also directly owns 27,626 shares.
***) Petri Suokas, who exercises control in Suotuuli Oy,also directly owns 12 210 shares and 240 860 shares via his controlling company Siementila Suokas Oy. Petri Suokas is a member of the Board in Enersense International Plc.

Distribution of shareholdings on December 31, 2023*)

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	2,932	42.0	130,662	0.8
101–500	2,907	41.7	676,742	4.1
501–1 000	600	8.6	467,475	2.8
1001–5000	428	6.1	875,863	5.3
5 001–10 000	40	0.6	291,601	1.8
10 001–50 000	34	0.5	672,254	4.1
50 001–100 000	10	0.1	712,514	4.3
100 001–500 000	17	0.2	4,301,755	26.1
500 001–	5	0.1	8,363,661	50.7
Total	**6,973**	**100.0**	**16,492,527**	**100.0**
Of which nominee registered	7	—	143,981	0.9

*) Source Euroclear Finland Oy.
**) In addition, 4 shareholders are involved in the joint ownership.

Shareholders by sectors on December 31 2023*)

Sector	Number of shares	% of shares
Companies	6,618,968	40.1
Abroad	4,536,594	27.5
Households	3,307,203	20.1
General government	1,075,211	6.5
Financial and insurance institutions	506,878	3.1
Non-profit institutions	303,692	1.8
Nominee registered	143,981	0.9
Total	**16,492,527**	**100.0**

*) Source Euroclear Finland Oy.

Financial statements

Consolidated financial statement

Consolidated income statement

EUR thousand	Note	1–12/2023	1–12/2022
Revenue*)	3	363,318	281,997
Change in inventories of finished goods and work in progress	4	3,735	5,267
Work performed for own purposes and capitalised		-14	-3
Other operating income*)	4	1,957	4,833
Material and services	5	-202,874	-152,815
Employee benefits expense	6	-114,729	-97,733
Depreciation and amortisation	7	-9,444	-8,731
Other operating expenses	8	-36,440	-29,147
Share of profit /loss accounted for using the equity method	14	-249	-189
Operating profit		**5,260**	**3,479**
Finance income	9	43	476
Finance expense*)	9	-13,852	-10,982
Finance income and expense		-13,809	-10,507
Profit/loss before tax		**-8,549**	**-7,027**
Tax on income from operations	10	-600	-2,807
Profit/loss for the period		**-9,149**	**-9,834**

EUR thousand	Note	1–12/2023	1–12/2022
Other OCI-items			
Items that may be reclassified to profit or loss			
Translation differences		-14	68
Remeasurements of post-employment benefit obligations	6	45	179
Other comprehensive income for the period, net of tax		31	247
Total comprehensive income for the period		**-9,118**	**-9,588**
Profit (loss) for the period attributable to:			
Equity holders of the parent company		-8,926	-9,174
Non-controlling interests in net income		-223	-661
Profit/loss for the period		**-9,149**	**-9,834**
Total comprehensive income for the period attributable to:			
Owners of the parent company		-8,895	-8,926
Non-controlling interests		-223	-661
Total comprehensive income		**-9,118**	**-9,588**
Earnings per share attributable to the owners of the parent company, undileded	19	-0.54	-0.57
Earnings per share attributable to the owners of the parent company, undileded	19	-0.54	-0.57

*) The comparison year changed due to the clarification of the preparation principle.
Consolidated income statement should be read together with the notes.

Consolidated balance sheet

EUR thousand	Note	1–12/2023	1–12/2022
Non-current assets			
Goodwill			
Intangible assets	11	27,805	27,874
Property, plant, equipment	11	40,193	40,379
Investments accounted for using the equity method	12, 13	21,230	22,213
Loan receivables	14	13,881	10,937
Non-current investment and receivables	16, 20	4,339	6,890
Deferred tax-assets	10	1,297	1,338
Total non-current assets		**108,744**	**109,631**
Current assets			
Inventories	15	18,127	13,124
Trade receivables	16	40,291	33,696
Current income tax receivables	10	2	9
Other receivables	16	35,327	35,003
Cash and cash equivalents	17	11,249	38,704
Total current assets		**104,996**	**120,537**
Total assets		**213,740**	**230,168**
Equity and liabilities			
Equity			
Share capital	18	80	80
Unrestricted equity reserve	18	62,361	64,010
Other reserves	18	313	313
Translation differences	18	70	84
Retained earnings*)	18	-1,958	6,906
Profit (loss) for the period*)	18	-8,926	-9,174
Total equity attributable to owners of the parent company		**51,940**	**62,220**
Non-controlling interests		167	389
Total equity		**52,108**	**62,609**

EUR thousand	Note	1–12/2023	1–12/2022
Liabilities			
Non-current liabilities			
Borrowings	21	28,270	30,458
Lease liabilities	21	9,266	10,738
Other liabilities	23	3	550
Deferred tax liabilities	10	5,973	6,630
Employee benefit obligations	6	356	381
Provisions	22	472	543
Total non-current liabilities		**44,340**	**49,300**
Current liabilities			
Borrowings	21	4,167	3,439
Lease liabilities	21	6,141	5,968
Advances received	23	12,973	12,637
Trade payables	23	25,992	36,271
Current income tax liabilities	10	1,268	2,990
Other payables	23	66,518	55,835
Provisions	22	234	1,119
Total current liabilities		**117,292**	**118,258**
Total liabilities		**161,632**	**167,559**
Total equity and liabilities		**213,740**	**230,168**

*) The comparison year changed due to the clarification of the preparation principle.
Consolidated balance sheet should be read together with notes.

Consolidated cash flow statement

EUR thousand	Note	1–12/2023	1–12/2022
Cash flow from operating activities			
Profit (loss) for the period*)		**-9,149**	**-9,834**
Adjustments:			
Depreciation, amortisation and impairment	7	9,444	8,731
Gains and losses on the sale of subsidiaries		-893	—
Gains and losses on the sale of associated companies		—	—
Gains and losses on the sale of property, plant and equipment		-103	-850
Share of profits (losses) of associates	14	249	189
Interest income and other financial income and expenses*)	9	13,809	10,507
Income tax	10	600	2,807
Other adjustments		-789	-1,064
Total adjustments		**22,316**	**20,320**
Changes in working capital			
Change in trade and other receivables	16	-6,325	-32,342
Change in trade payables and other liabilities	23	-807	35,795
Change in inventories	15	-5,003	-6,356
Interest received		39	52
Interest paid		-3,919	-1,205
Other financial items*)		-9,463	-4,416
Income tax	10	-2,890	-102
Net cash flow from operating activities		**-15,201**	**1,912**

EUR thousand	Note	1–12/2023	1–12/2022
Cash flow from investing activities			
Investments in tangible and intangible fixed assets	11	-2,218	-3,268
Sale of fixed assets		561	1,749
Acquisition of subsidiaries, less cash and cash-equivalents acquired	2	—	—
Sale of subsidiaries, less cash and cash equivalents sold		543	—
Additional investments in associated companies	14	-3,228	-10,399
Sale of associated companies	14	1,023	1,100
Withdrawals of loans granted to associated companies		—	—
Repayments of loans granted to associated companies		218	566
Investments in shares		—	-850
Payment received from bank deposit accounts		—	1,728
Payments to bank deposit accounts	16	—	—
Dividends from associated companies		36	93
Net cash flow from investing activities		**-3,065**	**-9,280**
Cash flow from financing activities			
Cash flow from financing activities	18	—	2,200
Withdrawals of loans	20	19,280	26,460
Repayments of loans	20	-20,433	-3,466
Acquisition of subsidiaries less cash and cash equivalents acquired	16	—	-192
Paid distribution of funds*)	20	-1,649	**-1,614**
Payments of lease liabilities	20	-6,387	-6,481
Net cash flow from financing activities		**-9,190**	**16,906**
Net change in cash and cash equivalents		-27,455	9,538
Cash and cash equivalents at the beginning of the period		38,704	29,166
Impact of exchange rate changes on cash and cash equivalents		—	—
Cash and cash equivalents at the end of the period		**11,249**	**38,704**

*) The comparison year changed due to the clarification of the preparation principle.
Consolidated cash flow statement should be read together with notes.

Consolidated statement of changes in equity

	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 2023	**80**	**64,010**	**313**	**84**	**-2,268**	**62,220**	**389**	**62,609**
Profit (loss) for the period	—	—	—	—	-8,926	-8,926	-223	-9,149
Other comprehensive income	—	—	—	—	—	—	—	—
Translation differences	—	—	—	-14	—	-14	—	-14
Remeasurements of post-employment benefit obligations	—	—	—	—	45	45	—	45
Total comprehensive income	—	—	—	-14	-8,881	-8,895	-223	-9,118
Transactions with owners:								
Share based payments	—	—	—	—	271	271	—	271
Distribution of funds	—	-1,649	—	—	—	-1,649	—	-1,649
Other transactions	—	—	—	—	-7	-7	—	-7
Total transactions with owners	**—**	**-1,649**	**—**	**—**	**265**	**-1,384**	**—**	**-1,384**
Equity at 31 Dec 2023	**80**	**62,361**	**313**	**70**	**-10,885**	**51,940**	**167**	**52,108**

EUR thousand	Equity attributable to owners of the parent company							
	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 1.1.2022	**80**	**43,794**	**313**	**17**	**4,394**	**48,599**	**1,064**	**49,664**
Profit (loss) for the period*)	—	—	—	—	-9,174	-9,174	-661	-9,834
Translation differences	—				—	68	—	68
Remeasurements of post-employment benefit obligations	—	—	—	—	179	179	—	179
Total comprehensive income	—	—	—	68	-8,994	-8,926	-661	-9,588
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 based payments	—	—	—	—	88	88	—	88
Dividend*)		-1,614			—	-1,614	—	-1,614
Other transactions	—	—	—	—	7	7	—	7
Total transactions with owners	**—**	**20,216**	**—**	**—**	**2,332**	**22,547**	**-14**	**22,533**
Equity at 31.12.2022	**80**	**64,010**	**313**	**84**	**-2,268**	**62,220**	**389**	**62,609**

*) The comparison year changed due to the clarification of the preparation principle.

Notes to the 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 Konepajanranta 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 on the company's **website.**

Basic 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.

Several new standards, amendments to standards and interpretations will enter into force later than for financial periods beginning on 1 January 2023 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.

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, when the business develops according to the forecasts prepared by the management.

Impacts of the war and the pandemic on Enersense and its business

Ongoing international conflicts maintain geopolitical tensions and uncertainty about the development of the world economy. Inflation is still high in the markets relevant to Enersense, which can be seen especially in the Baltic countries, where wage inflation raises costs. The prices of materials are also high, and the risk, especially with regard to old contracts, is that they cannot be renegotiated.

The increased uncertainty about economic development and operational and financial costs that have risen with high inflation have affected the investment environment negatively. This may lead to a weakening of the financial position of Enersense and its customers, for example through the availability of financing, and further weakening of the demand for Enersense's services, as well as a slower-than-expected development of sales. A change in the investment environment may have a negative impact on certain items valued on the balance sheet.

From the beginning of 2023, the coronavirus began to be treated as a normal viral disease, and it no longer involves exceptional restriction measures.

Estimates and judgements

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

Note	Key estimate 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 rights
22. Provision	Classification of group companies

2. Acquisitions

Enersense International Plc did not do any company acquisitions during 2023.

In 2022 Enersense completed the following transactions:

Through a directed share issue (EUR 18.5 million), Enersense International Plc acquired the entire share capital of Megatuuli Oy (now Enersense Wind 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 (now Enersense Charging Oy). The share transaction was completed on 15 November 2022.

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

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

EUR thousand	2023	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 is presented in the table below:

EUR thousand	2023	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:

EUR thousand	**2023**	**2022**
Paid acquisition price	—	-701
Cash and cash equivalent acquired	—	5
Net of cash acquired	**—**	**-696**

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:

EUR thousand	**2023**	**2022**
Assets		
Non-current assets		
Other intangible assets	—	627
Property, plant, equipment	—	721
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**
Current assets		
Inventories	—	255
Trade receivables	—	-41
Other receivables	—	4
Cash and cash equivalents	—	5
Total current assets	—	222
Total assets	**—**	**1,570**
Liabilities		
Non-current liabilities		
Borrowings	—	578
Employee benefit obligations	—	—
Deferred tax liabilities	—	—
Provisions	—	—
Total non-current liabilities	—	578
Current liabilities		
Borrowings	—	42
Advances received	—	—
Trade payables	—	216
Other payables	—	548
Current income tax liabilities	—	—
Provisions	—	—
Total current liabilities	—	806
Total liabilities	**—**	**1,384**
Total equity and liabilities	—	186
Non-controlling interests	—	—
Acquisition price	—	-1,906
Positive goodwill	—	1,720
Negative goodwill	—	—

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.

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.

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

As a result of the revision of the additional purchase price of Enersense Offshore deal from 2021, a profit of EUR 0.4 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

Measurements 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. Partial income from revenue was in year 2023 182.7 million euros.

Enersense changed the accounting of wind power projects from the beginning of 2023 so that realised sales gains from completed miles stones of the wind power projects are recognised in revenue in the income statement, whereas they were previously included in other operating income. Impact on the figures for the comparison year is EUR 14 million.

Smart Industry

The Smart Industry segment helps customers improve the reliability of their production plants and the efficiency of their maintenance operations, in addition to developing digital solutions that improve profitability. As its strategic growth area, the segment also provides resource and project services for Finnish and international customers' onshore and offshore projects.

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 design, construction and maintenance of transmission grids and electric substations. Additionally, the segment also covers, as its strategic growth areas, the design, construction, maintenance and project development of wind farms and solar farms as well as solutions for charging systems for electrically powered transport and electricity storage. In the future, the aim is also to invest in starting its own renewable energy production.

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.

International Operations

The International Operations segment includes Enersense's international business operations mainly in Estonia, Latvia and Lithuania.

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	1–12/2023	1–12/2022
Smart Industry	113,712	72,721
Power*)	87,487	74,958
Connectivity	57,771	47,230
International Operations	104,204	87,007
Items not allocated to business areas	144	81
Total*)	**363,318**	**281,997**

*) The comparison year changed due to the clarification of the preparation principle.

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 2023, Enersense had one customer whose share of the Group's revenue was over 10%, total revenue EUR 50.6 million. In 2022, Enersense had one individual customer whose share of the Group's revenue was more than 10%, the total revenue EUR 32.2 million.

Geographical distribution of revenue by target country

EUR thousand	1–12/2023	1–12/2022
Finland*)	241,397	192,317
Other countries	121,921	89,680
Total*)	**363,318**	**281,997**

*) The comparison year changed due to the clarification of the preparation principle.

Transaction price allocated to the remaining performance obligation

EUR thousand	1–12/2023	1–12/2022
Unrecognised transaction price	267,188	291,291
To be recognised as income the following year	160,826	185,023
To be recognised later	106,362	106,268

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	1–12/2023	1–12/2022
Smart Industry	5,262	268
Power*)	10,714	19,237
Connectivity	2,273	362
International Operations	4,019	-3,930
Items not allocated to business areas	-7,564	-3,726
Total	**14,704**	**12,210**

*) Enersense Wind 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	1–12/2023	1–12/2022
EBITDA	14,704	12,210
Depreciation, amortisation and impairment	-9,444	-8,731
Total	**5,260**	**3,479**

Contract assets and liabilities

EUR thousand	1–12/2023	1–12/2022
Contract assets*)	19,886	21,561
Contract liabilities**)	12,973	12,637

*) More information available in Note 16. Trade- and other receivables.
**) More information in Note 23. Trade- and other payable.

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

Geographical breakdown of non-current assets

EUR thousand	1–12/2023	1–12/2022
Finland	97,394	98,636
Other Countries	10,105	9,657
Total*)	**107,499**	**108,293**

*) Non-current assets in the balance sheet less deferred tax assets and non-current financial assets. More information, in Note 10. Income taxes and 20. Financial risk and capital management.

ACCOUNTING PRINCIPLES

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 sales of subsidiary (Enersense Solutions Oy), change in contingent consideration related to Enersense Offshore Oy and gains from the sale of fixed assets.

EUR thousand	1–12/2023	1–12/2022
Decrease in negative goodwill	—	2,120
Gain on disposal of investments in group companies	893	—
Rental income	97	105
Change in contingent consideration	420	1,330
Sales of wind farm portfolio	—	—
Income from administrative services	22	39
Gains on the sale of associates	—	772
Income from restaurant services	41	117
Capital gains on property, plant and equipment	117	78
Gains on non-compete obligation	—	52
Other income	367	325
Total	**1,957**	**4,937**

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. Enersense wants to engage its supply chain in the discussion on the transition towards low-emission solutions in the steel industry. In late 2023, we joined WWF Finland's Ready for Green Steel campaign, which encourages steel industry companies to accelerate this positive change.

EUR thousand	1–12/2023	1–12/2022
Purchases during period	-100,002	-71,484
Increase / decrease in inventories	1,618	-126
External services	-104,490	-81,205
Total	**-202,874**	**-152,815**

6. Employee benefit expenses

The Enersense Group has a total of round 2,000 employees. 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 27 ("Share-based incentive plans").

Wages and salaries

EUR thousand	1–12/2023	1–12/2022
Wages and salaries	-95,909	-78,725
Pension costs – defined contribution plans	-13,275	-10,903
Pension costs – defined benefit plans	-6	-9
Other employee benefit expenses	-5,539	-8,095
Total	**-114,729**	**-97,733**

Full-time equivalent (FTE)

	1–12/2023	1–12/2022
Average number of employees at the end of the period	1,942	1,836

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 89 people, 8 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 obligation in the balance sheet

EUR thousand	2023	2022
Defined pension benefit plan liabilities	1,133	1,114
Defined pension benefit plan assets	-777	-733
Total	**356**	**381**

Change in the precent value of the defined benefit obligations

EUR thousand	2023	2022
Present value of the defined benefit plan obligations Jan 1	1,114	1,606
Business combinations	—	—
Interest cost	42	16
Current service cost	6	9
Benefits paid	-50	-60
Actuarial (gains) losses	21	-457
Present value of the defined benefit plan obligations Dec 31	**1,133**	**1,114**

Change in the fair value of defined benefit plans

EUR thousand	2023	2022
Plan assets Jan 1	733	1,062
Business combinations	—	—
Interest income	28	10
Benefits paid	-50	-60
Actuarial (gains) losses	20	-305
Contributions by employer	46	26
Plan assets Dec 31	**777**	**733**

Items recognised in income statement

EUR thousand	2023	2022
Service cost	-6	-9
Net interest cost	-14	-6
Total	**-20**	**-15**

Remeasurement impact in the other comprehensive income

EUR thousand	2023	2022
Actuarial gain (loss) on plan assets	-20	305
Actuarial gain (loss) on plan liabilities	37	-527
Actuarial gain (loss) on change in asset ceiling	-16	70
Total	**1**	**-152**

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 18 thousand in 2024. The weighted average of the duration of the defined benefit obligations is 14 years.

Principal actuarial assumptions

Assumption	2023	2022
Discount rate, (%)	3.3	3.9
Increase in pension, (%)	2.4	2.8
Inflation rate, (%)	2.2	2.6
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 assumption on the defined benefit obligation)

EUR thousand	2023	2022
Change in pension increase:		
0.5% increase	72	69
0.5% decrease	-64	-62
Change in discount rate:		
0.5% increase	-32	-72
0.5% decrease	38	81

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	1–12/2023	1–12/2022
Intangible assets		
Customer relationships	-966	-966
Development costs	-226	-260
Intangible rights	-57	-54
Other intangible assets	-465	-323
Total	**-1,714**	**-1,603**
Property, plant and equipment		
Land*)	-37	-12
Buildings and structures	-3,092	-3,130
Machinery and equipment	-4,443	-3,859
Other tangible assets	-87	-94
Total	**-7,660**	**-7,094**

*) Depreciation of land applies to leased land.

Impairment

EUR thousand	1–12/2023	1–12/2022
Impairment by asset group		
Intangible assets		
Wind farm portfolio	-45	-18
Property, plant and equipment	—	—
Machinery and equipment	-25	-16
Total	**-69**	**-35**

EUR thousand	1–12/2023	1–12/2022
Depreciation and amortisation total	**-9,444**	**-8,731**

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	1–12/2023	1–12/2022
ICT software and equipment expenses	-12,180	-8,272
Administration expenses	-841	-871
Other employee expenses	-1,722	-1,474
Vehicle expenses	-7,244	-4,689
Legal and other consulting expenses	-823	-1,065
Marketing expenses	-521	-332
Office and building expenses	-3,565	-4,163
Acquisition costs	-179	-1,420
Travel expenses	-181	-393
Other expenses	-9,183	-6,467
Total	**-36,440**	**-29,147**

The Annual General Meeting of Enersense International Plc elects the Group's auditor annually. At the Annual General Meeting in 2023, KPMG Oy Ab was elected as the Group's auditor.

Auditors fees

EUR thousand	1–12/2023	1–12/2022
Audit related services	-327	-312
Tax advisory services	-8	-9
Other services	-15	-17
Total	**-350**	**-338**

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 25 (26) thousand in the 2023 financial period.

9. Financial income and expenses

EUR thousand	1–12/2023	1–12/2022
Interest income and other finance income		
Interest income and other finance income	43	476
Total	**43**	**476**
Finance costs		
Interest expenses from installment debt	-2	-6
Interest expenses from borrowings	-6,441	-1,791
Distribution of funds to minority	-6,098	-7,406
Impairment on investment	8	-444
Interest expenses from lease liabilities	-515	-163
Foreign exchange losses	-23	-636
Commission fees	-782	-537
Total	**-13,852**	**-10,982**
Finance income and costs total	**-13,809**	**-10,507**

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 0.8 million and other financing-related fees. For more information on the new financing arrangement, see Disclosure 21. Loans.

Enersense changed the accounting treatment of wind power projects from the beginning of 2023 so that the distribution of funds paid to minority shareholders based on the shareholders' agreement is recorded in the financial expenses of the income statement, while it was previously treated as a reduction of equity. The effect of this on the figures was EUR 6.1 (7.4) million.

10. Income tax

Income tax expenses consist of the tax expense based on taxable income for the period and deferred tax liabilities.

EUR thousand	1–12/2023	1–12/2022
Current tax on profit for the period	-1,215	-3,075
Adjustments for current tax of prior periods	-2	—
Total current income tax expense	-1,217	-3,075
Change in deferred tax assets	-41	241
Change in deferred tax liabilities	657	27
Total deferred tax expense		
Income tax expense	-600	-2,807

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	1–12/2023	1–12/2022
Result before taxes	-8,549	-7,027
Tax calculated at Finnish tax rate 20%	1710	1,405
Effect of other tax rates for foreign subsidiaries	29	140
Effect of the expenses not deductible for tax purposes	-33	-79
Effect of the tax-free income	99	85
Tax based on separate company	-2,407	-4,359
Adjustment in respect to prior years	2	—
Other adjustments	—	—
Income tax	-600	-2,807

Deferred tax assets and liabilities

EUR thousand	1.1.	Recognised in income	Recognised in other comprehensive income	Business combinations	31.12.
2023					
Deferred tax assets					
Intangible assets and property, plant and equipment	951	-2	—	—	950
Post-employment benefits	91	—	—	—	91
Tax losses	3,045	—	—	—	3,045
Lease contracts	3,341	-235	—	—	3,106
Impairments of receivables	100	—	—	—	100
Other items	172	-38	—	—	135
Netting of deferred taxes	-6,363	234	—	—	-6,129
Total	**1,338**	**-41**	**—**	**—**	**1,297**
Deferred tax liabilities					
Intangible assets and property, plant and equipment	-8,991	494	—	—	-8,497
Lease contracts	-3,287	206	—	—	-3,081
Other items	-661	163	—	—	-498
Netting of deferred taxes	6,309	-206	—	—	6,103
Total	**-6,630**	**657**	**—**	**—**	**-5,973**

The most significant temporary differences between accounting and taxation relate to the intangible assets recognised in connection with the acquisition of Enersense Wind Oy. The acquisition of Enersense Wind 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.
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	3,450	-109	—	—	3,341
Impairments of receivables	100	—	—	—	100
Other items	-48	220	—	—	172
Netting of deferred taxes	-6,472	109	—	—	-6,363
Total	**1,096**	**242**	**—**	**—**	**1,338**
Deferred tax liabilities					
Intangible assets and property, plant and equipment	-3,983	181	—	-5,188	-8,991
Lease contracts	-3,332	44	—	—	-3,287
Other items	-508	-154	—	—	-661
Netting of deferred taxes	6,354	-44	—	—	6,309
Total	**-1,469**	**27**		**-5,188**	**-6,630**

	Unused losses		Recognised deferred tax receivables		Unrecognised deferred tax receivables	
EUR thousand	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Expires after 10 years	154,272	152,260	3,045	3,045	30,855	17,646
Total	**154,272**	**152,260**	**3,045**	**3,045**	**30,855**	**17,646**

ACCOUNTING PRINCIPLES

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 JUDGEMENT

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. Goodwill and intangible assets

EUR thousand	Goodwill	Customer relationships	Development Costs	Wind farm portfolio	Other intangible assets	Advance payments for intangible assets	Other intangible assets total
2023							
Cost at 1 Jan	27,874	9,647	3,335	22,714	10,880	144	46,720
Additions	—	—	1,117	—	1	939	2,057
Divestments in subsidiaries	-69	—	-200	—	-100	—	-300
Disposals	—	—	-362	-113	-4	—	-478
Reclassifications	—	—	-79	—	1,019	-939	—
Cost at 31 Dec	**27,805**	**9,647**	**3,811**	**22,601**	**11,796**	**144**	**47,999**
Accumulated depreciation and impairment at 1 January	—	-2,337	-1,985	—	-2,019	—	-6,341
Depreciation	—	-966	-226	—	-522	—	-1,714
Divestments in subsidiaries	—	—	185	—	95	—	280
Disposals	—	—	10	—	4	—	14
Impairment charge	—	—	—	-45	—	—	-45
Accumulated amortisation and impairment at 31 December	**—**	**-3,303**	**-2,016**	**-45**	**-2,442**	**—**	**-7,806**
Net book value at 1 January	**27,874**	**8,276**	**1,127**	**22,714**	**8,966**	**122**	**18,592**
Net book value at 31 December	**27,805**	**6,344**	**1,795**	**22,556**	**9,354**	**144**	**40,193**

Other intangible assets consist mainly of technology-based intangible assets EUR 8.4 million in total, intangible rights and other intangible assets. Customer relations have been formed in connection with the Empower business acquisition in 2020.

During 2023, Enersense has implemented a new cloud-based enterprise resource planning system, in connection with which separate software has been implemented for the group that is not dependent on the enterprise resource planning system. The value of these is EUR 0.9 million and the depreciation period is 5 years.

EUR thousand	Goodwill	Customer relationships	Development Costs	Wind farm portfolio	Other intangible assets	Advance payments for intangible assets	Other intangible assets total
2022							
Cost at 1 Jan	26,154	9,647	2,848	—	10,731	122	23,348
Business combinations	1,720	—	618	22,838	1	38	23,495
Additions	—	—	16	—	38	1	55
Disposals	—	—	—	-125	-37	-17	-179
Reclassifications	—	—	-147	—	147	—	—
Exchange differences	—	—	—	—	—	—	—
Cost at 31 Dec	**27,874**	**9,647**	**3,335**	**22,714**	**10,880**	**122**	**46,720**
Accumulated depreciation and impairment at 1 January	—	-1,371	-1,721	—	-1,664	—	-4,757
Depreciation	—	-966	-260	—	-377	—	-1,603
Disposals	—	—	—	—	37	—	37
Impairment charge	—	—	-5	—	-14	—	-19
Accumulated amortisation and impairment at 31 December	**—**	**-2,337**	**-1,985**	**—**	**-1,895**	**—**	**-6,341**
Net book value at 1 January	**26,154**	**8,276**	**1,127**	**—**	**9,067**	**122**	**18,592**
Net book value at 31 December	**27,874**	**7,310**	**1,349**	**22,714**	**8,862**	**144**	**40,379**

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 1.5 percentage points, the accumulated cash flows measure the book value what is allocated to business segment, in which case the coverable amount minus the book value is EUR 13.0 million.

The testing of the wind farm portfolio is performed at the project base level using the value-in-use method so, that projects are divided to three levels based on their progress: building phase, land use and permit phase and feasibility phase. Their valuation is based on the present value of future cash flows. The discount rate used before taxes for those were 11.9% (11.1%), 24% (24%) and 42%

(42%). According to the management's assessment, a possible change in the discount rate would not cause the accounting values of the projects to be tested to exceed the recoverable amounts. The recorded impairments are related to the feasibility phase projects.

Goodwill per segment:

EUR thousand	2023
Smart Industry	11,181
Power	5,074
Connectivity	4,586
International operations	6,965
Total	**27,805**

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

2023	Revenue growth, forecast period	Terminal growth assumption	Operating profit-%, forecasted period	Projected operating-%, terminal value	Discount rate before taxes
Smart Industry	5,5%–23,2%	1.0%	2,1%–8,5%	8.3%	11.9%
Power	20,0%–39,1%	1.0%	4,2%–8,9%	8.9%	11.9%
Connectivity	0,0%–15,7%	1.0%	2,7%–4,5%	4.4%	11.9%
International operations	-13,8%–4,5%	1.0%	2,7%–6,0%	6.0%	11.9%
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%

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 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 Enersense Wind 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: 3–10 years
- Intangible rights: 5–10 years
- Other intangible assets: 1–15 years

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 rate – cash flows after the five-year period are extrapolated using estimated growth rate. The growth rate is 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.

12. Property, plant and equipment

EUR thousand	Land areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and construction in progress	Total
2023						
Acquisition 1 Jan	355	17,390	20,995	315	357	39,412
Increases	139	2,586	3,754	67	739	7,285
Divestment in subsidiaries	—	-24	-7	—	—	-32
Decreases	—	-225	-922	-75	-136	-1,357
Transfers between items	—	—	—	—	—	—
Acquisition cost 31 Dec	**494**	**19,727**	**23,820**	**308**	**960**	**45,308**
Accumulated depreciation and Impairment I Jan	-29	-8,035	-9,025	-109	—	-17,199
Depreciation	-37	-3,092	-4,443	-87	—	-7,660
Divestment in subsidiaries	—	24	5	—	—	29
Decreases	—	116	589	71	—	776
Impairment	—	-23	-2	—	—	-25
Accumulated depreciation and Impairment 31 Dec	**-67**	**-11,010**	**-12,876**	**-126**	**—**	**-24,079**
Book value 1 Jan	**325**	**9,355**	**11,970**	**206**	**357**	**22,213**
Book value 31 Dec	**427**	**8,717**	**10,944**	**182**	**960**	**21,230**

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
Decreases	-10	-820	-494	-70	-1,482	-2,876
Transfers between items	—	-5	5	—	—	—
Acquisition cost 31 Dec	**355**	**17,390**	**20,995**	**315**	**357**	**39,412**
Accumulated depreciation and Impairment I 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
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**

Right-of-use assets are included in property, plant and equipment. More information about right-of-use assets is provided in Note 13 ("Leases").

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 there is references, that the book value of an asset is higher than its estimated recoverable amount, it is tested and the book value is after that 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, which are determine 3 year long. 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	Land	Buildings and structures	Vehicles	Total
2023				
Book value 1 Jan	**113**	**9,258**	**7,067**	**16,438**
Increases	139	2,586	2,503	5,228
Decreases	—	-109	-122	-231
Depreciation	-37	-3,026	-2,815	-5,878
Impairment	—	-23	-2	-25
Book value 31 Dec	**215**	**8,686**	**6,630**	**15,531**

EUR thousand	Land	Buildings and structures	Vehicles	Total
2022				
1 Jan	**130**	**9,736**	**6,793**	**16,659**
Increases	5	3,295	2,838	6,137
Decreases	-10	-714	-69	-793
Depreciation	-12	-3,051	-2,492	-5,555
Impairment	—	-8	-3	-11
Book value 31 Dec	**113**	**9,258**	**7,067**	**16,438**

EUR thousand	31.12.2023	31.12.2022
Lease liabilities		
Current	6,141	5,968
Non-current	9,266	10,738
Total	**15,407**	**16,705**

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	1–12/2023	1–12/2022
Depreciation charge of right-of-use assets*)		
Land	-37	-12
Buildings and structures	-3,026	-3,051
Vehicles	-2,815	-2,492
Other	—	—
Total depreciation charge of right-of-use assets	**-5,878**	**-5,555**
Interest expense**)	-515	-444
Expense relating to short term leases***)	-926	-914
Expense relating to leases of low value***)	-928	-1,050
Cash outflow relating to leases in total	**-8,756**	**-8,890**

*) 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.

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 equity method

Enersense's share of associated companies and joint ventures.

		% of ownership interest	
Name of entity	**Country of incorporation**	**31.12.2023**	**31.12.2022**
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	18.5%	16.3%

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 is written down. Additionally Enersense has other off-balance sheet liability EUR 0.7 million to Yrittäjien Voima 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 invested in August 2022 EUR 0.6 million to P2X Oy, whose business is the production of green hydrogen. This increased the ownership to 18.5 percent. Despite less than 20% ownership, P2X Solutions Oy is considered as associate company, because Ensersense has based on agreement right name a board member in P2X Solution Oy.

The share of the result of the associated companies and the joint venture combined using the equity method is recorded above the operating profit, because they are considered to be strategic holdings and an essential part of Enersense's business.

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.

2023	**Assets**	**Liabilities**	**Revenue**	**Profit/loss for the period**
Empower 4Wind OÜ	1,718	358	3,320	164
Yrittäjien Voima Oy	10	9	20	—
Harku Sindi JV OÜ	14,841	14,838	—	—
P2X Solution Oy	41,705	21,033	197	-1,876
2022				
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

Investments in associates

EUR thousand	2023	2022
Carrying value 1 Jan	10,937	1,564
Business combinations	—	—
Additions	3,228	10,399
Disposals	—	-228
Amortisation	—	-516
Share of the result for the period	-285	-282
Carrying value 31 Dec	**13,881**	**10,937**

Transactions with associates

EUR thousand	2023	2022
Sales of goods and services	1,889	79
Purchases of goods and services	2	2
Interest income	—	—

Balance with associates

EUR thousand	2023	2022
Loan receivables	—	—
Trade and other receivables	9,553	663

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.

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	1–12/2023	1–12/2022
Materials and supplies	12,975	2,930
Work in progress	3,288	8,558
Finished goods	907	—
Advance payments	957	1,636
Total	**18,127**	**13,124**

In the financial period, Enersense has recognised an inventory acquisition cost of EUR 100.0 (71.6) 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 (2022: 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	31.12.2023	31.12.2022
Non-current		
Pledged account	1,325	1,325
Account receivables	1,036	703
Other receivables	750	2,250
Total	**3,111**	**4,278**
Current		
Pledged account	40,291	33,696
Factoring trade receivables	—	—
Other financial assets*)	3,627	2,289
Other receivables		
Prepaid expenses and accrued income	31,700	31,833
Total	**75,618**	**67,818**
Material items under prepaid expenses and accrued income		
Accrued income related to revenue recognition over time	19,886	20,897
Prepaid expenses	11,801	10,877
Other	14	58
Total	**31,700**	**31,833**

*) 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 3.6 million were short-term pledges for contractual obligations expiring during the financial year 2024.

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 equivalents

EUR thousand	31.12.2023	31.12.2022
Cash in hand and at bank	11,249	38,704

ACCOUNTING PRINCIPLE

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

18. Equity

EUR thousand	31.12.2023	31.12.2022
Share capital	80	80
Reserve for invested unrestricted equity	62,361	64,010
Legal reserve	313	313
Cumulative translation difference	70	84
Retained earnings	-1,958	6,906
Profit (loss) for the period	-8,926	-9,174
Total equity attributable to owners of the parent company	**51,940**	**62,220**
Non-controlling interests	167	389
Total equity	**52,108**	**62,609**

Quantity of shares

	Date	Pcs
Shares 1 Jan 2022		**13,397,729**
Directed share issue: acquisition of Megatuuli Oy, 1 Feb	2.1.2022	2,598,331
Directed share issue: KPY Cooperative, 20 Jun	20.6.2022	297,297
Directed share issue: acquisition of Unified Chargers Oy, 16 Nov	16.11.2022	199,174
Shares 31 Dec 2022		**16,492,531**
Merge of MBÅ Invest Oy, 1 Apr	4.1.2023	-4
Shares 31 Dec 2023		**16,691,701**

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 2023, the share capital of Enersense International Plc was EUR 80,000 (80,000) and the number of shares on 31 December 2023 was 16,492,527 (31 Dec 2022:16,492,531 and 31 Dec 2021: 13,397,729). 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.

The Boards of Directors of Enersense International Plc and MBÅ Invest Oy ("MBÅ Invest ") decided on 27 March 2023 to complete the merger of MBÅ Invest with Enersense in accordance with the merger plan signed on 23 September 2022. On the basis of the merger plan, a total of 2,176,068 new Enersense shares were issued as Merger Consideration to the shareholders of MBÅ Invest. The registration of the completion of the merger in the Trade Register took place on 1 April 2023. Following the registration of the new shares and of the cancellation of own shares transferred to the Company in the merger, the total number of Enersense's shares is 16,492,527.

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

	1–12/2023	1–12/2022
Earnings per share		
Profit operations attributable to the owners of the Company, (EUR million)	-8,926	-9,174
Weighted average number of shares outstanding during the period, undiluted	16,493	15,986
Weighted average number of shares outstanding during the period, diluted	19,970	16,382
Earnings per weighted average share, undiluted, (EUR)	-0.54	-0.57
Earnings per weighted average share, diluted, (EUR)	-0.54	-0.57

Enersense has during 2023 two instruments (Convertible notes and share based payments), which dilute earnings per share. The total amount was 3,498,422 pcs at the end of the year. During year 2022 Enersense had the same instruments in place.

The Boards of Directors of Enersense International Plc and MBÅ Invest Oy ("MBÅ Invest ") decided on 27 March 2023 to complete the merger of MBÅ Invest with Enersense in accordance with the merger plan signed on 23 September 2022. On the basis of the merger plan, a total of 2,176,068 new Enersense shares were issued as Merger Consideration to the shareholders of MBÅ Invest. The registration of the completion of the merger in the Trade Register took place on 1 April 2023. Following the registration of the new shares and of the cancellation of own shares transferred to the Company in the merger, the total number of Enersense's shares is 16,492,527.

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
31.12.2023						
Expected loss rate	—%	—%	1%	5%	51%	
Gross carrying amount	36,940	1,804	205	84	1,258	40,291
Loss allowance	-3	-3	-3	-4	-644	-656
Net carrying amount	**36,937**	**1,802**	**202**	**81**	**613**	**39,635**

	Not overdue	Under 30 days	30–60 days	61–90 days	Over 90 days	Total
31.12.2022						
Expected loss rate	—%	1%	3%	3%	44%	
Gross carrying amount	29,221	938	939	-7	474	31,565
Loss allowance	—	-9	-32	—	-207	-247
Net carrying amount	**29,221**	**929**	**907**	**-6**	**267**	**31,318**

Reconciliation of estimated credit loss

	1–12/2023	1–12/2022
Opening loss allowance at 1 January	247	57
Increase in the allowance recognised in profit or loss during the period	464	197
Receivables written off during the year as uncollectible	-55	-6
Closing loss allowance at 31 December	**656**	**247**

Credit loss provision recognised for loan receivables

Enersense had loan receivables of EUR 110 (228) thousand on 31 December 2023. 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 s 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 11.2 (38.7) million at the end of 2023. Trade receivables totalled EUR 40.3 (33.7) million at the end of 2023. On 31 December 2023, Enersense had an undrawn financing limit of EUR 5 million. Enersense had EUR 3.6 million non-current loans and EUR 2.7 million current loan from financial institutions. Enersense had IFRS 16 related leasing loans, of which was non-current EUR 9.3 million and current EUR 6.1 million

Enersense has agreed instalment debts for vehicles and ERP implementation project. From instalment debts was current EUR 1.6 million at the end of 2023.

Enersense's financing consists of R&D loans granted by the State Treasury, a convertible bond, two senior loans, a revolving committed credit facility that can be withdrawn if necessary, and several guarantee, leasing and factoring facilities limits. The funding is used for operational development and working capital management.

The company has 1 million euros in R&D loans granted by the State Treasury. The loans fully mature in 2031. Enersense also has two senior loans, of which 6.3 million euros were drawn on 31 December 2023, which mature in 2026. In addition, Enersense has issued an unsecured tranche of convertible bonds of 26 million euros, which matures in 2027. In addition, Enersense had available, if necessary, to increase the revolving committed credit facility of EUR 5 million, which was not in use on 31 December 2023.

The company also has at its disposal factoring facility totalling EUR 39.9 million of which EUR 26.3 million was used at the end of the year. Enersense has closed its factoring facility with a total of 4.3 million euros during the 2023 fiscal year.

Enersense agreed to increase its guarantee limits by 10 million euros during 2023. The company has a total of EUR 55 million in guarantee limits.

Enersense also agreed on a 2.5 million euro leasing financing limit during the financial year, of which 0.6 million euro was used on 31 December 2023.

In February 2024, Enersense made a payment arrangement with the tax authorities related to VAT debts totalling 12.2 million euros. Similar arrangements with the tax authorities Enersense has also made in 2021 and 2022.

Maturities of financial liabilities

EUR thousand	2024	2025	2026	2027	2028	2029	Total contractual cash flows	Book value
31.12.2023								
Convertible notes	1,820	1,820	1,820	26,910	—		32,370	23,525
Borrowings (excluding lease liabilities)	2,988	2,977	1,615	253	172	121	8,136	7,342
Instalment debt	1,570	—	—	—	—	—	1,570	1,570
Lease liabilities	7,318	7,160	3,001	—	—	—	17,479	15,369
Trade and other payables*)	43,989	—	—	—	—	—	43,989	43,989
Total	**57,695**	**11,957**	**6,436**	**27,163**	**172**	**121**	**103,544**	**91,795**

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

EUR thousand	2023	2024	2025	2026	2027	2028	Total contractual cash flows	Book value
31.12.2022								
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, 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 protected around 80 % 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 6.3 million (8.4) in variable-rate loans from financial institutions at the end of 2023. Interest rate sensitivity to profit after taxes for the 2023 financial period would have been EUR 5 (15) thousand, assuming an interest rate increase of 0.5% with all other factors remaining unchanged.

Financial assets and liabilities by measurement category

		31.12.2023		31.12.2022	
	Note	**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		—	1,228	—	2,251
Loan receivables	14	—	—	—	—
Pledged account	16	1,325	—	1,325	2,251
Other receivables	16	—		2,250	
Trade receivables	16	1,036	—	703	—
Total non-current assets		**2,361**	**1,228**	**4,278**	**2,251**
Current assets					
Trade receivables	16	40,291	—	33,033	—
Other financial assets	16	3,627	—	2,289	—
Cash and cash equivalents	17	11,249	—	38,704	—
Total current assets		**55,167**	**—**	**74,026**	**—**
Total assets		**57,528**	**1,228**	**78,304**	**2,251**
Liabilities					
Financial liabilities Long-term liabilities					
Loans	21	28,270	—	30,458	—
Trade payables	23	3	359	2	929
Total non-current liabilities		**28,273**	**359**	**30,460**	**929**
Current liabilities					
Loans	21	4,167	—	3,439	—
Trade payables	23	44,724	—	55,230	—
Total current liabilities		**48,891**	**—**	**58,670**	**—**
Total liabilities		**77,164**	**359**	**89,130**	**929**

Investments include 10% or less ownership in companies. These are Parkkisähkö Oy (10%) and Enersense Wind Oy's project related ownership in one wind farm company (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 January 2022	**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 December 2022	**33,897**	**16,706**	**50,603**
Business acquisitions	—	—	—
Cash flows from financing activities			
Proceeds from borrowings	19,280	—	19,280
Repayment of borrowings	-20,739	-6,529	-27,269
New leases	—	5,230	5,230
Debt as at 31 December 2023	**32,437**	**15,407**	**47,844**

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, ability to service its debt and liquidity. In addition, the agreement includes conditions for the distribution of funds, investments, business arrangements and indebtedness.The covenants are calculated from the figures in accordance with the IFRS by applying the calculation formulas specified in the agreement and are reported to the providers of financing four times a year, and with regard to the covenant following the liquidity, on a monthly basis, if the covenant related to debt servicing is not fulfilled.

Enersense met the covenants on 31 December 2023 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 2024 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 2023 Enersense had those in total EUR 6.3 million

Covenants

	Covenant value, 31 Dec 2023	31.12.2023	Covenant value, 31 Dec 2022	31.12.2022
Covenants for loan agreements				
Equity ratio[1]	>37,5%	37.7%	>37,5%	39.3%
Equity ratio[2]	<2,25	0.8	<2,5	-0.8
Minimum cash[3]	>15 MEUR			

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	2023	2022
Interest bearing debt/EBITDA		
Interest bearing debts	24,281	27,886
Cash	11,249	38,704
EBITDA	14,704	12,210
Adjustments	1,000	1,000
Interest bearing debt/EBITDA	**0.8**	**-0.8**
Equity ratio		
Equity	75,633	85,456
Total balance	213,740	230,168
Received advances	12,973	12,637
Equity ratio	**37.7%**	**39.3%**

21. Borrowing

EUR thousand	31.12.2023 Book value	31.12.2022 Book value
Non-current borrowings		
Loans	28,281	29,712
Instalment debt	-11	746
Lease liabilities	9,266	10,738
Total non-current borrowings	**37,536**	**41,196**
Current borrowings		
Bank loans	2,564	2,401
Instalment debt	1,581	1,037
Lease liabilities	6,141	5,968
Factoring liability	22	1
Total current borrowings	**10,308**	**9,407**
Total	**47,843**	**50,603**

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 1.00% to 7.0%. 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
2023				
At 1 Jan	244	524	359	1,127
Business combinations	—	—	—	—
Additions	88	48	—	136
Used during the year	—	-425	-60	-485
Unused provisions reversed	-15	—	-56	-71
Exchange rate differences	—	—	—	—
At 31 Dec	**317**	**146**	**243**	**706**
Current	83	146	243	472
Non-current	234	—	—	234
Total	**317**	**146**	**243**	**706**

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**

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	31.12.2023	31.12.2022
Non-current		
Trade payables	–	2
Other liabilities	3	929
Total	**3**	**931**
Current		
Trade payables	25,992	36,271
Advances received	12,973	12,637
Current income tax liabilities	16,825	14,097
Other liabilities	1,144	1,414
Accruals	48,641	35,449
Total	**105,535**	**99,867**
Material items under accruals		
Accrued personnel expenses	23,765	23,244
Accrued expense related to revenue recognition over time	19,128	12,087
Accrued interest expenses	5,652	103
Other accruals	96	16
Total	**48,641**	**35,449**

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 31.12.2023, (%)	Group ownership 31.12.2022, (%)
Enersense AS	Estonia	100	100
Enersense SIA	Latvia	59	59
Enersense AS	Norway	100	100
Enersense Engineering Oy	Finland	100	100
Enersense GmbH	Germany	100	100
Enersense Hungary Kft.	Hungary	80	80
Enersense IN Oy	Finland	100	100
Enersense Ltd	UK	100	100
Enersense Offshore Oy	Finland	100	100
Enersense Oy	Finland	100	100
Enersense PN Oy	Finland	100	100
Enersense SAS	France	100	100
Enersense Services Oyj	Finland	100	100
Enersense TN Oy	Finland	100	100
Enersense Works Oy	Finland	100	100
Enersense UAB	Lithuania	100	100
Enersense Wind Oy	Finland	100	100
Ensersense Charging Oy	Finland	100	100
Lehtivuoret Wind Farm Oy	Finland	100	100
Pohjoismäki Wind Farm Oy	Finland	100	100
Joupinkangas Wind Farm Oy	Finland	100	100
Kurikka Energy Oy	Finland	100	100
Enersense Painting Oy[1)]	Finland	–	100
Enersense Solutions Oy[2)]	Finland	–	100
Neittävänvaara Wind Farm Oy[3)]	Finland	–	100
Lakkasuo Wind Farm Oy[3)]	Finland	–	100
Lapinsalo Wind Farm Oy[3)]	Finland	–	100
Honkalankangas Wind Farm Oy[3)]	Finland	–	100

1) Enersense Painting Oy fusion to Enersense Works Oy 1.12.2023.
2) Enersense Solutions Oy sold 30.6.2023.
3) Wind Farm companies sold 23.2.2023.

Filials

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

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. Share on non-controlling interest and transactions with non-controlling issues

Shares on non-controlling interest

EUR thousand	2023	2022
At 1 Jan	389	1,064
Business combinations	—	—
Acquisitions	—	-14
Other changes	1	—
Share of profit (loss) for the period	-223	-661
At 31 Dec	**167**	**389**

Enersense SIA specialises in the design, construction and maintenance of transmission grids, electric substations and wind farms. The company's revenue in 2023 was approximately EUR 21.8 (11.9) million and the profit for the financial year 2023 was approximately EUR -0.5 (-1.2) 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	2023	2022
Carrying amount of non-controlling interests acquired	—	33
Consideration paid to non-controlling interests	—	-326
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**—**	**-293**

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 noncontrolling 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	1–12/2023	1–12/2022
Management team (excluding chief executive officer)	-1,189	-1,551
Chief executive officer	-353	-285
Total	**-1,542**	**-1,836**

Board of directors remuneration

EUR thousand	1–12/2023	1–12/2022
Eskola Jaakko	-59	-55
Haglund Carl	-26	–
Helander Sari	-38	-36
Jokinen Päivi	-9	-34
Miettinen Anna	-26	–
Plit Herkko	-10	-36
Sormunen Sirpa-Helena	-40	-38
Suokas Petri	-35	-34
Total	**-243**	**-233**

Board of directors and chief executive officer, other remuneration

EUR thousand	1–12/2023	1–12/2022
Statutory pensions	-280	-236
Supplementary pensions	–	–
Share-based benefits	–	–
Total	**-280**	**-236**

Transactions with key management

EUR thousand	1–12/2023	1–12/2022
Sales of goods and services	–	-1
Purchases of goods and services	–	-1
Total	**–**	**-2**

Balances with key management

EUR thousand	1–12/2023	1–12/2022
Trade and other payables	–	–

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").

On 8 December 2021, Enersense International Plc announced that it had signed an agreement on an equity investment of EUR 13 million in P2X Solutions Oy (later P2X). The investment was implemented on 14 Feb 2022, of which EUR 10.4 million was paid by 31 Dec 2022. The rest, EUR 2.6 million, was paid in January 2023. Before the arrangement, 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 addition, in August 2023, Enersense invested an additional EUR 0.6 million, the earnings of which increased the shareholding by 18.5%.

In connection with the investment, Enersense 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

The Board of Directors's of Enersense has decided to launch long-term share-based incentive plans to the key employees in two structures: a Performance Share Plan and a Restricted Share Plan.

The reward from the Restricted Share Plan 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. No restriction period within the Restricted Share Plan has been launched yet.

In the Performance Share Plan shares can be earned on the basis of performance criteria set for a 24–36-month performance period. During the financial year 2023 Enersense had the performance periods 2022–2023 and 2023–2025 in operation within the Performance Share Plan. The targets for the performance period are based on the absolute total shareholder return of the company's share (TSR), on the Group's cumulative adjusted EBITDA and on the share of renewable and zero emission energy of revenue. The shares possibly earned in the plan are paid to the the participants partly after the performance period, provided that the employment precondition until the reward payment is fullfilled 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 plan also encourages the key management to further acquire and own shares in Enersense, which will contribute to aligning the interests of the management, the company and the shareholders. The President and CEO of Enersense International Plc and the member 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 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 to 50 per cent of their annual base salary of the preceding year. Such number of Enersense International Plc shares must be held as long as the membership in the Group Executive Team continues. Key characteristics and terms of Enersense share plans are listed in the table below.

Key characteristics and terms of Enersense share plans

Basic description and general terms	Performance Period 2022–2023	Performance Period 2023–2025
Type	Share	Share
Maximum amount, pcs	211,000	241,000
Initial allocation date	17.03.22	6.4.2023
Start of the performance period	1.1.2022	1.1.2023
End of the performance period	31.12.2023	31.12.2025
Vesting date approximation	50%: 15/03/2024 and 50%: 28/02/2025	50%: 15/03/2024 and 50%: 28/02/2025
Maximum contractual life, yrs	2.96	2.94
Remaining contractual life, yrs	1.16	2.21
Vesting conditions	Total Shareholder Return, the Group's cumulative adjusted EBITDA and the share of renewable and zero emission energy of revenue	Total Shareholder Return, the Group's cumulative Operating Profit and the Group's ESG development program
Number of persons at the end of reporting year	31	33
Method of settlement	Cash and equity (net settlement)	Cash and equity (net settlement)

Changes during period, pcs

	Performance Period 2022–2023	Performance Period 2023–2025
01.01.23		
Outstanding in the beginning of the period	196,186	–
Granted	–	230,054
Forfeited	12,919	8,110
Exercised	–	–
31.12.2023		
Outstanding at the of the period	183,267	221,994

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.

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

Share price at grant, €	5.62
Expected dividends total during the plan life time, discounted €	0.26
Expected volatility, %	48.71
Discount rate, %	2.45
Effect of market condition in fair value, %	47.04
Valuation model	Monte Carlo
Fair Value per share, €	2.84

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 the period:

Expenses for the financial year, share-based payments, €	271,372
Expenses for the financial year, share-based payments, equity-settled, €	265,907
Liabilities arising from share-based payments on the reporting date, €	5,466
An estimated amount of the settlement of the employee's tax obligation, €	297,776

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	1–12/2023	1–12/2022
Guarantees		
Company mortgages	591,200	591,200
Real estate mortgages	7,200	7,200
Contract and delivery guarantees	32,606	29,706
Parent company guarantees	66,957	47,390
Bank guarantees	2,000	2,047
Pledged assets		
For own commitments	45,336	80,421

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 the projects.

Other off-balance sheet liabilities

Enersense has to an associated company Yrittäjien Voima Oy other off-balance sheet liability EUR 1.2 million.

Legal disputes

The Group companies have ongoing legal disputes, some of which are in progress in general or administrative courts or in arbitration 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 2023

*) = not yet endorsed for use by the European Union as of 31 December 2023

Current status: Endorsement – EFRAG

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)

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.

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)

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)

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)

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.

International Tax Reform — Pillar Two Model Rules – Amendments to IAS 12 Income Taxes (the temporary mandatory exception is effective immediately upon publication on 28 May 2023; disclosures requirements are effective for annual reporting periods beginning on or after 1 January 2023).

The amendments give relief from accounting for deferred taxes arising from the OECD's (Organisation for Economic Co-operation and Development) international tax reform and require new disclosures to compensate for the potential loss of information resulting from the relief.

Standards issued but not yet effective

*) = not yet endorsed for use by the European Union as of 31 December 2023

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 the implementation of IFRS 16 in 2019.

Amendments to IAS 1 Presentation of Financial Statements*): Classification of Liabilities as Current or Non-current Date; Classification of Liabilities as Current or Non-current – Deferral of Effective Date; Non-current Liabilities with Covenants (effective for financial years beginning on or after 1 January 2024, early application is permitted)

The amendments are to promote consistency in application and clarify the requirements for determining if a liability is current or non-current. 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. The amendments also clarify transfer of a company's own equity instruments is regarded as settlement of a liability. Liability with any conversion options might affect classification as current or non-current unless these conversion options are recognized as equity under IAS 32.

Supplier Finance Arrangements – Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures*) (effective for financial years beginning on or after 1 January 2024, early application is permitted)

The amendments enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. Amendments require to disclose quantitative and qualitative information about supplier finance programs.

Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates*) (effective for financial years beginning on or after 1 January 2025, early application is permitted)

The amendments require to apply a consistent approach in assessing whether a currency can be exchanged into another currency and, when it cannot, in determining the exchange rate to use and the disclosures to provide.

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 9 January 2024, Enersense announced that it is merging the Power and International Operations business areas into a single business area. At the same time, the Smart Industry business area will be renamed Industry. From the beginning of 2024, Enersense will report three business areas instead of the current four: Power, Industry, and Connectivity. In accordance with the planned organizational changes Margus Veensalu, a member of the Group Executive Team, will step down from the Group Executive Team but will continue at Enersense in another role.

- On 2 February 2024, Enersense announced that the Shareholders' Nomination Board proposes that the current Board members will be re-elected as board members, and Ville Vuori and Anders Dahlblom will be elected as new board members.

Parent company's financial statements, FAS

Parent company – Income statement

EUR	1–12/2023	1–12/2022
Revenue	13,436,384.00	22,596,943.08
Other operating income	1,213,667.23	410,157.14
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	-24,089.36	-838,716.82
Variation in stocks	-13,463.96	-38,165.05
External services	-3,072,562.39	-6,678,653.05
Raw materials and services, total	**-3,110,115.71**	**-7,555,534.92**
Staff expenses		
Wages and salaries	-6,502,846.15	-9,983,969.56
Social security expenses		
Pension expenses	-1,011,461.16	-1,678,862.88
Other social security expenses	-241,672.43	-433,678.53
Staff expenses, total	**-7,755,979.74**	**-12,096,510.97**
Depreciation, amortisation and reduction in value		
Depreciation and amortisation according to plan	-13,580.29	-12,831.66
Write offs on investments	-2,390,568.70	-542,716.64
Depreciation, amortisation and reduction in value, total	**-2,404,148.99**	**-555,548.30**

EUR	1–12/2023	1–12/2022
Other operating expenses	-3,243,645.99	-5,851,620.75
Operating profit (loss)	**-1,863,839.20**	**-3,052,114.72**
Financial income and expenses		
Other interest income and other financial income		
from group undertakings	2,434,272.02	1,526,884.93
from others	167,657.83	264,410.63
Interest and other financial expenses		
from group undertakings	-491,476.37	-124,710.74
from others	-3,885,735.61	-1,984,751.26
Financial income and expenses, total	**-1,775,282.13**	**-318,166.44**
Profit (loss) before appropriations and taxes	**-3,639,121.33**	**-3,370,281.16**
Appropriations		
Group contribution	2,893,237.43	—
Income taxes	-21,387.36	-39,481.73
Profit (loss) for the financial year	**-767,271.26**	**-3,409,762.89**

Parent company – Balance sheet

EUR	31.12.2023	31.12.2022
Assets		
Non-current assets		
Intangible assets		
Intangible rights	2,769.79	9,116.44
Intangible assets, total	**2,769.79**	**9,116.44**
Tangible assets		
Machinery and equipment	3,468.59	10,702.23
Tangible assets, total	**3,468.59**	**10,702.23**
Investments		
Holdings in group undertakings	30,029,091.34	30,093,284.44
Participating interests	13,812,809.73	13,184,196.73
Other long term investments	850,000.00	850,000.00
Investments, total	**44,691,901.07**	**44,127,481.17**
Non-current assets, total	**44,698,139.45**	**44,147,299.84**
Current assets		
Stocks		
Finished products/goods	—	13,463.96
Stocks, total	**—**	**13,463.96**
Receivables		
Long-term receivables		
Amounts owned by group undertakings	22,572,068.54	34,767,470.11
Other receivables	1,325,000.00	2,825,000.00
Long-term receivables, total	**23,897,068.54**	**37,592,470.11**
Short-term receivables		
Accounts receivable	1,281,789.62	2,308,739.30
Amounts owned by group undertakings	52,510,953.32	8,238,530.36
Other receivables	2,085,633.00	285,861.80
Accrued income	1,472,767.03	1,057,099.37
Short-term receivables, total	57,351,142.97	11,890,230.83
Cash at bank	5,258,319.36	25,611,250.57

EUR	31.12.2023	31.12.2022
Current assets, total	**86,506,530.87**	**75,107,415.47**
Assets, total	**131,204,670.32**	**119,254,715.31**
Equity and liablities		
Equity		
Share capital	80,000.00	80,000.00
Other reserves	312,642.01	312,642.01
Reserve for invested non-restricted equity	67,617,381.24	69,231,829.33
Distribution of funds	-1,649,252.70	-1,614,470.85
Retained earnings (loss)	-4,192,257.17	-785,593.01
Profit (loss) for the financial year	-767,271.26	-3,409,762.89
Equity, total	**61,401,242.12**	**63,814,644.59**
Provisions		
Other provisions	100,000.00	150,000.00
Provisions, total	**100,000.00**	**150,000.00**
Liabilities		
Long-term liabilities		
Liabilities to credit institutions	3,900,000.00	6,000,000.00
Convertible bond	26,000,000.00	26,000,000.00
Long-term liabilities, total	**29,900,000.00**	**32,000,000.00**
Short-term liabilities		
Liabilities to credit institutions	2,400,000.00	2,400,000.00
Trade creditors	455,398.60	832,266.40
Amounts owned to group undertakings	34,085,626.50	14,355,840.98
Other creditors	323,682.29	2,867,947.50
Accruals and deferred income	2,538,720.81	2,834,015.84
Short-term liabilities, total	**39,803,428.20**	**23,290,070.72**
Liabilities, total	**69,803,428.20**	**55,440,070.72**
Equity, Provisions and liabilities, total	**131,204,670.32**	**119,254,715.31**

Parent company – Cash flow statement

EUR	1–12/2023	1–12/2022
Net profit (loss) before taxation, and extraordinary items	-3,639,121.33	-3,370,281.16
Adjustments for:		
Depreciation according to plan	13,580.29	12,831.66
Write-offs on investments	2,390,568.70	—
Unrealised foreign exchange wins and losses (+/–)	—	—
Other non-cash items (+/–)	-1,017,904.84	720,368.75
Financial income and expenses	1,775,282.13	318,166.44
Other adjustments	—	—
Working capital changes:		
Increase (–) or decrease (+) in trade and other receivables	477,577.15	4,699,571.92
Increase (–) or decrease (+) in inventories	-13,463.96	38,165.05
Increase (+) or decrease (–) in trade payables	-325,470.51	-1,336,202.96
Interest paid	-217,690.32	-825,887.13
Dividends received	—	—
Interest received	189.05	2,862.63
Income taxes paid	—	—
Net cash from operating activities	**-556,453.64**	**259,595.21**
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	599,997.00	—
Investments in other investments	-3,328,253.73	—
Purchase of subsidiary shares	—	-1,269,060.67
Purchase of subsidiary shares/unrestricted capital	—	-11,434,556.00

EUR	1–12/2023	1–12/2022
Deposit paid	—	-450,000.00
Loans granted	-20,195,000.00	-16,145,017.40
Proceed from repayments of loans	21,321,700.00	6,816,170.37
Cash pool change	-32,702,469.17	—
Interest paid	-234,371.55	-35,142.41
Interest received	1,830,391.11	331,647.48
Dividends received	624,277.00	—
Net cash used in investing activities	**-32,083,729.34**	**-22,185,958.63**
Net cash used in financing activities		
Personnel share issue	—	—
Proceeds from issuance of share capital	—	2,199,997.80
Proceeds from long-term borrowings	—	26,000,000.00
Repayment of long-term borrowings (–)	-2,100,000.00	-2,400,000.00
Proceeds from short-term borrowings	4,900,000.00	6,800,000.00
Repayment of short-term borrowings (–)	-2,200,000.00	-2,188,981.40
Cash pool change	16,449,513.60	7,636,260.96
Group contributions paid	—	—
Interest and fee paid	-3,113,009.13	-571,625.05
Dividend paid	-1,649,252.70	-1,614,470.85
Net cash used in financing activities	**12,287,251.77**	**35,861,181.46**
Net increase/decrease in cash and cash equivalents	-20,352,931.21	13,934,818.04
Cash and cash equivalents at beginning of period	25,611,250.57	11,676,432.53
Cash and cash equivalents at end of period	5,258,319.36	25,611,250.57
Net increase/decrease in cash and cash equivalents	**-20,352,931.21**	**13,934,818.04**

Parent company – Disclosure 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 rights 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.

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 Enersense International Filia Sweden has been consolidated in the accounts of Enersense International Plc and the mutual items have been eliminated

Related parties

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.

Disclosures to the income statement

Geographical distribution of revenue by target country

EUR	1–12/2023	1–12/2022
Finland	13,209,190.59	21,765,328.74
Other countries	227,193.41	831,614.34
Total	**13,436,384.00**	**22,596,943.08**

Other income

EUR	1–12/2023	1–12/2022
Catering service	22,072.10	107,323.25
Gain on sale of fixed assets shares	967,015.60	—
Other income	224,579.53	302,833.89
Other income, total	**1,213,667.23**	**410,157.14**

Other operating expenses

EUR	1–12/2023	1–12/2022
Expenses related to business acquisitions	206,954.21	776,276.56
Demolition expenses and impairment losses of the subsidiary	2,390,568.70	204,732.11
Administrative and other group service expenses	1,037,121.39	2,773,152.56
Catering service		
Fixed assets gain		
Other expenses	1,999,570.39	2,097,459.52
Other operating expenses, total	**5,634,214.69**	**5,851,620.75**

Auditor's fee

EUR	1–12/2023	1–12/2022
Audit	99,750.00	122,559.00
Auditor's statements	—	—
Tax advisory services	—	8,605.00
Other services	20,277.00	8,576.00
Audit fees, total	**120,027.00**	**139,740.00**

Personnel

	1–12/2023	1–12/2022
Average number of employees	109	203

Salaries and bonuses for management

EUR	1–12/2023	1–12/2022
Members of the board of directors and the President	243,000.00	232,500.00
CEO	352,876.80	284,968.80

Financial income and expenses

EUR	1–12/2023	1–12/2022
Other interest and financial income		
From Group companies	2,434,272.02	1,526,884.93
From others	15,958.42	264,410.63
Total	**2,450,230.44**	**1,791,295.56**
Interest and other financial expenses		
Convertible note fee	—	736,386.85
Share issue fees	—	74,230.00
Refinancing arrangement fees	112,500.00	65,625.00
To group companies	491,476.37	12,471.74
To associated companies	—	—
To others	3,621,536.20	1,108,509.41
Total	**4,225,512.57**	**1,997,223.00**

Appropriations

EUR	1–12/2023	1–12/2022
Group contributions	2,893,237.43	—
Income taxes	-21,387.36	—
Total	**2,871,850.07**	**—**

Disclosures on assets in the balance sheet

Breakdown on fixed assets

Intangible assets

EUR	31.12.2023	31.12.2022
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 I Jan	**-23,913.72**	**-18,216.00**
Depreciation	-6,346.65	-5,697.72
Impairment	—	—
Accumulated depreciation and Impairment 31 Dec	**-30,260.37**	**-23,913.72**
Book value 31 Dec	**2,769.79**	**9,116.44**

Tangible assets

EUR	31.12.2023	31.12.2022
Acquisition 1 Jan	**159,557.04**	**159,557.04**
Increase	—	—
Decrease	—	—
Transfers between items	—	—
Acquisition 31 Dec	**159,557.04**	**159,557.04**
Accumulated depreciation and Impairment I Jan	**-148,854.81**	**-141,720.87**
Depreciation	-7,233.64	-7,133.94
Impairment	—	—
Accumulated depreciation and Impairment 31 Dec	**-156,088.45**	**-148,854.81**
Book value 31 Dec	**3,468.59**	**10,702.23**

Advance payments and construction in progress

EUR	31.12.2023	31.12.2022
Acquisition 1 Jan	**—**	**941,504.35**
Increase	—	987,680.65
Decrease	—	-1,929,185.00
Transfers between items	—	—
Acquisition 31 Dec	**—**	**—**

Investments

EUR	Participating interests	Holdings in group companies	Total
Acquisition 1 Jan	13,184,196.73	30,093,284.44	43,277,481.17
Increase	628,613.00	—	628,613.00
Decrease	—	-32,985.40	-64,193.10
Transfers between items	—	—	—
Acquisition 31 Dec	**13,812,809.73**	**30,029,091.34**	**43,841,901.07**
Accumulated impairment 1 Jan	**—**	**—**	**—**
Impairment	—	-31,207.70	—
Accumulated impairment 31 Dec	—	.31207.7	—
Book value 31 Dec 2023	**13,812,809.73**	**30,029,091.34**	**43,841,901.07**
Book value 31 Dec 2022	**13,812,809.73**	**30,093,284.44**	**43,841,901.07**

Long-term receivables

Receivables from group companies

EUR	31.12.2023	31.12.2022
Loans receivables	3,200,000.00	18,950,000.00
Capital loans receivables	19,372,068.54	15,817,470.11
Total	**22,572,068.54**	**34,767,470.11**

Enersense International Plc provides financing to the Group companies in a centralised manner. Loans granted by the parent company to subsidiaries totalled EUR 22,572,068.54, including EUR 19,372,068.54 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 3,200,000.00 The interest rates of the loans vary from 2% to 5%.

Receivables from others

EUR	31.12.2023	31.12.2022
Accounts receivables	—	—
Other receivables	1,325,000.00	2,825,000.00
Total	**1,325,000.00**	**2,825,000.00**
Long-term receivables, total	**23,897,068.54**	**37,592,470.11**

Short-term receivables

Receivables from group companies

EUR	31.12.2023	31.12.2022
Accounts receivables	61,314.51	200,628.20
Loans receivables	14,274,823.10	5,663,451.06
Other receivables	35,874,586.61	903,157.01
Interest receivables	1,706,382.13	1,112,339.44
Accrued income	593,846.97	358,954.65
Total	**52,510,953.32**	**8,238,530.36**

The amount of short-term interest-bearing loans granted by the parent company to subsidiaries totalled EUR 14,274 823.10. The interest rates of the loans vary from 2% to 5%.

Receivables from others

EUR	31.12.2023	31.12.2022
Accounts receivables	1,281,789.62	2,308,739.30
Other receivables	2,085,633.00	285,861.80
Accrued income	1,472,767.03	1,057,099.37
Total	4,840,189.65	3,651,700.47
Short-term receivables, total	**57,351,142.97**	**11,890,230.83**

Accrued income

Material items of accrued income

EUR	31.12.2023	31.12.2022
Material items of accrued income		
Compensation for occupational health care	26,664.19	45,744.53
Deferred income taxes	—	—
Unbilled revenue	989,999.54	776,999.84
Others	456,103.30	234,355.00
Total	**1,472,767.03**	**1,057,099.37**

Equity

Equity

EUR	31.12.2023	31.12.2022
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	67,617,357.48	47,326,875.90
Share exchange	—	19,704,955.63
Share issue	—	2,199,997.80
MBÅ Invest Oy merge	22.76	—
Correction of an error in the previous financial year	1.01	—
Distribution of funds	-1,649,252.70	-1,614,471.85
Reserve for invested non-restricted equity 31 Dec	**65,968,128.55**	**67,617,357.48**
Retained earnings 1 Jan	**-4,195,355.90**	**-772,738.62**
Correction of an error in the previous financial year	—	—
Translation difference	3,098.73	-12,854.39
Retained earnings 31 Dec	**-4,192,257.17**	**-785,593.01**
Net result for the period	**-767,271.26**	**-3,409,762.89**
Equity, total	**61,401,242.12**	**63,814,643.58**

Calculation of distributable funds

EUR	31.12.2023	31.12.2022
Retained earnings	-4,192,257.17	-785,593.01
Net result for the period	-767,271.26	-3,409,762.89
Reserve for invested non-restricted equity	65,968,128.55	67,617,357.48
Total	**61,008,600.12**	**63,422,001.58**

The Board of Directors proposes to the General Meeting that the result for the financial period 1 January 2023 to 31 December 2023 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, no dividends be paid to shareholders. In addition, the Board of Directors proposes to the General Meeting that the Board of Directors be authorized to decide on the distribution of funds to shareholders from the invested unrestricted equity reserve as a return of capital of at most EUR 0.10 per share, i.e. EUR 1,649,252.70.

The return of capital could be paid in up to two instalments during the period between July and December 2024 as determined by the Board of Directors. The possible return of capital would be paid to shareholders who, on the record dates determined subsequently by the Board of Directors, are registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd. The authorization is valid until 31 December 2024 at the latest.

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	31.12.2023	31.12.2022
Other provisions	100,000.00	150,000.00
Total	**100,000.00**	**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	31.12.2023	31.12.2022
Capital loans from group companies	—	—
Liabilities to credit institutions	3,900,000.00	6,000,000.00
Convertible note	26,000,000.00	26,000,000.00
Total	**29,900,000.00**	**32,000,000.00**

Liabilities falling due later than 5 years

EUR	31.12.2023	31.12.2022
Liabilities to credit institutions	—	—
Total	**—**	**—**

Short-term creditors

Amounts owned to group companies

EUR	31.12.2023	31.12.2022
Trade creditors	1,159,862.54	1,090,385.02
Loans	32,252,332.52	13,233,030.00
Group contribution debt	—	—
Other creditors	—	-115,745.20
Accruals and deferred income	673,431.44	148,171.16
Total	**34,085,626.50**	**14,355,840.98**

To others

EUR	31.12.2023	31.12.2022
Loans	2,400,000.00	2,400,000.00
Trade creditors	455,398.60	832,266.40
Other creditors	175,822.72	2,867,947.50
Accruals and deferred income	2,686,580.38	2,834,015.84
Total	**5,717,801.70**	**8,934,229.74**

Accrued liabilities and deferred income

EUR	31.12.2023	31.12.2022
Wages and salaries debts	27,312.06	69,667.87
Holiday pay debt	558,298.85	891,594.59
Statutory insurance payments	321,295.07	394,955.46
Convertible note fee	—	736,386.85
Other	1,779,674.40	741,411.04
Total	**2,686,580.38**	**2,834,015.81**

Commitments and contingent liabilities

Debts secured by securities

EUR	31.12.2023	31.12.2022
Unused credit limits	5,000,000.00	5,000,000.00
Pledged securities at book value	20,589,191.31	20,588,708.77
Business mortgages provided as collateral	7,000,000.00	7,000,000.00
Loans from financial institutions	6,300,000.00	8,400,000.00
Pledged securities at book value	20,589,191.31	20,588,708.77
Other pledges provided as collateral	1,325,000.00	1,325,000.00
Business mortgages provided as collateral	7,000,000.00	7,000,000.00
Total secured debts	6,300,000.00	8,400,000.00
Total pledged securities	20,589,191.31	20,588,708.77
Total business mortgages provided as collateral	7,000,000.00	7,000,000.00
Unsecured debts total	26,000,000.00	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.

Security for debts of subsidiaries and other group companies

EUR	31.12.2023	31.12.2022
Other pledges provided as collateral	1,325,000.00	1,325,000.00
Other guarantees	86,830,609.07	42,464,456.37

Other commitments

Leasing agreements	31.12.2023	31.12.2022
Payable in the following financial year	—	1,971.70
To be paid later	—	—
Total	**—**	**1,971.70**

Enersense's loans involve covenants related to the company's solvency, ability to service its debt and liquidity. In addition, the agreement includes conditions for the distribution of funds, investments, business arrangements and indebtedness.The covenants are calculated from the figures in accordance with the IFRS by applying the calculation formulas specified in the agreement and are reported to the providers of financing four times a year, and with regard to the covenant following the liquidity, on a monthly basis, if the covenant related to debt servicing is not fulfilled.

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

Enersense met the covenants on 31 December 2023 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 2024 at all measurement dates.

Signatures and the Financial Statement Entry

Signatures on the Report of the Board of Directors and the Financial Statements

Helsinki, 7 March 2024

Jussi Holopainen
President and CEO

Jaakko Eskola
Chair of the Board

Sirpa-Helena Sormunen
Board member

Petri Suokas
Board member

Carl Haglund
Board member

Anna Miettinen
Board member

Sari Helander
Board member

Financial statement entry

An audit report has been issued today.

Helsinki, 8 March, 2024

Audit company
KPMG Oy Ab

Heli Tuuri
Authorised Public Accountant, KHT

Auditor's report

TO THE ANNUAL GENERAL MEETING
OF ENERSENSE INTERNATIONAL PLC

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 2023. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with IFRS Accounting 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 and intangible assets from business combinations (notes 11 to the consolidated financial statements)	
At 31 December 2023, goodwill totalled EUR 27.8 million. Intangible assets from business combinations were wind farm development projects EUR 22.6 million, intangible technology asset EUR 8.4 million and customer relationships EUR 6.3 million. Goodwill and wind farm development projects 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. Wind farm development projects are recorded as a cost when the project is sold, and the revenue recognized. Other intangible assets from business combinations are depreciated over their useful life. Valuation of goodwill and intangible assets from business combinations 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.	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. • We tested the technical accuracy of the calculations, and compared the used assumptions to the market and industry information. • We assessed the appropriateness of the deprecation's principles of the intangible assets from business combinations. • 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)	
The company's turnover, EUR 363.3 million, mainly comprises service revenue, project revenue and resourcing revenue. Most of the company's revenue is recognized over time. The company has a significant number of fixed-price long-term projects. When recognizing 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. Revenue recognition is considered a key audit matter due to a significant amount of transactions and management judgement related to the project revenue recognition.	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. • 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. • 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 financing and financial arrangements (note 20 and 21 to the consolidated financial statements)	
The Group's financial position has weakened during the financial year 2023. The operating cash flow was EUR -15.2 million. The Group's interest-bearing liabilities exceeded cash and cash equivalents by EUR 12.3 million at year-end 2023. Enersense International Plc has a EUR 26 million senior unsecured conditionally convertible note, which was completed 2022. On 1 June 2023, the parent company updated the agreement with creditors. The financing agreement consists of two senior loans, several bank guarantees, revolving credit facilities and invoice financing facilities. 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 considered if the ratio of interest-bearing debt to EBITDA is not fulfilled. The company was in compliance with the covenant terms in the prevailing financing agreement at the year-end. Based on the budget prepared by the management for the financial year 2024 and approved by the Board of Directors, the company assessed it will be in compliance with the covenant terms set in the current financing agreement for the financial year 2024. Based on management estimate the working capital will be sufficient for the next 12 months period after the financial year in case the operating activities meet financial targets set by the management. Adequacy of financing and financial arrangements is considered a key audit matter due the weakened financial position and significance of the financial arrangements.	We gained an understanding of the company's financial forecasting process. • To evaluate the adequacy of financing, we analysed the cash flow projections and sensitivity calculations prepared by the company, the reliability of the underlying data. • 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 Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting 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 9 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. 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 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. 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, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 8 March 2024
KPMG OY AB

Heli Tuuri
Authorised Public Accountant, KHT

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