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Enersense International Oyj

**FINANCIAL STATEMENTS AND
REPORT BY THE BOARD OF DIRECTORS
1 January–31 December 2019**



FINANCIAL STATEMENTS 1 JANUARY – 31 DECEMBER 2019

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REPORT BY THE BOARD OF DIRECTORS 1 JANUARY – 31 DECEMBER 2019

Significant events during the financial year and after its end

Enersense Group's revenue continued to increase in 2019. Revenue amounted to EUR 58.1 million for the year 2019 (2018: EUR 47.4 million), representing an increase of 22.6% as compared to the year 2018. Revenue was EUR 26.1 million for the six months ended 30 June 2019 and EUR 31.9 million for the six months ended 31 December 2019.

The Company's EBITDA was EUR -0.8 million for the year 2019 (2018: EUR -1.3 million), representing an improvement of EUR 39.6% as compared to the year 2018. EBITDA was EUR 0.8 million for the first six months of the review period, and it turned slightly positive (EUR 26 thousand) in the second half of the year.

Operating loss was EUR 1.9 million for the year 2019 (2018: EUR -1.7 million), and loss for the period was EUR -2.1 million for the year 2019 (2018: EUR -1.9 million).

In 2019, Enersense had the following business areas: Resources, Digital Solutions and Services, and Design and Production. The Resources business area focuses on the provision of human resources with high-level expertise to customer projects in Finland and internationally. Its customer sectors include large and medium-sized construction and maintenance break projects and industrial production facilities. The Resources business area also offers traditional staff leasing services under Väräämö brand. The Digital Solutions and Services business area provides management services to industrial projects for managing statutory reporting of the subcontracting chain and ensuring compliance with the statutory requirements of the companies and people participating in the projects. The Design and Production business area provides high-quality steel structures, pipings and equipment, as well as surface finishing services particularly in the energy sector and shp-building industry.

The tables below set forth the development of revenue by business area and by geographic target area.

REVENUE BY BUSINESS AREA

	7-12/2019	7-12/2018	Change, EUR	Change, %	1-12/2019	1-12/2018	Change, EUR	Change, %
Resources	23,701	17,291	6,410	37.1%	45,342	37,128	8,214	22.1%
Digital Solutions and Services	404	351	53	15.1%	726	1,015	-289	-28.5%
Design and Production	7,835	4,349	3,486	80.2%	11,989	9,212	2,777	30.1%

REVENUE BY TARGET AREA

	7-12/2019	7-12/2018	Change, EUR	Change, %	1-12/2019	1-12/2018	Change, EUR	Change, %
Domestic	22,325	20,023	2,302	11.5%	42,516	44,090	-1,574	-3.6%
International	9,615	1,968	7,647	388.6%	15,541	3,265	12,276	376.0%

Revenue of the international operations increased by EUR 12.3 million, or 376%, as compared to the year 2018. Revenue of the international operations was EUR 3.3 million for the year 2018 and EUR 15.5 for the year 2019. The international operations accounted for approximately 27% of the Group's total revenue in 2019.

In August 2019, the Company incorporated a subsidiary in the United Kingdom, which started its operations in the end of 2019. The incorporation expenses were recognised for the year 2019. Enersense continued its operations in nuclear power projects and marine industry in France, and furthermore, the Company started to work in the fusion energy test project ITER in South France. In Germany, the block outfitting continued and grew significantly in shipbuilding.

After the end of the financial period, the Company's majority shareholder Corporatum Oy has sold approximately 49.9% of the company shares to an investor group comprising the Company's key employees and external investors.

Major risks and uncertainties

Uncertainty in the financial markets may have an adverse effect on the economies of Finland and other European countries. Global political tensions, trade restrictions imposed on Russia, the Brexit and the trade war of the United States and China may have material adverse effects on the Company's business and results of operations.

The risk of slower economic growth, which relates to the continuous tensions in the trade, decreased confidence level and other global factors, may impact all energy, resource and industrial sectors. If materialised, the factors mentioned above may delay investment decisions of companies and, as such, they may have an impact on demand and availability of workforce.

As regards to global risks, various epidemics and pandemics, such as the COVID-19 which is spreading at present, generally weaken confidence on economy and they may lead to economic downturn or depression. The COVID-19 virus may have an impact on project decisions in the industries and on delivery chains in the projects, as well as postpone decisions to start new projects or delay ongoing projects. The COVID-19 pandemic may impact the willingness of employees to travel, which emphasises the risk relating to the availability of workforce. Due to this, the COVID-19 virus may impact the operations and results in 2019 in many ways. It is impossible to forecast emergence, spreading and subsiding of virus epidemics.

The basis of the Company's business is to operate in large industrial investment projects with several companies operating at the same time. Should a major customer transfer its purchases from Enersense to its competitors or change its operating model significantly, or should a project, which is significant for the Company, terminate, be suspended or decrease in volume unexpectedly, the Company would have limited possibilities to find substituting customer volume in short term.

Should Enersense fail to recruit, train, motivate and retain competent employees, it may not necessarily succeed to compete efficiently and execute its strategy in full.

Materialisation of Enersense's risks of damages, which mainly relate to people, property, intellectual property rights and information technology, may result in personal injuries, property damages or termination of operations. Materialisation of warranty risks related to the subcontracting services provided by the Company may lead to claims for damages. Risks for damages are mitigated with liability insurances.

Profitability of projects also entails risks: it is possible that Enersense has not succeeded or will succeed in the future to estimate a project's contractual risks and production expenses accurately enough.

When the Company executes business acquisitions or expands its operations to new countries, it is possible that the revenue or profits of Enersense's international subsidiaries and/or filials do not develop as expected by Enersense. Furthermore, changes in customers, local labour markets, political environment and legislation, or changes in or termination of offices may have an adverse effect on Enersense's business, results of operations and financial position.

Key figures for financial position and results

The Group's return on equity was -27.7% for the year 2019 and -32.7% for the year 2018. The Group's equity ratio was 32.3% for the year 2019 and 46.3% for the year 2018. The Group's earnings per share was EUR -0.36 for the year 2019 and EUR -0.24 for the year 2018 (the comparative figure was calculated using the number of shares adjusted for share issue and adjusted earnings).

Key figures for personnel

Key figures of the Group's personnel:

	2019	2018
Average number of the personnel during the period	884	727*
Salaries and fees for the period, EUR	31,669,793.83	26,015,762.11

*) Includes Värviäämö Oy's average number of personnel for two months.

Governance, management and personnel

On 10 April 2019, Enersense International Plc's Annual General Meeting re-elected Aaron Michelin, Sampo Ahonen and Ilkka Starck as members of the Board Directors, and elected Kalervo Röttsä and Asko Schrey as new members of the Board of Directors. Their term of service will continue until the end of the Annual General Meeting for the financial year 2020. The Board of Directors elected Aaron Michelin as its Chairman and Sampo Ahonen as its Deputy Chairman in its organisation meeting.

The Board of Directors convened 17 times in 2019.

As of 16 October 2019, the CEO Jussi Holopainen served as the Chairman of the Management Team, and its other members were the CFO Risto Takkala, the CEO Joonas Palosaari and the CEO Jaakko Leivo.

The Management Team convened 15 times in 2019.

General Meetings

Only the Annual General Meeting convened in 2019, and no Extraordinary General Meetings were held.

Estimate on expected future development

Enersense's revenue is expected to continue to grow in 2020. The Company expects that its profitability will improve further and turn positive in 2020. The adjustments to administrative personnel implemented in 2019 will improve, for their part, the Company's profitability. In 2020, the Company's focus areas are improvement of profitability in the domestic markets and growth in the international markets.

As of 1 January 2020, Enersense reports its operations on two business areas: Projects and Staff Leasing. Projects business area focuses on the provision of project services needed in domestic and international industrial projects. Staff Leasing business area focuses to provide versatile solutions for the resourcing needs of domestic industries in line with the development of working life.

The year 2020 looks positive for the Projects business both in Finland and the international markets. The market situation also remains good in the Staff Leasing business. Based on the latest forecasts, the cyclical slowdown of the construction industry will be milder than estimated before. Due to the decrease in new construction, the market is expected to focus more on renovations, infrastructure projects and large industrial construction projects. Transition of the energy industry towards production of fossil free energy open up new opportunities and creates growth.

The outlook is based on the information available to the Company on the progress of ongoing customer projects and the Company's estimate on the customer projects to be started in 2020.

The Company expects that its revenue will grow from the level of 2019. EBITDA is expected to improve and amount to EUR 1.5–2.5 million in 2020.

The global COVID-19 pandemic and its spreading must be considered in the outlook for 2020, as it has an effect on the Company's operating environment. Enersense monitors the impacts of the virus, and its is engaged in continuous dialogue with its customers on the development of the situation. Delays are possible in the ongoing projects. The COVID-19 virus may impact the Company's operations and financial result.

Research and development

Enersense continues to invest in the development of its services and products to respond to the increasing need for statutory reporting capabilities and management of information in industrial and construction projects.

The efforts have focused on commercialisation and concepting of the Company's expert service, as well as on the customer and project driven development of new features in the E-Sense service platform.

A result of the development work, Enersense offers its customers a comprehensive solution portfolio, which enables management of subcontracting chains of projects with scalable expert service in Finland and internationally.

Competitive landscape and markets

The competitive landscape of the market did not change significantly. There are signs of consolidation and concentration of sourcing in the market, which opens new possibilities to Enersense Group.

In the customer interface, services are increasingly centralised to a few suppliers, which emphasises quality and delivery security. These factors provide further support to Enersense's market position.

Enersense's comprehensive service does not have direct competitors in the market. This diversifies the Company's risk, as new entrants in the market compete with Enersense's single business areas, instead of its entire business.

Year 2020 is seen positive to the project business, and this supports the Company's growth targets.

Group companies

Enersense International Plc is the parent company of Enersense Group, and the Group includes the following companies:

- Enersense Henkilöstöpalvelut Oy 100%
- Enersense Oy 100%

- Enersense Engineering Oy 100%
- Enersense Solutions Oy 100%
- Enersense Works Oy 100%
- Enersense Hungary Kft. 80%
- Enersense AS 100%
- Värviäämö Oy 100%
- Enersense Ltd., the United Kingdom, 100%
- Enersense SAS, France, 100%
- Enersense GmbH, Germany, 100%
- Enersense Irmak İnşaat Proje Yönetimi Sanayi ve Ticaret A.Ş., Turkey, 50.1%
- Nordic Business Partners Oy 100%
- Process Communication Finland Oy 100%

Enersense Solutions Oy's subsidiaries

- Enersense Technologies Oy 100%
- Liability Act Information Office Finland Oy 100%

Enersense Works Oy's subsidiary

- Enersense Painting Oy 81%

Enersense Engineering Oy's subsidiary

- Enersense HSE Oy 90%

Enersense Ltd was incorporated on 16 August 2019. Enersense HSE Oy's business name was HSE Management Group Oy until 10 September 2019.

The Group includes the following associated companies:

- Yrittäjien Voima Oy, Enersense International Plc's shareholding 40%
- Smaragdus Oy, Enersense International Plc's shareholding 20.3%
- Suomi-Teline Oy, Enersense Works Oy's shareholding 25%

International filials

In Sweden, the parent company has a filial Enersense Sweden filial c/o Borealis AB, Stenungsund, reg. no. 516470-2336. In Germany, Enersense Works Oy has a filial Enersense Works Oy, Blockmacherring 21, 18109 Rostock, reg. no. 079/147/ 01567.

The Board's proposal on the measures related to Company's profit

The parent company's distributable equity is EUR 8,479,296.68, of which profit for the period accounted to EUR 666.17.

The Board proposes that no dividend will be distributed for the year 2019 and the loss for the period is transferred to unrestricted equity.

Shares of the Company

The Company has 5,947,729 shares, and each share entitles to one vote. The Company's share capital was EUR 80,000 at the end of the financial year 2019.

During the financial year, Enersense International Plc and Lago Kapital Oy entered into a market making agreement meeting Nasdaq Helsinki's requirements for Liquidity Providing (LP) activities. Under the agreement, Lago Kapital Oy provides purchase and sales offers for Enersense's shares so that the largest accepted difference between the purchase and sales offers is 4% as calculated from the purchase offer. The offers concern a number of shares corresponding to a minimum of EUR 1.500. The market making under the agreement started on 11 November 2019. The market-making aims to improve the liquidity of the shares of Enersense International Plc and to ensure reliable price formation of the shares.

Loans, liabilities and transactions with related parties

Enersense Group's parent company, Enersense International Plc finances Group companies centrally. Long-term loans granted by the parent company to the subsidiaries amounted to EUR 5,685,700.00, of which equity loans accounted for EUR 1,885,700.00 in total. The terms and conditions of the equity loan meet the requirements of chapter 12, section 1 of the Limited Liability Companies Act. Other long-term interest-bearing loans granted by the parent company to the subsidiaries amount to EUR 3,800,000.00 in total. Short-term interest-bearing loans amount to EUR 158,100.00. The loans carry an interest of 3%. Short-term loans also include outstanding dividend distribution liability of EUR 146,100.00.

On the balance sheet date, Enersense International Plc was a part of Corporatum Group, the parent company of which is Corporatum Oy. The Company and its parent company Corporatum Oy have entered into a service agreement, under which Corporatum Oy provides the Company services related to customer acquisition, M&A arrangements, financing and development of the Company, among other things. Transactions with related parties amounted to EUR 144,000 in total.

Calculation of key figures

EBITDA =

Revenue + other operating income – materials and services – personnel expenses – other operating expenses – share of results of associated companies

EBITDA margin, % =

EBITDA / Revenue

EBIT =

Revenue + other operating income – materials and services – personnel expenses – other operating expenses – share of results of associated companies – depreciation, amortisation and impairment

EBIT margin, % =

EBIT / Revenue

Profit (loss) margin for the period, % =

Profit (loss) for the period / Revenue

Equity ratio, % =

Equity / Total assets – advances received

Minority interest excluded from the calculation of equity ratio if the minority interest is negative.

Return on equity, % =

Profit (loss) for the period / Amount of equity during the period

Earnings per share, EUR =

Profit (loss) for the period*/ Average number of the shares

*) The number of shares adjusted for share issue during the period was used in the calculation of the comparative figure, and the non-recurring expenses of EUR 701 thousand were eliminated.

CONSOLIDATED INCOME STATEMENT

EUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
REVENUE	58,057,491.86	47,355,277.75
Other operating income	502,492.54	728,882.52
Materials and services		
Materials, supplies and goods		
Purchases during the period	-1,184,920.73	-1,219,634.16
Increase (+) / decrease (-) in inventories	6,828.45	86,041.00
External services	-15,047,880.31	-12,768,141.50
	-16,225,972.59	-13,901,734.66
Personnel expenses		
Salaries and wages	-	-26,015,762.11
Social security expenses		
Pension expenses	-5,271,615.55	-4,572,031.87
Other social security expenses	-1,898,631.34	-939,279.91
	-38,840,040.71	-31,527,073.89
Depreciation, amortisation and impairment		
Amortisation of group goodwill and reduction of group reserve	-846,023.25	-138,278.14
Depreciation according to plan	-298,426.08	-292,861.08
	-1,144,449.33	-431,139.22
Other operating expenses	-4,277,465.34	-3,952,214.66
Share of profit of associated companies	30,852.38	55,037.93
OPERATING PROFIT (LOSS)	-1,897,091.20	-1,672,964.23
Financial income and expenses		
Other interest and financial income	16,973.59	2,667.07
Interest and other financial expenses	-383,837.53	-1,015,586.26
	-366,863.93	-1,012,919.19
PROFIT (LOSS) BEFORE TAX	-2,263,955.13	-2,685,883.43
Income tax	-45,627.87	8,341.81
Deferred tax	67,177.69	535,508.32
Minority interest	108,910.19	204,861.16
PROFIT (LOSS) FOR THE PERIOD	-2,133,495.12	-1,937,172.13

CONSOLIDATED BALANCE SHEET

EUR	31 Dec 2019	31 Dec 2018
ASSETS		
NON-CURRENT ASSETS		
Development costs	99,375.81	84,447.17
Immaterial rights	33,804.24	16,860.16
Group goodwill	3,200,079.11	3,989,892.41
Goodwill	181,880.04	253,820.04
Other capitalised long-term expenditure	78,165.04	78,071.75
	3,593,304.24	4,423,091.53
Property, plant and equipment		
Machinery and equipment	550,116.95	530,329.19
Other tangible assets	6,860.00	6,860.00
	556,976.95	537,189.19
Investments		
Shares in associated companies	1,234,767.77	770,136.31
Other shares and holdings	5,370.54	5,370.54
	1,240,138.31	775,506.85
CURRENT ASSETS		
Inventories		
Materials and supplies	373,392.39	365,326.49
Receivables		
Non-current		
Loan receivables	90,037.20	63,579.44
Deferred tax asset	267,754.16	267,754.16
Other receivables	350,172.98	119,310.15
	707,964.34	450,643.75
Current		
Trade receivables	10,013,793.73	8,046,164.44
Loan receivables	35,391.12	4,924.55
Other receivables	296,871.42	355,945.81
Prepaid expenses and accrued income	1,938,626.93	1,217,967.83
Deferred tax asset	334,931.85	267,754.16
	12,619,615.05	9,892,756.80
Cash and cash equivalents	1,276,470.75	2,608,293.10
TOTAL ASSETS	20,367,862.03	19,052,807.72

EUR	31 Dec 2019	31 Dec 2018
LIABILITIES AND EQUITY		
EQUITY		
Share capital	80,000.00	80,000.00
Legal reserve	312,642.01	312,642.01
Reserve for invested unrestricted equity	8,290,210.24	8,290,210.24
Retained earnings	338,930.46	2,272,018.58
Profit (loss) for the period	-2,133,495.13	-1,937,172.13
	6,888,287.58	9,017,698.71
Minority interest	-313,771.36	-204,861.16
Group reserve	14,161.01	16,807.35
LIABILITIES		
Non-current		
Loans from financial institutions	1,103,773.66	1,453,867.14
	1,103,773.66	1,453,867.14
Current		
Loans from financial institutions	2,674,178.02	769,271.13
Trade payables	4,177,466.78	2,881,753.10
Other liabilities	1,409,503.01	1,389,089.84
Accrued expenses and deferred income	4,414,263.33	3,729,181.61
	12,675,411.13	8,769,295.68
EQUITY AND LIABILITIES TOTAL	20,367,862.03	19,052,807.72

CONSOLIDATED CASH FLOW STATEMENT

EUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Cash flow from operating activities:		
Profit (loss) before appropriations and taxes	-2,263,955.13	-2,685,883.43
Adjustments to operating profit:		
Financial income and expenses	366,863.93	1,012,919.20
Depreciation according to plan	1,144,449.33	431,139.23
Other adjustments to operating profit	0	-55,037.93
Other	-752,641.87	-1,296,862.93
Change in working capital:		
Increase (-) / decrease (+) in inventories	-8,065.90	-78,678.06
Increase (-) / decrease (+) in current receivables	-2,726,858.25	1,546,763.82
Increase (+) / decrease (-) in current liabilities	2,001,208.56	457,615.31
Interest received and other financial income	16,973.59	2,667.06
Interest payments and other financial expenses	-383,837.53	-1,015,586.26
Tax paid	-259,050.44	8,341.81
Net cash flow from operating activities	-2,112,271.83	-375,739.25
Cash flow from investing activities:		
Investments to intangible and tangible assets	-52,411.88	-184,246.56
Investments to associated companies	-464,631.46	-169,720.00
Investments to subsidiaries	0.00	-2,672,400.00
Business acquisitions	0.00	-490,000.00
Increase (-) / decrease (+) in loan receivables	-257,320.59	73,824.01
Net cash flow from investing activities	-774,363.94	-3,442,542.55
Cash flow from financing activities:		
Increase and decrease in current liabilities	1,904,906.89	-3,184,834.27
Increase and decrease in non-current liabilities	-350,093.48	1,145,838.32
Dividends paid	0.00	0.00
Funds collected through share issue and increase in reserves	0.00	6,454,039.50
Net flow from financing activities	1,554,813.41	4,415,043.55
Change in cash and cash equivalents	-1,331,822.36	596,761.37
Cash and cash equivalents at the beginning of the period	2,608,293.10	2,011,531.73
Cash and cash equivalents at the end of the period	1,276,470.75	2,608,293.10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 1 JANUARY – 31 DECEMBER 2019

Group companies and scope of the consolidated financial statements

The Group's parent company is Enersense International Plc, domiciled in Pori.

The Group comprises Enersense International Plc and its subsidiaries.

As at the closing date, the Company was a part of Corporatum Group. Corporatum Group's parent company is Corporatum Oy, domiciled in Pori. A copy of the consolidated financial statements is available at Corporatum Oy in the address Antinkatu 2, FI-28100 Pori, Finland.

After the end of the financial year, the majority shareholder Corporatum Oy has sold approximately 49.9% of the Company's shares to an investor group consisting of the Company's key employees and external investors.

The following subsidiaries of Enersense International Plc have been consolidated in the consolidated financial statements:

Enersense Works Oy, domiciled in Pori, shareholding 100%
Enersense Henkilöstöpalvelut Oy, domiciled in Pori, shareholding 100%
Enersense Oy, domiciled in Pori, shareholding 100%
Enersense Engineering Oy, domiciled in Pori, shareholding 100%
Enersense Solutions Oy, domiciled in Pori, shareholding 100%
Process Communication Finland Oy, domiciled in Pori, shareholding 100%
Nordic Business Partners Oy, domiciled in Pori, shareholding 100%
Värväämö Oy, domiciled in Pori, shareholding 100%
Enersense AS, Norway, shareholding 100%
Enersense Hungary Kft., Hungary, shareholding 80%
Enersense SAS, France, shareholding 100%
Enersense GmbH, Germany, shareholding 100%
Enersense Irmak İnşaat Proje Yönetimi Sanayi ve Ticaret A.Ş., Turkey, shareholding 50.1%
Enersense Ltd., the United Kingdom, shareholding 100%

In addition, the following subsidiaries of Enersense Solutions Oy have been consolidated in the consolidated financial statements:

Enersense Technologies Oy, domiciled in Pori, shareholding 100%
Liability Act Information Office Finland Oy, domiciled in Pori, shareholding 100%

The following subsidiary of Enersense Works Oy has been consolidated in the consolidated financial statements:

Enersense Painting Oy, domiciled in Pori, shareholding 81%.

The following subsidiary of Enersense Engineering Oy has been consolidated in the consolidated financial statements:

Enersense HSE Oy, domiciled in Pori, shareholding 90%

Financial results of foreign subsidiaries are consolidated in the currency of Finland using the average exchange rate during the financial period and balance sheets are consolidated using the exchange rates as at the balance sheet date.

Changes in the Group structure

Enersense International Plc incorporated a new subsidiary Enersense U.K. LTD located in the United Kingdom (100%).

Enersense International Plc's shareholding in Smaragdus Oy was 20.3% as at 31 December 2019 (20.9%).

ACCOUNTING POLICIES APPLIED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Internal shareholding

The consolidated financial statements have been prepared in accordance with the acquisition cost method.

Internal transactions and margins

Intercompany transactions, internal receivables and liabilities, as well as internal profit sharing are eliminated. Transactions, internal receivables and liabilities relating to unconsolidated companies are not eliminated.

Minority interests

Minority interests are presented in the balance sheet in separate line items attributable to the shareholders of the parent company and non-controlling interests. According to the agreement entered with the non-controlling interest, the non-controlling interest bears losses pro rata its shareholding.

Valuation principles and methods

Non-current assets are valued at acquisition cost less depreciation according to plan. Inventories are valued at variable acquisition cost in accordance with the FIFO principle and the lowest value.

Investments are valued at acquisition cost.

Accrual principles and methods

Acquisition cost of fixed assets is depreciated according to predefined plan. Machinery and equipment with a usable life of under three years, as well as small acquisitions in the meaning of the Act on the Taxation of Business Income, are recognised in their full amount as an expense for the period when the acquisition took place.

Revenue recognition principles and methods

The Group's revenue is mainly derived from the sales of resources, digital solutions and services, as well as design and production. The revenue may also include projects with fixed price, which are accrued according to their completion rate. As at the balance sheet date 31 December 2019, there were no ongoing projects with fixed price.

	31 Dec 2019	31 Dec 2018
Resources	45,345,901.35	37,108,622.57
Digital Solutions	725,285.22	1,015,077.57
Design and Production	11,986,305.29	9,211,628.01
Other revenue	0.00	19,949.60
Total	58,057,491.86	47,355,277.75

Accounting principles applied for cash flow statement

Cash flow statement is prepared by applying the financial statements model included the the Finnish Accounting Standards Board's (KILA) general guidelines.

NOTES TO THE INCOME STATEMENT
Basis for depreciation according to plan

Development costs	Linear depreciation over 3 years
Machinery and equipment	25% depreciation of residual value
IT software	Linear depreciation over 10 years
Refurbishment of leased premises	Linear depreciation over 3 years
Immaterial rights	Linear depreciation over 5 years
Group goodwill	Linear depreciation over 5 years
Goodwill	Linear depreciation over 5 years

Dividend and interest income and interest expenses – the Group

	31 Dec 2019	31 Dec 2018
Interest and other financial income from others	16,973.59	2,667.07
Interest expenses to Group companies	0.00	0.00
Interest and other financial expenses to others	-383,837.53	-1,015,586.26
Total	-366,863.93	-1,012,919.19

Other operating income – the Group

	31 Dec 2019	31 Dec 2018
Income from restaurant services	502,492.54	708,920.73
Other income	0.00	19,961.79
Total	502,492.54	728,882.52

NOTES TO THE ASSETS IN THE BALANCE SHEET

Intangible assets – the Group

	31 Dec 2019	31 Dec 2018
Acquisition cost as at 1 January	4,423,091.53	326,371.91
Increase	115,930.40	4,362,585.45
Amortisation over the period	-945,717.69	-265,865.83
Carrying value as at 31 December	3,593,304.24	4,423,091.53

Development costs not amortised amount to EUR 99,375.17.

	31 Dec 2019	31 Dec 2018
Development costs – the Group		
Acquisition cost as at 1 January	84,447.17	26,283.35
Increase	65,232.49	85,002.70
Amortisation over the period	-50,303.85	-26,838.88
Carrying value as at 31 December	99,375.81	84,447.17

Immaterial rights – the Group		
Acquisition cost as at 1 January	16,860.16	6,265.16
Increase	22,094.08	14,945.00
Amortisation over the period	-5,150.00	-4,350.00
Carrying value as at 31 December	33,804.24	16,860.16

Other capitalised long-term expenditure – the Group		
Acquisition cost as at 1 January	78,071.75	74,388.54
Increase	28,603.83	28,234.65
Amortisation over the period	-28,510.54	-24,551.44
Carrying value as at 31 December	78,165.04	78,071.75

Goodwill		
Acquisition cost as at 1 January	253,820.04	135,760.00
Increase		190,000.00
Amortisation over the period	-71,940.00	-71,939.96
Carrying value as at 31 December	181,880.04	253,820.04

Group goodwill		
Acquisition cost as at 1 January	3,989,892.41	83,674.86
Increase		4,044,495.69
Amortisation over the period	-789,813.30	-138,278.14
Carrying value as at 31 December	3,200,079.11	3,989,892.41

	31 Dec 2019	31 Dec 2018
Property, plant and equipment – the Group		
Acquisition cost as at 1 January	537,189.19	376,480.38
Increase	199,244.61	322,960.81
Decrease	-8,935.50	-5,500.15
Depreciation over the period	-170,521.35	-156,751.85
Carrying value as at 31 December	556,976.95	537,189.19

Machinery and equipment – the Group		
Acquisition cost as at 1 January	530,329.19	374,680.38
Increase	199,244.61	317,900.81
Decrease	-8,935.50	-5,500.15
Depreciation over the period	-170,521.35	-156,751.85
Carrying value as at 31 December	550,116.95	530,329.19

Other tangible assets – the Group		
Acquisition cost as at 1 January	6,860.00	1,800.00

Increase	0.00	5,060.00
Carrying value as at 31 December	6,860.00	6,860.00
Significant items included in accrued income	31 Dec 2019	31 Dec 2018
Income tax accrual	99,988.13	157,534.61
Revenue accrual	1,041,834.91	710,524.82
Investments	31 Dec 2019	31 Dec 2018
Shares in associated companies	1,238,267.77	770,136.31
Other shares and holdings	1,870.54	5,370.54
Total	1,240,138.31	775,506.85
Shares in associated companies		
Smaragdus Oy	602,018.41	170,646.06
Yrittäjien Voima Oy	331,098.22	345,356.64
Suomi-Teline Oy	305,151.14	270,461.47
Change	0.00	-16,327.86
	1,238,267.77	770,136.31

NOTES TO THE LIABILITIES IN THE BALANCE SHEET

Equity

	31 Dec 2019	31 Dec 2018
Share capital as at 1 January	80,000.00	9,000.00
Share capital as at 31 December	80,000.00	80,000.00
Legal reserve as at 1 January	312,642.01	312,642.01
Legal reserve as at 31 December	312,642.01	312,642.01
Reserve for invested unrestricted equity		
Opening balance as at 1 January	8,290,210.24	187,170.74
Decrease	0.00	-71,000.00
Increase	0.00	8,174,039.50
Closing balance as at 31 December	8,290,210.24	8,290,210.24
Retained earnings as at 1 January	334,846.45	2,273,242.07
Translation differences	4,084.01	-1,223.49
Dividend distributed for the period		0.00
Retained earnings as at 31 December	338,930.46	2,272,018.58
Profit (loss) for the period	-2,133,495.13	-1,937,172.13

Restricted equity

	The Group 31 Dec 2019	The Group 31 Dec 2018
Share capital	80,000.00	80,000.00
Legal reserve	312,642.01	312,642.01
Total	392,642.01	392,642.01

Unrestricted equity

	The Group 31 Dec 2019	The Group 31 Dec 2018
Reserve for invested unrestricted equity	8,290,210.24	8,290,210.24
Retained earnings	338,930.46	2,272,018.58
Profit (loss) for the period	-2,133,495.13	-1,937,172.13
Total	6,495,645.57	8,625,056.69

Due to the covenants, Enersense International Plc does not pay dividends for the year 2019.

Significant items included in accrued expenses

	31 Dec 2019	31 Dec 2018
Salary liabilities	621,387.45	506,111.40
Holiday pay liabilities	2,434,742.07	2,041,402.87
Statutory insurance premiums	1,081,921.17	815,632.29
Other liabilities	285,212.07	366,035.05

Collateral and contingent liabilities

Type of liability	Available	Outstanding, EUR	Collateral type	Total collateral
Credit limit	792,848.74	607,151.26	Business mortgage	1,400,000.00
Loans from financial institutions	800,000	2,795,833.29	Business mortgage	4,000,000.00
Factoring, credit against invoicing	167,664.41	332,335.59	Trade receivables	250,000.00
Factoring, cash against invoicing	3,494,393.60	505,606.40		

As at 31 December 2019, Enersense Group's business mortgages in effect not allocated to liabilities amounted to EUR 4.6 million.

Lease agreements

Total lease liabilities	202,095.48
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Other contingent liabilities

Corporate credit cards, agreed limit of EUR 42,001.02, of which outstanding	21,862.75
Equity-based investment obligation until 2024	890,979.40
Lease liabilities related to the Group's business premises and leased apartments for 2020	254,845.00

Covenants

The Company did not meet the covenants related to equity ratio and gearing included in its financing agreement in effect on 31 December 2019. Nordea Bank Plc has informed that it will not use its right to default its receivables on the basis of the covenant breaches. Instead, Nordea Bank Plc requires that:

- Enersense International Plc shall not distribute dividends for the year 2019;
- Investments to property, plant and equipment may not exceed EUR 1 million in 2020;
- The financial agreement and its terms and conditions shall be renegotiated in the beginning of 2020.

The covenants included in the financing agreement in effect on 31 December 2019 related to equity ratio (a minimum of 35%) and ratio of EBITDA to interest-bearing liabilities (a maximum of 2.5).

The financing agreement is shared with Corporatum Oy and Aaron Michelin. Michelin held 100% of Corporatum's shares as at 31 December 2019. Corporatum Oy is the parent company Corporatum Group. On the balance sheet date, Enersense International Plc was a part of Corporatum Group.

NOTES TO THE AUDITOR'S FEES

	31 Dec 2019	31 Dec 2018
Statutory audit (KPMG Oy Ab)	18,044.06	31,003.40
Other statutory assignments related to the audit (KPMG Oy Ab)	0.00	0.00
Tax consulting and other services (KPMG Oy Ab)	49,430.20	203,852.68

Notes to the personnel and members of the governing bodies

	31 Dec 2019	31 Dec 2018
Average number of personnel		
Number of the Company's employees during the period	884	727

Salaries and fees of the CEO and the members of the Board

	31 Dec 2019	31 Dec 2018
Salaries and fees of the CEO	163,266.77	144,311.20
Salaries and fees of the Board of Directors	68,000.00	60,000.00

Related party transactions and liabilities to related parties

	31 Dec 2019	31 Dec 2018
Market-based administration fee charged by the parent company	144,000.00	144,000.00
Loans granted to the executive management		
Balance at the end of the period	0.00	0.00

THE PARENT COMPANY – BALANCE SHEET

	31 Dec 2019	31 Dec 2018
ASSETS		
Non-current assets		
Intangible assets		
Immaterial rights	24,690.16	16,680.16
Total intangible assets	24,690.16	16,680.16
Property, plant and equipment		
Machinery and equipment	33,293.37	50,165.25
Property, plant and equipment, total	33,293.37	50,165.25
Investments		
Shares in Group companies	2,845,203.10	2,790,539.35
Investments to associated companies	943,796.64	503,796.64
Total investments	3,788,999.74	3,294,335.99
Total non-current assets	3,846,983.27	3,361,181.40
Current assets		
Inventories		
Finished products/goods	88,882.26	102,795.81
Total inventories	88,882.26	102,795.81
Receivables		
Non-current receivables		
Trade receivables	30,037.20	0.00
Receivables from Group companies	5,685,700.00	4,660,700.00
Receivables from associated companies	113,400.00	113,400.00
Other receivables	0.00	9,489.59
Total non-current receivables	5,829,137.20	4,783,589.59
Current receivables		
Trade receivables	4,802,950.39	3,916,037.90
Receivables from Group companies	1,370,551.16	715,573.04
Loan receivables	8,172.35	0.00
Other receivables	74,861.32	101,695.54
Prepaid expenses and accrued income	761,289.58	588,834.33
Total current receivables	7,017,824.80	5,322,140.81
Total receivables	12,846,962.00	10,105,730.40
Cash and cash equivalents	7,292.20	718,938.32
Total current assets	12,943,136.46	10,927,464.53
TOTAL ASSETS	16,790,119.73	14,288,645.93

	31 Dec 2019	31 Dec 2018
LIABILITIES AND EQUITY		
Equity		
Share capital	80,000.00	80,000.00
Reserve for invested unrestricted equity	6,454,039.50	6,454,039.50
Reserves in accordance with the Articles of Association	428,812.75	428,812.75
Retained earnings	1,908,420.27	2,873,860.97
Profit (loss) for the period	666.17	-965,440.70
Total equity	8,871,938.69	8,871,272.52
Liabilities		
Non-current liabilities		
Loans from financial institutions	1,020,833.25	1,370,833.29
Total non-current liabilities	1,020,833.25	1,370,833.29
Current liabilities		
Loans from financial institutions	2,454,164.84	752,604.57
Trade payables	1,137,968.48	1,045,645.76
Loans from Group companies	1,310,419.59	772,031.83
Other loans	730,566.93	453,536.48
Accrued income	1,264,227.95	1,022,721.48
Total current liabilities	6,897,347.79	4,046,540.12
Total liabilities	7,918,181.04	5,417,373.41
EQUITY AND LIABILITIES TOTAL	16,790,119.73	14,288,645.93

THE PARENT COMPANY – INCOME STATEMENT

	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Revenue	20,458,809.57	31,538,836.07
Other operating income	250,740.50	710,332.03
Materials and services		
Materials, supplies and goods		
Purchases during the period	-170,623.88	-639,296.07
Increase (+) / decrease (-) in inventories	-13,913.54	70,490.18
External services	-6,243,082.96	-7,925,582.17
Total materials and services	-6,427,620.38	-8,494,388.06
Personnel expenses		
Salaries and wages	-9,834,879.74	-15,981,625.07
Social security expenses	-1,987,054.67	-3,304,388.42
Pension expenses	-1,666,158.27	-2,699,171.03
Other social security expenses	-320,896.40	-605,217.39
Total personnel expenses	-11,821,934.41	-19,286,013.49
Depreciation, amortisation and impairment		
Depreciation according to plan	-20,506.38	-20,891.75
Total depreciation, amortisation and impairment	-20,506.38	-20,891.75
Other operating expenses	-2,263,265.66	-4,592,195.03
Operating profit (loss)	176,223.24	-144,320.23
Financial income and expenses		
Income from Group companies	0.00	14,000.00
Other interest and financial income		
From Group companies	147,631.28	141,453.49
From others	6,142.76	-15,464.86
Interest and other financial expenses		
To Group companies	-10,794.38	-33,076.80
To others	-214,226.85	-931,627.48
Total financial income and expenses	-71,247.19	-824,705.65
Result before appropriations and taxes	104,976.05	-969,025.88
Appropriations		
Group contributions paid	-104,000.00	0.00
Income tax	-309.88	3,585.18
Profit (loss) for the period	666.17	-965,440.70

THE PARENT COMPANY – CASH FLOW STATEMENT

	31 Dec 2019	31 Dec 2018
Profit (loss) before appropriations and taxes	104,976.05	-969,025.88
Adjustments		
Depreciation, amortisation and impairment	20,506.38	20,891.75
Financial income and expenses	71,347.19	824,705.65
Other adjustments		
Change in working capital		
Increase (-) / decrease (+) in current receivables	-1,695,683.99	3,702,037.21
Increase (+) / decrease (-) in inventories	13,913.55	-70,490.18
Increase (+) / decrease (-) in current liabilities	1,149,247.40	-3,568,300.85
Interest payments and repayment of liabilities	-225,121.23	-933,082.34
Received dividends in operations	0.00	0.00
Received interest and other financial income	153,774.04	108,376.69
Group contributions paid	0.00	0.00
Taxes paid	-97,006.50	3,585.18
Cash flow from operating activities	-504,047.11	-881,302.77
Cash flow from investing activities		
Investments to tangible and intangible assets	-42,403.93	-31,144.83
Investments to shares		
Investments to associated companies	-440,000.00	-119,720.00
Investments to subsidiaries	-31,207.70	-2,672,400.00
Change in loan receivables	-1,045,547.61	-3,714,250.00
Cash flow from investing activities	-1,559,159.24	-6,537,514.83
Cash flow from financing activities		
Funds collected through share issue and increase in reserves	0.00	6,454,039.50
Change in non-current loans	-350,000.04	1,062,804.47
Repayment of current loans	1,701,560.27	-1,201,500.83
Cash flow from financing activities	1,351,560.23	6,315,343.14
Change in liquid assets	-711,646.12	-1,103,474.46
Cash and cash equivalents as at 1 January	718,938.32	1,822,412.78
Cash and cash equivalents as at 31 December	7,292.20	718,938.32
Change in cash and cash equivalents, increase (+) / decrease (-)	-711,646.12	-1,103,474.46

THE PARENT COMPANY – NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

Valuation principles and methods

Non-current assets are valued at acquisition cost less depreciation according to plan. Inventories are valued at variable acquisition cost in accordance with the FIFO principle and the lowest value.

Investments are valued at acquisition cost.

Accrual principles and methods

Acquisition cost of fixed assets is depreciated according to predefined plan. Machinery and equipment with a usable life of under three years, as well as small acquisitions in the meaning of the Act on the Taxation of Business Income, are recognised as an expense for the acquisition period in their full amount.

Revenue recognition principles and methods

Revenue is recognised on accrual basis. As at the balance sheet date, there was no work-in progress with fixed price. When necessary, revenue is recognised according to the completion rate.

Revenue is derived from sales of resources.

Accounting principles applied to cash flow statement

Cash flow statement is prepared by applying the financial statements model included The Finnish Accounting Standards Board's (KILA) general guidelines.

NOTES TO THE INCOME STATEMENT

Basis for depreciation according to plan

Machinery and equipment

25% depreciation of residual value

Intangible assets

Linear depreciation over 5 years

Income from associated companies, interest income and expenses

	31 Dec 2019	31 Dec 2018
Dividends from Group companies	0.00	14,000.00
Interest income from Group companies	147,631.28	141,453.49
Interest income from others	6,142.76	-15,454.86
Interest expenses to Group companies	-10,794.38	-33,076.80
Interest expenses to others	-214,226.85	-931,627.48
Appropriations		
Group contributions granted	104,000.00	0.00
Other operating income		
Income from restaurant services	247,353.38	682,626.88
Other income	3,387.12	0.00

NOTES TO THE LIABILITIES IN THE BALANCE SHEET

Acquisition costs of machinery and equipment included in non-current assets not depreciated

	31 Dec 2019	31 Dec 2018
Machinery and equipment	33,293.37	50,165.25

	31 Dec 2019	31 Dec 2018
Significant items included in accrued income		
Income tax accrual	40,151.62	122,065.00
Revenue accrual	507,133.35	192,611.52

Changes in intangible assets

Intangible assets as at 1 January	16,680.16	5,905.16
Increase during the period	12,180.00	14,945.00
Amortisation in accordance with plan over the period	-4,170.00	-4,170.00
Intangible assets as at 31 December	24,690.16	16,680.16

Changes in property, plant and equipment

Property, plant and equipment as at 1 January	50,165.25	55,861.92
Increase during the period	0.00	16,525.23
Decrease during the period	-535.50	-5,500.15
Depreciation according to plan over the period	-16,336.38	-16,721.75
Property, plant and equipment as at 31 December	33,293.37	50,165.25

Breakdown of receivables from Group companies and associated companies

Investments to associated companies	943,796.64	503,796.64
Other non-current receivables	4,865,700.00	4,660,700.00
Current trade receivables	90,278.02	91,964.92
Other current receivables	119,414.08	623,608.12
Total receivables from Group companies	6,019,188.74	5,880,069.68

Investments to associated companies

Smaragdus Oy	598,440.00	158,440.00
Yrittäjien Voima Oy	345,356.64	345,356.64

NOTES TO THE LIABILITIES IN THE BALANCE SHEET

Change in equity

	31 Dec 2019	3 Dec 2018
Share capital as at 1 January	80,000.00	9,000.00
Increase in share capital		71,000.00
Share capital as at 31 December	80,000.00	80,000.00
Legal reserve as at 1 January	312,642.01	312,642.01
Legal reserve as at 31 December	312,642.01	312,642.01
Restricted equity	392,642.01	392,642.01
Reserve for invested unrestricted equity as at 1 January	6,570,210.24	187,170.74
Investment in the period	0.00	6,454,039.50
Decrease in the period	0.00	-71,000.00
Reserve for invested unrestricted equity as at 31 December	6,570,210.24	6,570,210.24
Retained earnings as at 1 January	2,873,860.97	2,873,860.97
Dividends distributed for the period	0.00	0.00
Retained earnings as at 31 December	1,908,420.27	2,873,860.97
Profit (loss) for the period	666.17	-965,440.70
Unrestricted equity	8,479,296.68	8,478,630.51
Total equity	8,871,938.69	8,871,272.52
Distributable unrestricted equity		
Reserve for invested unrestricted equity	6,570,210.24	6,570,210.24
Retained earnings	1,908,420.27	2,873,860.97
Profit (loss) for the period	666.17	-965,440.70
Total distributable unrestricted equity	8,479,296.68	8,478,630.51

Due to the covenants, Enersense International Plc does not pay dividends for the year 2019.

Breakdown of liabilities to Group companies and associated companies

Trade liabilities	736,419.59	772,031.83
Other liabilities	574,000.00	0.00
Total liabilities to Group companies	1,310,419.59	772,031.83

Significant items included in accrued expenses

Salary liabilities	88,267.76	79,117.69
Holiday pay liabilities	853,442.19	717,117.69
Statutory insurance premiums	149,763.99	47,752.66

COLLATERAL AND CONTINGENT LIABILITIES

Type of liability	Available	Outstanding	Collateral type	Total collateral
Credit limit	1,012,861.92	387,138.08	Business mortgage	1,400,000.00
Loans from financial institutions	800,000.00	2,795,833.29	Business mortgage	4,000,000.00
Factoring, credit against invoicing	167,664.41	332,335.59	Trade receivables	250,000.00
Factoring, cash against invoicing	3,494,393.60	505,606.40		

As at 31 December 2019, the parent company's business mortgages in effect not allocated to liabilities amounted to EUR 1.6 million.

Other contingent liabilities

Equity-based investment obligation until 2024	890,979.40
Lease liabilities	60,402.10

Covenants

The Company did not meet the covenants related to equity ratio and gearing included in its financing agreement in effect as at 31 December 2019. Nordea Bank Plc has informed that it will not use its right to default its receivables on the basis of the covenant breaches. Instead, Nordea Bank Plc requires that:

- Enersense International Plc shall not distribute dividends for the year 2019;
- Investments to property, plant and equipment may not exceed EUR 1 million in 2020;
- The financial agreement and its terms and conditions shall be renegotiated in the beginning of 2020.

The covenants included in the financing agreement in effect on 31 December 2019 related to equity ratio (a minimum of 35%) and ratio of EBITDA to interest-bearing liabilities (a maximum of 2.5).

The financing agreement is shared with Corporatum Oy and Aaron Michelin. Michelin held 100% of Corporatum's shares as at 31 December 2019. Corporatum Oy is the parent company of Corporatum Group. On the balance sheet date, Enersense International Plc was a part of Corporatum Group.

Other contingent liabilities on behalf of Group companies

Warranty liability	2,250,000.00
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Lease agreements

Lease payments maturing	during the present financial year	26,355.85
	during the subsequent financial years	24,339.70

NOTES TO THE AUDITOR'S FEES

	31 Dec 2019	31 Dec 2018
Statutory audit (KPMG Oy Ab)	18,044.06	31,003.40
Tax consulting and other services (KPMG Oy Ab)	49,430.20	203,852.68

NOTES TO THE PERSONNEL AND MEMBERS OF THE GOVERNING BODIES

Average number of employees	31 Dec 2019	31 Dec 2018
	232	456
Salaries and fees of the Board members	31 Dec 2019	31 Dec 2018
Salaries and fees of the Board of Directors	68,000.00	60,000.00

SHAREHOLDINGS IN OTHER COMPANIES

Group companies	Shareholding (%)
Enersense Oy, Pori	100%
Enersense Engineering Oy, Pori	100%
Enersense Works Oy, Pori	100%
Enersense AS, Norway	100%
Enersense Solutions Oy, Pori	100%
Enersense Hungary Kft.	80%
Värväämö Oy, Helsinki	100%
Enersense HSE Oy, Pori	90%
Enersense S.A.S, France	100%
Enersense GmbH, Germany	100%
Enersense Irmak İnşaat Proje Yönetimi Sanayi ve Ticaret A.Ş.	50.1%
Nordic Business Partners Oy, Pori	100%
Process Communication Finland Oy, Pori	100%
Enersense Henkilöstöpalvelut Oy, Pori	100%
 Associated companies	
Smaragdus Oy, Helsinki	20.3%
Yrittäjien Voima Oy, Espoo	40%

THE COMPANY'S SHARES

The Company has 5,947,729 shares. Each share entitles to one vote.

NOTES TO THE PARTY OBLIGED TO KEEP RECORDS INCLUDED IN THE GROUP

As at the balance sheet date, the Company was a part of Corporatum Group. Corporatum Group's parent company is Corporatum Oy, domiciled in Pori. A copy of the consolidated financial statements is available from Corporatum Oy at Antinkatu 2, FI-28100 Pori, Finland.

SIGNATURES OF THE FINANCIAL STATEMENTS

In Helsinki, 16 March 2020

Jussi Holopainen
The CEO

Aaron Michelin
Chairman of the Board

Sampo Ahonen
Member of the Board

Ilkka Starck
Member of the Board

Kalervo Röttsä
Member of the Board

Asko Schrey
Member of the Board

AUDITOR'S NOTE

A report on the audit conducted has been issued today.

In Helsinki, 16 March 2020

Auditing firm
KPMG Oy Ab

Mauri Eskelinen, Authorised Public Accountant (KHT)

LIST OF ACCOUNTING RECORDS AND MATERIALS

Journal	Electronic archive
Ledger	Electronic archive
Financial statements	Separately bound
Balance sheet itemisations	Separately bound

RECORD TYPES AND ARCHIVING METHODS

Sales invoices	Electronic archive
Purchase invoices	Electronic archive of recording the receipts
Electronic invoices (for purchases)	Electronic archive
Travel and expense invoices, notes	Electronic archive
Salaries and wages	Electronic archive
Bank statements, payment receipts	Electronic archive
VAT calculations	Electronic archive
Periodic tax returns	Electronic archive
Records for the notes	Electronic archive

Original purchase invoices received on paper are archived in paper format by the party obliged to keep accounts. If an invoice on paper is scanned, it is only archived in an electric paperless archive.

Original receipts attached to travel and expense invoices are archived in paper format by the party obliged to keep accounts on paper. If an invoice on paper or its appendices are scanned, they are only archived in an electric paperless archive.



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This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of Enersense International Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Enersense International Oyj (business identity code 0609766-7) for the year ended 31 December, 2019. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

In our opinion, the financial statements give a true and fair view of the group's and the 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.

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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 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 skepticism 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 company 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.

Other Reporting Requirements

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, 16 March 2020

KPMG OY AB

MAURI ESKELINEN
Authorised Public Accountant, KHT