Enedo's year 2020

Enedo
RESHAPING ELECTRICITY

AMPS WITH PASSION

Contents

Enedo in brief

POWER SUPPLY PRODUCTS AND SOLUTIONS TO DEMANDING APPLICATIONS

Enedo is an international Group that designs, develops and produces demanding power systems and power supplies. A power supply is used to convert electrical energy into a different form needed by the end application or device. Its customers include, among others, Original Electronic Manufacturers (OEM) as well as wholesalers and distributors in the field. The company's main markets are in Europe and the United States.

Enedo also produces system solutions for power conversion and energy storage. The company's power supplies are either standard solutions or customer-specific customizations, and they observe the current and future needs of the customers

Electrification and digitalization is one of the current and future megatrends. Electricity can be converted for many uses with a good efficiency, such as mechanical movement, heat or chemical energy. Likewise, kinetic energy will be converted or returned into electricity more and more in the future. Enedo is involved in the electrification and digitalization of its customers' businesses and operating environments, helping to create more favorable conditions for sustainable development.

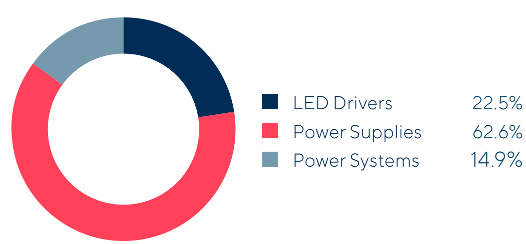
All the Enedo units hold ISO 9001 quality certifications and ISO 14001 environmental certifications.

In 2020, the company's net sales amounted to EUR 38.5 million, and it had 371 employees on average.

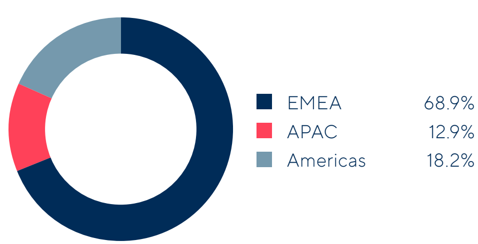
Since 2020, Enedo has had three product categories. The Power Supplies product category includes industrial power supplies, the LED Drivers product category contains power supplies focusing on lighting applications and the Power Systems product category includes system products and rail power systems.

ENEDO OPERATES IN TUNISIA, ITALY, FINLAND AND THE UNITED STATES

The company's net sales by product category in 2020, total EUR 38.5 million



Net sales by areas



Financial year 2020 in brief

Group key figures in brief		2020	2019
Net sales	MEUR	**38.5**	43.3
Adjusted EBITDA	MEUR	**-0.4**	1.2
EBITDA	MEUR	**-0.8**	1.1
Adjusted operating profit/loss	MEUR	**-3.9**	-2.4
Operating profit/loss	MEUR	**-4.3**	-2.6
Profit/loss before taxes	MEUR	**-5.4**	-2.7
Profit/loss for the period	MEUR	**-6.2**	-2.6
Return on equity (ROE) *	%	**-803.6**	-39.2
Return on investment (ROI) *	%	**-27.6**	-9.2
Cash flow from operating activities	MEUR	**-2.3**	-0.5
Net interest-bearing liabilities	MEUR	**16.8**	12.6
Solvency ratio	%	**-7.4**	11.5
Net gearing**	%		342.1
Earnings per share***	EUR	**-0.74**	-0.31
Equity per share***	EUR	**-0.26**	0.44
Dividend per share***	EUR	**–**	–
Share price on December 31***	EUR	**0.90**	2.60
Market capitalization on December 31	MEUR	**7.6**	21.9
Personnel, average		**371**	388

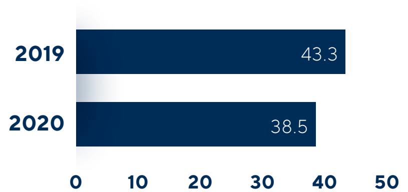
* The discontinued operations are not itemized for the equity and investment.
** Net gearing is not presented for 2020 due to the negative equity.
*** The number of outstanding shares has been adjusted to reflect the number of shares after the reverse split.

Enedo's updated strategy was published in February 2020. Its aim is a turnaround of Enedo into a profitable company through business growth and the turnaround program supporting cost efficiency.

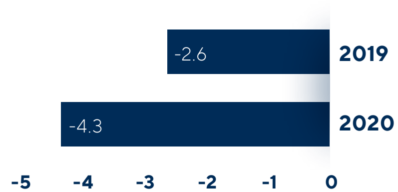
We took some significant steps in 2020 with the new product grouping, the reorganization of sales and marketing and the reorganization of production.

The negative impacts of the COVID-19 pandemic, however, clearly exceeded the benefits gained, which is reflected in our key figures.

Net sales, MEUR



Operating profit/loss, MEUR



Return on investment (ROI), %

Review by the President and CEO

The start of the COVID-19 pandemic turned 2020 into a completely exceptional year that was very challenging for Enedo as well. The impacts of COVID-19 pandemic for Enedo were mainly caused by restrictions of production in Tunisia as well as sales development in LED Drivers and Power Supply categories. During the pandemic, ensuring the health and safety of our personnel and, at the same time, safeguarding the continuity of business became more important than ever before.

Enedo's second half-year was clearly better than the first one in terms of operations, while in terms of the development of net sales and profit, it was clearly worse than expected. The company's own operations and the planned change projects moved forward, but business development was slower than expected mainly due to the various COVID-19 restrictions and impacts.

The challenges in the supply chain that burdened the first half-year were fixed fully in the second half-year, and we continued our production in Tunisia throughout the second half of the year. The delivery delays of the first half of the year were mainly resolved by the end of September.

The turnover of LED Drivers and especially of Systems products increased compared to the first half of the year. The development of the Systems business was the highlight of the entire financial period and the second half-year as well. The stronger recovery in the demand for LED Drivers kept moving forward during the second half-year, and as a result of this, we decreased our business and profitability guidance in October.

In spite of the positive start of the sales organization renewed at the beginning of 2020 and the growth in the Systems category, the company's net sales, EUR 38.5 million, decreased by EUR 4.8 million year-on-year. Due to the low net sales, the adjusted operating profit for the financial year was EUR 3.9 million negative.

The demand for LED Drivers is linked to entertainment and culture, which caused a significant drop from the comparison period and amounted to EUR 8.7 million (2019: EUR 11.5 million). The net sales of the Systems product category, on the other hand, increased by one third and amounted to EUR 5.7 million (2019: EUR 4.3 million). The positive development of the Systems net sales resulted from the extension of the MHE product category and the development of sales in particular as well as the new train system orders and the start of sales in the United States. In the Power Supply category, the net sales amounted to EUR 24.1 million, corresponding to a decrease of EUR 3.4 million from the previous year. This was primarily due to the challenges in deliveries in the first half of the year and the temporary decrease in the demand for customer products.

In terms of sales by area, the biggest change can be seen in the US market: in 2018, net sales were EUR 10.7 million, in 2019 EUR 11.1 million and in 2020 EUR 7.0 million. The uncertainty that started in the United States during the first half of the year continued throughout the second half as well. This was due to, in particular, the delays in the start of sales to new, already established customers, the lockdowns initiated by US companies and the general COVID-19 situation in the United States. Distributors also continued with the optimization of their storage levels in order to respond to the uncertainty in the US market. Despite the challenges in the American markets, we got off to a good start of Systems products sales there.

We responded to the slow recovery of net sales and the delayed onset of growth by continuing the cost saving actions initiated in the first half of the year with the temporary layoffs of our Italian personnel being the most important action. Such actions continued throughout the second half of the year. The actions implemented resulted in temporary cost savings of approximately EUR 0.4 million in the second half of the year.

On February 16, 2021, we announced that we are planning a rights issue totaling EUR 12 million and a conditional cancellation of debts totaling EUR 3.3 million. The company intends to execute a turnaround program aimed at a substantial positive change in its financial results by the end of 2023. The key elements of the turnaround program are estimated permanent annual savings exceeding EUR 4 million in direct and indirect costs over the period 2021–2023 compared to the 2020 cost level (excluding temporary layoffs and other temporary savings), an annual increase in sales from 5 to 10 percent, and a clear improvement of the balance sheet and financing structure.

I am still confident that, together with our strategy and the reorganization measures implemented, the turnaround program will give a solid basis for building a profitable future and increasing the company's business operations. I wish to thank our personnel for their commitment and hard work and our shareholders, customers and suppliers for their solid support also in this challenging year. I believe and trust that Enedo's products and solutions will give each of you more and more benefits in the coming months and years.

Vesa Leino
President and CEO,

LED Drivers

In 2020, LED Drivers accounted for approximately 23 percent of Enedo's net sales. The products of this product category are low or high power LED drivers used in different lighting products. Enedo's portfolio used to focus on low power LED drivers used in indoor lighting solutions in particular, but the company has been moving its focus to the high power LED driver market and succeeded in increasing its share and sales in this market.

In the low power LED drivers, Enedo's key strength lies in the solid development and recognized status of the Strato product range, and the company has been able to utilize this in its transfer towards the high power LED driver market. Furthermore, Enedo launched a new next-generation Strato Evo product range in 2018, providing the possibility to program the driver's characteristics as the main added value to the customer. This reduces the customers' need for storage and decreases the capital invested in the inventory.

In the high power LED drivers, Enedo is able to utilize its key strengths, such as its long experience, project capabilities and the reliability, robustness and product intelligence of its products even better.

Examples of final products using LED drivers include stadium, airport and industrial lighting, among others.

Power Supplies

In 2020, Power Supplies accounted for approximately 63 percent of Enedo's net sales. The products manufactured in this category include standard solutions sold to all the customers as well as customer-specific customized power supply solutions. The products of this product category are mainly sold to the North American and European markets, but also to the Far East. The products are either produced in our Tunisian plant or procured from contract suppliers.

The customer-specific customizations are based on the product platforms developed by Enedo that can be used in other products offered to customers.

In Power Supplies, Enedo's strength lies in long-term customer relation-ships based on years of experience and expertise in the different sub-segments of the industry. The most important customers include, among others, the leading US testing and instrumentation industry company, a leading Czech stage lighting manufacturer, a Finnish telecommunications company, a Finnish paper and energy industry system supplier, a Belgian high-tech company providing visual solutions and a leading US manufacturer of large video screens.

The products of the Power Supplies category are used in different kinds of demanding applications, such as industrial automation, industrial testing, LED displays, transport equipment and healthcare equipment.

Power Systems

In 2020, Power Systems accounted for approximately 15 percent of Enedo's net sales. Its products include power supply products, customized power supply packages and turnkey delivery projects for the railway industry, among others. Enedo also develops IoT-enabled condition monitoring of power supply and power distribution packages, which is utilized in smart battery chargers, for example.

About half of the sales of this product category come from power supply systems and half from individual power supply products. The DC reserve power system is a key product in the category, taking care of the necessary storage of energy and energy supply in situations when the normal energy supply fails.

In 2018, Enedo launched the next-generation Modular High Efficiency (MHE) rectifier product. The design of MHE is based on passive cooling. The product does not require any kind of a fan or other forced circulation of cooling air. With an efficiency of over 97 percent, the company estimates that Enedo's MHE products are at the very top of this sector of industry.

The Power Systems product category focuses on the North European, Russian and East European markets where Enedo is a recognized power supply brand and the competition mainly consists of local system integrators or device manufacturers.

Enedo's strengths in this product category include its comprehensive power supply competence and technological expertise, ranging from individual power supplies to system-level design and maintenance over the product's service life. Enedo's competence gives a competitive advantage over other operators in the field with many companies solely focusing on system integration using third-party power supply products and components. Enedo's particular strength lies in its own solutions based on its passive cooling products suitable for demanding industrial conditions.

Growth areas in this product category in the nearby markets include energy production and distribution as well as IT and data communications. Railway customers provide growth opportunities in Central Europe. In these growth areas, Enedo is able to utilize its comprehensive competence ranging from the design of power supply solutions to lifecycle maintenance services.

The products of the Power Systems category are used especially in demanding environments, such as the monitoring and control of transmission and distribution of electricity, oil and gas production and processing, automation, rail traffic, data communications and maritime transport.

Enedo’s strategy and objectives

ENEDO UPDATED ITS STRATEGY AT THE BEGINNING OF 2020

Enedo launched its new brand identity, strategy and logo at the beginning of 2020 and changed its name from Efore Plc to Enedo Plc in February 2020.

Enedo’s strategy was published in February 2020. It aims at the turnaround of Enedo into a profitable company through business growth and the turnaround program supporting cost efficiency.

Enedo aims at increasing its net sales and improving its profitability, and the company transitioned to a global sales organization in 2020 to support these objectives. The company’s sales are focused in Europe and especially in Northern America. It also seeks to offer a more attractive product portfolio and larger product packages to its current customers and to enforce Enedo’s position as a cooperation partner. Enedo will be actively looking for new customers in the market for products and solutions intended for demanding operational environments.

Future growth areas include, for example, smart electricity grids, process automation redundancies, different uses of LED lighting with higher power and expansion to the solutions needed by railroads and other demanding traffic systems.

ENEDO’S MISSION

- Smart solutions for electric future

ENEDO’S STRENGTHS

- Energy efficient products and the capability to utilize the opportunities arising from digitalization
- Excellent technical know-how and understanding of customers
- Reputable, solvent and well-known customers
- Customer satisfaction arising from durable products of high quality
- Experienced and capable management
- Flexible and scalable operating model
- Understanding of production

ENEDO’S STRATEGIC STRENGTHS

LIFETIME VALUE

- Developing intelligent, customized, modular and high-performance systems in close partnership with key customers. Enedo products focus strongly on life cycle management and total cost optimization.

SMART CUSTOMIZATION

- Flexible combination of efficient product platforms and module development ensure that customer and customization needs are fulfilled cost-efficiently and fast.

PARTNERSHIPS

- Enedo technologies, product development capabilities and capacity are strengthened by close co-operation with carefully selected partners.

COST EFFICIENCY

- Enedo continues to improve its operations and cost efficiency by renewing the operational IT systems and by improving the raw material availability and cost-efficiency with close partnerships. Enedo’s organizational model supports simple and quick decision making, further improving the cost efficiencies.

Strategy path

2017–2019

- Significant reorganizations to enable the turnaround
  - Outsourcing of manufacturing in China
  - Divestiture of the telecommunications business
  - Acquisition of Powernet to strengthen the industrial business
  - Merging of Efore's Systems business with Powernet
  - Starting of the restructuring of the remaining production
- Improving cost efficiency
  - Merging of Powernet and the Systems business
  - The above measures resulted in annual savings of EUR 1.3 million by 2019 compared to the 2017 level
  - Relocation of the head office from Espoo to Vantaa

2020–2021 TURNAROUND THROUGH CHANGE PROJECTS

- Focus on industrial business and three product categories
  - Power Supplies
  - LED Drivers
  - Power Systems
- Transition to global sales organization > synergies in sales and marketing
- Utilizing the North American market potential and growth in the high power LED and system products
- Enhancing the efficiency of the supply chain
- Planning and implementing structural reforms and enabling change projects
- Strengthening the balance sheet and reducing financial risks

2021– A COMPANY OF PROFITABLE GROWTH

- Finalization of the "one group" structure and decreasing the operational expenses to the next level
- Utilization of the synergies provided by the global sales organization and expanding the focus from customers to markets
- Utilization of the benefits of turnaround projects (ERP, more cost-efficient supply chain in rail and power system operations, improved productivity in Tunisia, more efficient organization in Italy)
- Utilization of the improved balance sheet and financial position on the long term and deepening new customer relationships by increasing our share in the customer's procurements
- Continuous improvement of the cost structure and the new operating model

Industry review

The global megatrends in the power supply market support power supply manufacturers utilizing high technological competence in particular. In Enedo's operations, the growing use of LED lighting, for example, supports the market for a certain segment of power sources, because LED lighting always needs a separate power source. In addition, Enedo estimates that in the manufacturing industries, the increasing use of automation and new technologies are leading to higher demand for power sources.[1]

Enedo's primary target market comprises LED lighting, industry, healthcare and transport (rail, sea, air). All of these are expected to grow in 2021–2024.

In the power supply market, the customers include Original Electronic Manufacturers (OEM) as well as wholesalers and distributors in the field. Power supplies are components used in the OEM company products sold to end users. Power supplies are sold to OEMs either directly or through wholesalers or distributors. The power supply market value in the United States in 2019 was approximately USD 42.5 billion. Of this, approximately 74 percent consisted of power supplies sold by power supply manufacturers to OEMs and the remaining 26 percent of power supplies manufactured by OEMs for their end products. Enedo only operates in the first of these markets, i.e., the commercial power supply market where the products are sold to OEMs either directly or through wholesalers or distributors.

In 2020, the size of the commercial power supply market was estimated to be approximately USD 31 billion. The size of the market is expected to grow to USD 39.1 billion in 2024 with an average annual growth of 4.3 percent in 2019–2024. While the market as a whole is growing only at a moderate rate, its segments are growing at different speeds.[4]

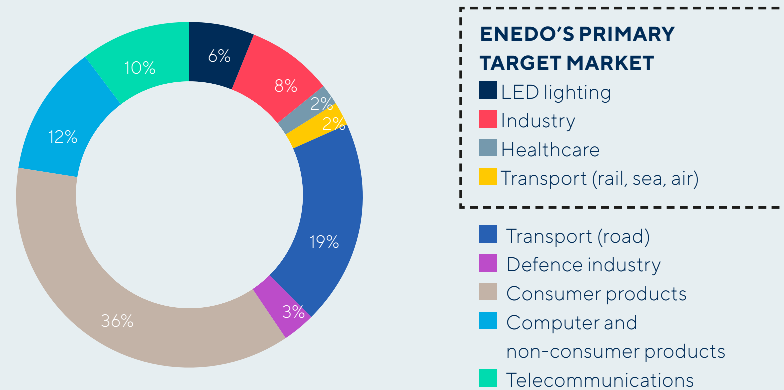
More than one thousand companies are active in the global power supply market and, apart from a couple of exceptions, there are no major operators controlling the market shares. This means that medium-sized operators, such as Enedo, according to the management's assessment, have the opportunity to increase their market share and grow faster than the market through special expertise or significant accounts.

[1] The management's assessment.
[2] Micro-Tech Consultants. Global Switching Power Supply Industry 2020. 10/2020
[3] Micro-Tech Consultants. Global Switching Power Supply Industry 2020. 10/2020
[4] Micro-Tech Consultants. Global Switching Power Supply Industry 2020. 10/2020

The estimates of this industry segment assume that vaccinations against COVID-19 will be developed in 2021 and that the majority of the global population will be vaccinated by the end of 2022 and that the segment will return to normal in 2022[3].

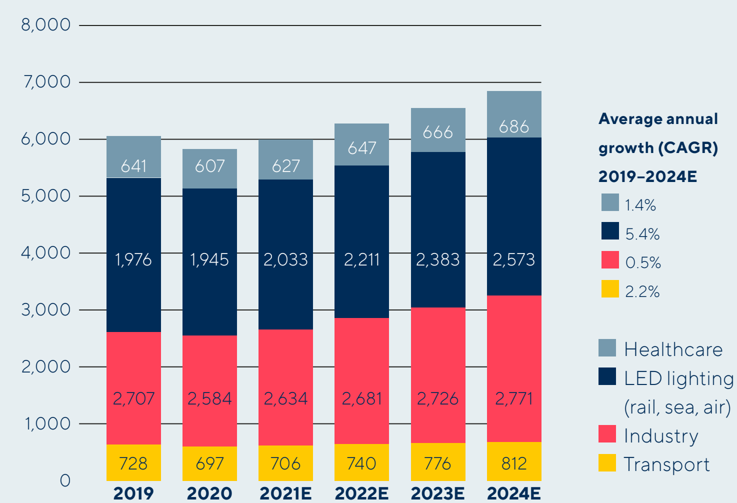
COMMERCIAL POWER SUPPLY MARKET IN 2020E (USDM)

Source: Micro-Tech Consultants. Global Switching Power Supply Industry 2020



THE COMPANY'S MAIN MARKET BY SEGMENT 2019–2024E (USDM)

Source: Micro-Tech Consultants. Global Switching Power Supply Industry 2020



Report of the Board Of Directors 2020

Enedo Plc is an international Group that develops and produces demanding power products. In 2020, Enedo complied with the Insider Guidelines issued by Nasdaq Helsinki Ltd as well as the Finnish Corporate Governance Code 2020 for Listed Companies issued by the Securities Market Association.

The Corporate Governance Statement and Remuneration Report will be published as a separate report on the Group's website.

GROUP STRUCTURE

At the end the financial year Enedo Group consisted of the parent company Enedo Plc and its directly or indirectly wholly owned operational subsidiaries Enedo S.p.A. in Italy, Enedo Sarl in Tunisia, Enedo Inc. in the United States, Enedo Holding Oy and Enedo Finland Oy both in Finland. Other subsidiaries were Efore (USA) Inc. in United States, Efore (Suzhou) Automotive Technology Co., Ltd in China, Efore OU in Estonia and Enedo (Hongkong) Co. Ltd in China.

CONTINUING OPERATIONS' FULL-YEAR NET SALES, OPERATING PROFIT AND ADJUSTED OPERATING PROFIT

Despite the positive launch of the new sales organization changed at the beginning of 2020 and the growth of the Power Systems product category, full-year net sales were EUR 38.5 million and EUR 4.8 million below 2019. The adjusted operating profit for the financial year was negative EUR 3.9 million due to low net sales. The operating profit for the financial year was EUR -4.3. EUR (EUR -2.6 million). Adjusted operating profit for the financial year was EUR -3.9 million. EUR (EUR -2.4 million).

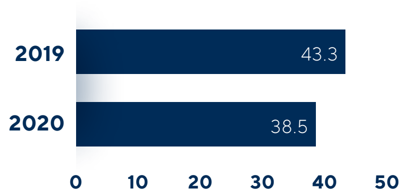
Operating profit includes EUR 0.2 million of impairment of capitalized product development costs.

Reconciliation of adjusted operating profit/loss:

ADJUSTED OPERATING PROFIT/LOSS (MEUR)

	1–12/2020 12mo	**1–12/2019 12mo**
Operating profit/loss	**-4.3**	-2.6
Adjustments in operating profit/loss		
Resctructuring costs related to personnel		0.1
Production re-organisation	**0.2**	0.2
Provision release relating to a claim		-0.2
Enedo planning related expenses	**0.2**	0.1
Adjustments in operating profit/loss Total	**0.4**	0.2
Adjusted operating profit/loss Total	**-3.9**	-2.4

Net sales, MEUR



Operating profit/loss, MEUR

Return on investment (ROI), %

BUSINESS DEVELOPMENT

At the beginning of the year 2020, we renewed our business monitoring in accordance with the new product category division and present the development of net sales separately for these three product categories in the financial statements. Enedo's new product categories are Power Supplies, Led Drivers and Systems. The Power Supplies product category consists of industrial power supplies, the Led Drivers category of lighting solutions, and the Systems category includes DC system products and rail power supply solutions.

The net sales of the Power Supplies product category during the financial year were EUR 24.1 million, EUR 3.4 million weaker than at the same time last year. The net sales of the Led Drivers product category were MEUR 8.7, EUR 2.8 million weaker than in the last financial year. The Power Systems product category, on the other hand, saw growth. Net sales of Power Systems products during the financial year were EUR 5.7 million, EUR 1.3 million higher than in the last financial year.

The net sales of the Power Supplies product category in the second half of the year were EUR 11.4 million, EUR 1.5 million weaker than at the same time last year. The net sales of the Led Drivers product category was EUR 4.4 million, EUR 0.8 million weaker than in the comparison period of the previous year. The Systems product category, on the other hand, saw growth. The net sales of Systems products during the second half of the year were EUR 3.0 million, EUR 0.7 million higher than in the comparison period of the previous year. The most significant factors affecting business volume in the second half of the year were increased uncertainty and slow demand in the Led Drivers product category as a result of Covid-19, delivering delayed orders in the Power Supplies category and good growth in the Systems product category supported by MHE product.

MARKET OUTLOOK

In the industrial business, power supplies for LED lighting, measuring devices, healthcare equipment and infrastructure continue to provide many opportunities for growth. The company invests in customer segments where high reliability and long product life cycles are the determining factors.

SHORT-TERM RISKS AND UNCERTAINTIES

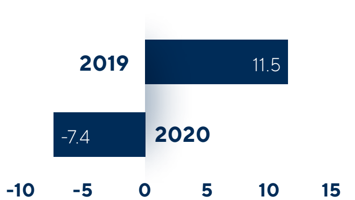
General economic developments may affect the company's business environment. Covid-19 has increased the level of uncertainty in the industry and, depending on the development of the pandemic, may have potential effects on our customers' ability to operate, the demand for their end products and the general industrial operating environment. In the Led Drivers and Power Supplies product categories, the effects of Covid-19 may be reflected in a postponement of demand for leisure and sports-related lighting systems when spectator capacity is underutilized. Opening of new retail stores e.g. in the clothing retail business has at least temporarily slowed down, which may affect the demand for new lighting solutions and the renewal of old ones.

The most significant business risks are related to the success of key customers' products in the market. The progress of Enedo's product development projects depends in part on the schedules of customers' own projects. In addition, the fluctuations in demand typical of the market cause rapid changes in Enedo's business.

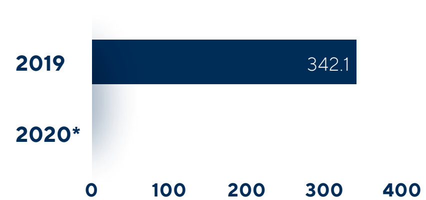
Due to the nature of the business, Enedo is subject to claims, of which the final solution cannot be predicted. Based on current information, these claims are not expected to have a material impact on the Group's financial position.

The delivery times of the components required by the company are partly long and there may be difficulties in obtaining certain components from time to time, which may affect the delivery capacity. Covid-19 has also increased the level of uncertainty in each country, which may affect our delivery capacity. The effects of Covid-19 can be reflected in an unforeseen change in behavior in both supply chains and the company's customers. Examples of this can be e.g. changes in payment

Solvency ratio, %

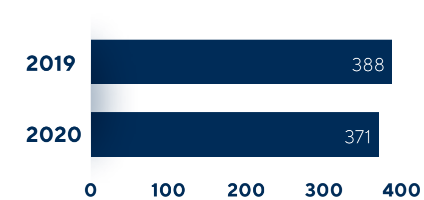


Gearing, %



* Net gearing is not presented for 2020 due to the negative equity.

Personnel, average



terms and orders. The company's high indebtedness, relatively low liquidity and the use of receivables financing increase the company's sensitivity to negative market changes.

The company's own production is concentrated in one factory in Tunisia. Tunisian production is exposed to a general country risk. Tunisia's national corona actions, the political environment and other factors affecting the plant's viability are partly beyond the company's control.

There are risks relating to the adequacy of funding, that the company seeks to manage through active planning and implementation of various alternatives. Due to the increased financial uncertainty caused by the Covid-19 pandemic, the Group has updated its estimates on uncertainties relating to liquidity risk, credit and counterparty risk as well as business continuity.

Share issues announced on 16.2.2021 involve uncertainty, with the exception of irrevocable subscription commitments. The development of the general stock market and the activity of investors have a material effect on the completion of the rights issue.

Covid-19

Throughout the financial year, we have continued to take active internal measures to ensure the health of our employees and continuity business. We have implemented internal guidelines and followed the guidelines of the local authorities in each country. Enedo has operations in Tunis (production), Italy (product development, sales), Finland (headquarters, product development, sales) and the United States (sales). Our management team monitors the development of Covid-19 in weekly calls and responds to changes immediately if necessary.

The estimated impact of Covid-19 on net sales during the financial year was negative EUR 3.0 – 4.0 million mainly due to the restrictions on Tunisian production by Tunisian government. There were additional costs associated with Covid-19 prevention, particularly in Italy and Tunisia. The temporary lay-offs of employees due to Covid-19 reduced the Group's operating costs during the financial year. The impact of Covid-19 on the result as a whole was estimated to be negative EUR 0.6 – 1.1 million. As a result of Covid-19 economic stimulus measures, the company raised loans guaranteed by the state-owned MCC in Italy. In Finland and Italy, the company has agreed to postpone certain taxes and employment pension contributions.

Investments and product development

Investments in the Group's continuing operations during the financial year were EUR 1.9 million (EUR 3.2 million), of which product development capitalizations accounted for EUR 1.3 million (EUR 2.1 million). At the end of the financial year, capitalized product development costs in the balance sheet were EUR 4.9 million (EUR 5.4 million).

During the financial year, capitalized product development costs were impaired by a total of EUR 0.2 million (EUR 0.2 million) mainly due to changes in the volume expectations of individual customers of some Italian products.

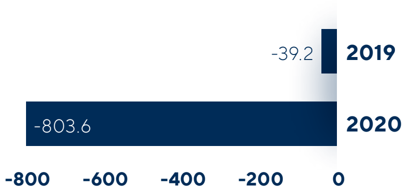
In total, product development costs during the financial year were EUR 4.2 million (EUR 4.5 million), of which EUR 1.3 million (EUR 2.1 million) were capitalized in the balance sheet and EUR 2.9 million (EUR 2.4 million) were recognized as expenses for the financial year thus 7.6% (5.5%) of net sales respectively.

Taking into consideration the short-term and mid-term effects of the Covid-19 pandemic to the business environment, the impairment testing has been conducted using lower net sales and profitability growth estimates than previous tests. As a result of the impairment testing, the parent company's investment into the Italian subsidiary has been impaired by EUR 5.3 million. The impairment does not effect group result but does weaken the parent company's equity. In addition, the deferred tax asset related to losses in Italian subsidiary has been amortisized by EUR 0.8 million.

Financing

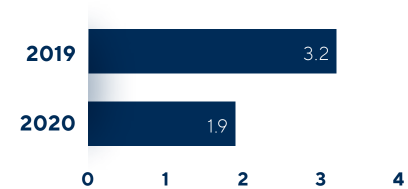
The net interest-bearing liabilities were EUR 16.8 million (EUR 12.6 million) at the

Return on equity (ROE), %



Product development costs, MEUR

Gross investments, MEUR



end of the financial year. The net interest-bearing liabilities include EUR 1.1 million (EUR 1.1 million) of IFRS 16 lease liabilities.

The cash flow from operating activities during the financial year EUR -2.3 million (EUR -0.5 million). In addition to generated loss, the negative cash flow was caused by increased need for working capital as the sales volumes were lower than expected. The cash flow after investing activities was EUR -3.7 million (EUR -1.3 million). The Group's solvency ratio was -7.4% (11.5%) and the closing balance sheet was EUR 29.2 million (EUR 32.1 million).

The cash position without undrawn credit facilities totaled EUR 1.1 million (EUR 1.1 million). At the end of the period, the Group had EUR 1.3 million (EUR 2.2 million) of undrawn credit facilities excluding factoring limits.

In the stock market announcement of 29th December 2020, the Group announced that the financial arrangements in Italy have been concluded and as a result, Enedo has drawn in total EUR 2.7 million of new loans in Italy during the financial year. All loans in Italy include a stand-still agreement until summer 2021. The loans have been guaranteed by state backed MCC institution. One of the loans includes covenants that the company breached as of 31st December 2020. However, the company received a waiver from the financier and the loan receivables were not claimed.

On 16th of February 2021 the group announced planning of EUR 12 million rights and directed issue and a related EUR 8.6 million loan arrangement in which the company repays EUR 5.3 million of debts and EUR 3.3 million of debts will be cancelled. The group has received irrevocable subscription commitments in the amount of EUR 9.6 million (assuming full subscription of share rights issue) which is 80% of the planned size of the share issue. The Company intends to execute a financial turn-around program, with which it seeks to achieve a significant positive change in its financial result by the end of 2023. The key elements of the turnaround program are estimated permanent annual savings exceeding EUR 4 million in direct and indirect costs over the period 2021–2023 compared to the 2020 cost level (excluding temporary layoffs and other temporary savings), an annual increase in sales from 5 to 10 percent, and a clear improvement of the balance sheet and financing structure.

If the share issues and debt arrangements are realized as planned, it will have a significant positive impact on group's solvency and liquidity. The company estimates the expenses of the share issues to be EUR 0.7 million and therefore, net proceeds are estimated at EUR 11.3 million. The proceeds of the share issues would be used to pay-off a EUR 5.3 million debt to financiers and further EUR 3.3 million of debts would be cancelled. Cancellation of debts and the share issues would have a positive impact on company's equity. The remaining EUR 6.0 million would be used to execute the financial turn-around plan and for general working capital needs.

ENVIRONMENTAL POLICY AND RESPONSIBILITIES

The development and maintenance of the Group's environmental systems are based on the international ISO 14001: 2004 standard. Certification in accordance with the standard is valid in all of the Group's product development and production units.

The products are designed to meet the recyclability requirements of the European Union's WEEE (Waste Electrical and Electronic Equipment) Directive. The design applies the recommendations of the EuP (Energy using Products) Directive to minimize product-related resource use.

The Group's production units are ready for lead-free production in accordance with the European Union's RoHS (Restriction Of Certain Hazardous Sub-stances) Directive. The lead soldering process is also used if required by the product requirements.

The recycling of electronic and metal waste generated in production and product development is handled with companies that specialize in operations. Chemical waste generated in the processes is collected and delivered to companies specializing in the treatment of harmful substances.

At the time of publishing the financial statements, no environmental risks or liabilities had arisen that would have an impact on the company's financial position.

PERSONNEL

Average number of the group's continuing operations personnel was 371 (388). At the end of the financial year group's personnel was 354 (394).

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT TEAM

In the Annual General Meeting held on 24 April 2020, Antti Sivula, Tuomo Lähdesmäki, Taru Narvanmaa ja Matti Miettunen were re-elected as members of the Board of Directors and Michael Peter as a new member. In its first meeting held after the annual general meeting, the Board of Directors re-elected Tuomo Lähdesmäki as the chairman of the board and Taru Narvanmaa as the vice chairman. Taru Narvanmaa was elected as Chairman and Tuomo Lähdesmäki and Matti Miettunen as members of the Audit Committee.

The members of the Executive Management Team and their global responsibilities at the end of the financial year were as follows: Vesa Leino (President and CEO, Finland products), Olli Mustonen (Finance and ICT), Carlo Rosati (Italy products), Jussi Vanhanen (Global sales) ja Fabio Orlandini (USA sales).

AUDITOR

Authorized Public Accountants KPMG Oy Ab was re-elected as the company's auditor in the annual general meeting 24th April 2020. KHT Henrik Holmbom acts as the responsible auditor.

SHARES, SHARE CAPITAL AND SHAREHOLDERS

Enedo Plc conducted a reverse split during the first half of the financial year and the reduced amount of shares was registered to trade register on 28.2.2020.

The figures in brackets refer to the end of the corresponding period in the previous year and the share prices of the corresponding period in the previous year are adjusted to correspond the number of shares after the reverse split.

At the end of the period under review, the number of shares outstanding was 8 363 486 (8 363 486).

At the end of the period under review the number of the Enedo's own shares was 69 249 (69 249) pcs.

The highest share price during the financial year was EUR 2.78 (3.50) and the lowest price was EUR 0.80 (1.85). The average price during the period under review was EUR 1.45 (2.85) and the closing price was EUR 0.90 (2.60). The market capitalization calculated at the final trading price at the end of the financial year was EUR 7.6 (21.9) million.

The total turnover value of Enedo shares traded on the Nasdaq Helsinki during the financial year was 2.9 (1.6) million pcs. This accounted for 33.8% (19.3%) of the total number of shares. The total number of fully paid-up shares was 8 432 735 (8 432 735) pcs and the number of shareholders totaled 4 336 (4 261) at the end of the financial year.

FLAGGING NOTIFICATIONS

4Capes Oy's share of ownership and votes in Enedo Plc exceeded 5 per cent threshold on 2nd of November 2020.

DECISIONS OF THE GENERAL MEETINGS

The Extraordinary General Meeting of the company was held on 25 February 2020 in Helsinki.

The Extraordinary General Meeting approved the proposal of the Board of Directors that the name of the company is Enedo Oyj and its parallel company name is Enedo Plc. The company's domicile is Vantaa.

The Extraordinary General Meeting resolved on the proposal of the Board of Directors to reduce the company's registered share capital from EUR 15,000,000 with EUR 14,900,000 to EUR 100,000 and that the reduced amount of EUR 14,900,000 is transferred to the invested unrestricted equity fund.

The Extraordinary General Meeting resolved on the proposal of the Board of Directors to decrease the quantity of shares without reducing the share capital. The company redeems from each shareholder without compensation a number of shares obtained by multiplying the number of shares held by each shareholder with a factor of 49/50 on the Transaction Day as defined below, i.e., for every existing 50 shares, 49 shares shall be redeemed (the "Redemption Ratio").

The Annual General Meeting of Enedo Plc was held on 24 April 2020 in Vantaa. The Annual General Meeting adopted the financial statements of Enedo Group and Enedo Plc for the financial year 1 January 2019–31 December 2019 and discharged the Board of Directors and the CEO from liability for their actions in the past financial year. Further, the Annual General Meeting approved the Remuneration Policy.

The Annual General Meeting approved the proposal of the Board of Directors not to distribute any dividend for the financial period that ended on 31 December 2019.

The Annual General Meeting resolved on the proposal of the Board of Directors to authorize the Board of Directors to, in one or more transactions, decide on the issuance of shares and the issuance of options and other special rights entitling to shares referred to in chapter 10 section 1 of the Companies Act as follows:

The number of shares to be issued based on the authorization may in total amount to a maximum of 1 686 500 shares, corresponding to approximately 20% of all the shares in the company.

The Board of Directors decides on all the terms and conditions of the issuances of shares, options and other special rights entitling to shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares. The issuance of shares and special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue).

The authorization cancels the authorization given by the Annual General Meeting on 11 April 2019 to decide on the issuance of shares and special rights entitling to shares.

The authorization is valid until the close of the following Annual General Meeting.

Authorized Public Accountants KPMG Oy Ab was re-elected as the company's auditor. KPMG Oy Ab has informed that Authorized Public Accountant Henrik Holmbom will act as the responsible auditor.

ESTIMATE OF FINANCIAL DEVELOPMENT IN 2021

The company estimates net sales from continuing operations to exceed EUR 40 million in 2021. EBITDA (adjusted for items affecting comparability) for 2021 is estimated to be positive and operating profit (adjusted for items affecting comparability) to improve from 2020 but to remain negative.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF DIVIDEND

The Board of Directors will propose to the Annual General Meeting on April 29th, 2021 that no dividend will be distributed.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

16.2.2021 - Enedo Plc has agreed conditionally on cancellation of its debts totalling MEUR 3.3, is planning a directed issue and a rights issue totalling approximately MEUR 12, and intends to execute a turnaround program in order to improve its result.

16.2.2021 - Notice is given to the shareholders of Enedo Plc ("Enedo" or the "company") to the Extraordinary General Meeting to be held on Tuesday,9 March 2021 at 10.00 a.m. at the head office of the company, address Martinkyläntie 43, Vantaa.

8.3.2021 – The Finnish Financial Supervisory Authority has granted Inission AB (publ) a permanent exemption from obligation to launch a mandatory bid

9.3.2021 - The Extraordinary General Meeting of Enedo Plc (the "Company") was held on 9 March 2021 at 10 a.m. in Vantaa.

Consolidated statement of comprehensive income, EUR 1,000

Continuing operations	Note	Jan. 1–Dec. 31, 2020	Jan. 1–Dec. 31, 2019
NET SALES	1	**38,491**	43,312
Change in inventories of finished goods and work in progress		**-710**	-114
Work performed for own purposes and capitalised		**374**	298
Other operating income	4	**361**	370
Materials and services	5	**-25,453**	-28,381
Employee benefits expenses	6	**-9,087**	-9,545
Depreciation and amortization	7	**-3,307**	-3,457
Impairment	7	**-171**	-195
Other operating expenses	8	**-4,768**	-4,878
Operating profit/loss		**-4,270**	-2,590
Financing income	9, 11	**692**	1,453
Financing expenses	10, 11	**-1,809**	-1,611
Profit/loss before taxes		**-5,387**	-2,747
Tax on income from operations	12	**-796**	187
Profit/loss of from continuing operations		**-6,183**	-2,560
Discontinued operations			
Profit/loss of discontinued operations	3	**350**	-2,436
PROFIT/LOSS FOR THE PERIOD		**-5,833**	-4,997
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plan		**13**	-109
		13	-109
Items that may be reclassified subsequently to profit or loss			
Translation differences, continuing operations		**11**	-135
Translation differences, discontinued operations			-476
		11	-611
Total comprehensive income from continuing operations		**-6,159**	-2,804
Total comprehensive income from discontinued operations		**350**	-2,912
TOTAL COMPREHENSIVE INCOME		**-5,809**	-5,717

Continuing operations	Note	Jan. 1–Dec. 31, 2020	Jan. 1–Dec. 31, 2019
Profit/loss from continuing operations, attributable to:			
Owners of the parent company		**-6,182**	-2,560
Non-controlling interests		**-1**	0
Profit/loss from discontinued operations, attributable to:			
Owners of the parent company		**350**	-2,436
Non-controlling interests		**0**	0
Profit/loss, attributable to:			
Owners of the parent company		**-5,832**	-4,996
Non-controlling interests		**-1**	0
		-5,833	-4,997
Total comprehensive income from continuing operations, attributable to:			
Owners of the parent company		**-6,158**	-2,804
Non-controlling interests		**-1**	0
Total comprehensive income from discontinued operations, attributable to:			
Owners of the parent company		**350**	-2,912
Non-controlling interests		**0**	0
Total comprehensive income attributable to:			
Owners of the parent company		**-5,808**	-5,716
Non-controlling interests		**-1**	0
		-5,809	-5,717
EARNINGS PER SHARE CALCULATED ON PROFIT/LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Earnings per share from continuing operations, eur*		**-0.74**	-0.31
Earnings per share from discontinued operations, eur *		**0.04**	-0.29
Earning per share, undiluted, eur*		**-0.70**	-0.60
Earning per share, diluted, eur*		**-0.70**	-0.60

*) The number of outstanding shares of comparison periods have been revised to correspond the number of outstanding shares after the reverse split.

Consolidated statement of financial position, EUR 1,000

	Note	Dec. 31, 2020	Dec. 31, 2019
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	14	**5,990**	6,999
Goodwill	14	**4,275**	4,275
Tangible assets	15	**3,497**	3,718
Other non-current financial assets	16	**4**	6
Non-current trade and other receivables	19	**259**	327
Deferred tax asset	17	**1,544**	2,391
NON-CURRENT ASSETS		**15,569**	17,717
CURRENT ASSETS			
Inventories	18	**6,586**	7,608
Trade receivables and other receivables	19	**5,754**	5,626
Tax receivable, income tax		**108**	95
Cash and cash equivalents	20	**1,136**	1,076
CURRENT ASSETS		**13,584**	14,405
ASSETS		**29,153**	32,122

Consolidated statement of financial position, EUR 1,000

	Note	Dec. 31, 2020	Dec. 31, 2019
EQUITY AND LIABILITIES			
Owners of the parent company			
Share capital	21	**100**	15,000
Reserve for invested unrestricted equity	21	**53,087**	38,187
Treasury shares	21	**-2,425**	-2,427
Other reserves	21	**702**	702
Translation differences	21	**2,674**	2,663
Retained earnings		**-56,273**	-50,453
Owners of the parent company		**-2,135**	3,673
Non-controlling interests		**0**	1
EQUITY		**-2,135**	3,674
NON-CURRENT LIABILITIES			
Deferred tax liability	17	**179**	270
Non-current liabilities, interest-bearing	22, 23	**9841**	6,467
Other non-current liabilities	24	**42**	0
Pension obligations	25	**1211**	1,271
Provisions	26	**199**	211
NON-CURRENT LIABILITIES		**11,472**	8,219
CURRENT LIABILITIES			
Current interest-bearing liabilities	22, 23	**8,099**	7,175
Trade payables and other liabilities	24, 27, 28	**11,304**	12,613
Tax liability, income tax		**260**	275
Provisions	26	**153**	166
CURRENT LIABILITIES		**19,816**	20,230
Liabilities		**31,288**	28,449
EQUITY AND LIABILITIES		**29,153**	32,122

Consolidated statement of cash flows, EUR 1,000

	Note	Jan. 1–Dec. 31, 2020	Jan. 1–Dec. 31, 2019
Cash flow from operating activities			
Customer payments received		**37,604**	63,898
Cash paid to suppliers and employees		**-38,729**	-62,878
Cash generated from operations		**-1,125**	1,020
Interest paid		**-494**	-524
Interest received		**2**	38
Other financing items		**-603**	-958
Income taxes paid		**-67**	-92
Net cash from operating activities (A)		**-2,287**	-515
Cash flows from investing activities			
Purchase of tangible and intangible assets		**-1,904**	-3,073
Proceeds from sale of tangible and intangible assets		**126**	37
Acquisition of subsidiaries		**112**	0
Disposal of subsidiaries less cash and cash equivalents		**326**	1,766
Proceeds from sale of investments		**0**	440
Net cash used in investing activities (B)		**-1,340**	-830
Cash flows from financing activities			
Proceeds from short-term borrowings		**679**	1,600
Repayment of short-term borrowings		**-1,611**	-2,642
Working capital financing and credit limits		**1,592**	496
Proceeds from long-term borrowings		**5,021**	0
Repayments from long-term borrowings		**-1,500**	0
Payment of lease liabilities		**-485**	-693
Net cash used in financing activities (C)		**3,696**	-1,239
Net decrease (-)/increase (+) in cash and cash equivalents (A+B+C)		**69**	-2,584
Cash and cash equivalents at the beginning of the period		**1,076**	3,653
Net increase/decrease in cash and cash equivalents		**69**	-2,584
Effects of exchange rate fluctuations on cash held		**-9**	7
Cash and equivalents at the end of the period	20	**1,136**	1,076

The effect of discontinued operations on the cash flow is presented in note 3.

Consolidated statement of changes in equity, EUR 1,000

	Note	Share capital	Reserve for invested unrestricted equity	Treasury shares	Other reserves	Translation differences	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
EQUITY Jan. 1, 2019		**15,000**	**38,187**	**-2,427**	**702**	**3,274**	**-45,348**	**9,390**	**1**	**9,391**
Profit/loss for the period							-4,996	-4,996	0	-4,997
Other comprehensive income:										
Remeasurement of defined benefit plan							-109	-109		-109
Translation differences						-611	0	-611		-611
TOTAL COMPREHENSIVE INCOME						**-611**	**-5,105**	**-5,716**	**0**	**-5,717**
TOTAL EQUITY Dec. 31, 2019	**21**	**15,000**	**38,187**	**-2,427**	**702**	**2,663**	**-50,453**	**3,673**	**1**	**3,674**

	Note	Share capital	Reserve for invested unrestricted equity	Treasury shares	Other reserves	Translation differences	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
EQUITY Jan. 1, 2020		**15,000**	**38,187**	**-2,427**	**702**	**2,663**	**-50,452**	**3,673**	**1**	**3,674**
Share capital reduction		-14,900	14,900							
Own shares transferred without compensation				2			-2			
Profit/loss for the period							-5,832	-5,832	-1	-5,833
Other comprehensive income:										
Remeasurement of defined benefit plan							13	13		13
Translation differences						11		11		11
TOTAL COMPREHENSIVE INCOME						**11**	**-5,821**	**-5,808**	**-1**	**-5,809**
TOTAL EQUITY Dec. 31, 2020	**21**	**100**	**53,087**	**-2,425**	**702**	**2,674**	**-56,273**	**-2,135**	**0**	**-2,135**

Notes to the group financial statements

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

BASIC INFORMATION ON THE GROUP

The Group is an international Group developing and producing demanding power products. The Group's head office is based in Finland and the R&D functions are located in Finland and Italy. Sales and marketing operations are located in Europe and the United States. The production unit is located in Tunisia.

The Group's parent company is Enedo Plc. The parent company domiciled in Vantaa and its registered office is at Martinkyläntie 43, 01720 Vantaa, Finland. The parent company's share has been quoted on the Nasdaq Helsinki Stock Exchange since 1989. Copies of the consolidated financial statements are available online at www.enedopower.com or from the parent company.

The consolidated financial statements were authorized for issue by the Board of Directors of Enedo Plc on March 10, 2021. In accordance with Finnish Companies Act, the shareholders can approve, amend or reject the financial statements in the Annual General Meeting held after publishing the financial statements.

GENERAL

The consolidated financial statements for the financial period from January 1, 2020 to December 31, 2020 are prepared in accordance with the International Financial Reporting Standards (IFRS) complying with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on December 31, 2020. In the Finnish Accounting Act and other regulations issued pursuant to the Act, IFRSs refer to the standards and to their interpretations adopted in accordance with the procedures laid down in the EU regulation (EC) No 1606/2002. The notes to the consolidated financial statements are also prepared in accordance with the Finnish accounting and company legislation.

The consolidated financial statements are prepared under the historical cost convention except for financial assets and financial liabilities, which are recognized at fair value through profit or loss, derivative financial instruments and share-based payments measured at fair value at the grant date. Unless otherwise stated, all the figures in these financial statements are presented in thousands of euros.

ASSUMPTION OF ABILITY TO CONTINUE AS A GOING CONCERN

In the assessment of the business continuity principle, the company's management has considered the working capital required for the implementation of the company's strategy and the related estimates, the available sources of financing as well as the risks and uncertainties related to the adequacy of financing. Management has used a 12-month cash flow forecast and sensitivity analysis in its judgment.

After the balance sheet date, 16th February 2021, the company announced the planning of EUR 12 million share issues and related EUR 8.6 million loan arrangement whereby the company would pay back debts EUR 5.3 million and EUR 3.3 million debts would be cancelled. The planned share issues and loan arrangement, if implemented, will have a significant impact on the company's solvency and liquidity. There is uncertainty about the completion of the overall arrangement. The development of the general stock market and the activity of investors have a material effect on the completion of the rights issue.

At the time of publishing the financial statements on 10th of March 2021, the company did not have sufficient working capital to finance the next 12 months of operations without the planned share issues and loan arrangements. The company's management estimates that the company's working capital will be sufficient until the end of April 2021.

The company's management estimates that if the share issues raise gross proceeds of EUR 11 million, they, together with the cash flow from operating activities, will provide the company with sufficient funds to complete the loan arrangements, turnaround programme and cover working capital needs over the next 12 months. If gross proceeds of EUR 9 million are raised from the share issues, they will be sufficient to cover the working capital need over the next 12 months and to complete the loan arrangement, however separate financing is needed to implement the turn-around program.

The company has received irrevocable subscription commitments totaling EUR 9.6 million (assuming full subscription of share rights issue) from certain anchor investors, which is 80% of the planned issue size. The company will implement the share issues to ensure the adequacy of working capital and to implement the turnaround program. The debt arrangement planned as part of the share issues will significantly improve the Group's solvency. Management estimates that the planned share issues will be completed in full.

The realization of the company's cash flow forecast for the next 12 months and thus ensuring going concern require the completion of the share issues, debt arrangements and additionally increase in net sales and improved profitability. Covid-19 has raised the level of uncertainty in the industry and, depending on the development of the pandemic, may have potential impacts on our customers ability to operate, demand for their end products and the general industrial environment, especially in the Led Drivers and Power Supplies product categories.

The delivery times of the components required by the company are partly long and there may be difficulties in obtaining certain components from time to time, which may affect the delivery capacity. Covid-19 has also increased the level of uncertainty in each country, which may affect our delivery capacity. The effects of Covid-19 can be reflected in an unforeseen change in behavior in both supply chains and the company's customers.

A significant part of the company's working capital financing comes from the financing of invoice receivables, so the development of net sales and delivery capacity is a significant factor in the company's cash flow. In addition, the development of the margin has a significant effect on operating cash flow. Should the planned share issues and loan arrangements not materialize in full or in part and / or the cash flow from operating activities would be significantly weaker than forecasted, this would weaken the implementation of the company's strategy and increase liquidity risk over the next 12 months.

The company strives to manage financial risk through active planning and implementation of operational and financial alternatives. It is not yet possible to assess all the effects of Covid-19, and the company is actively planning to prepare for different scenarios.

Uncertainty about the impact of the Covid-19 pandemic on business and uncertainty about the realization of the subscription and directed issue are such significant uncertainties that may cast significant doubt on the entity's ability to continue as a going concern. Based on the overall assessment of the company's management, the company has considered it justified to prepare the financial statement release in accordance with the principle of going concern.

NEW AND AMENDED STANDARDS APPLIED IN THE PAST FINANCIAL YEAR

The Group has complied with the new and amended standards that came into force at the beginning of the financial year 2020.

The Group has prepared for the introduction of ESEF reporting by changing the calculation method of the tables in the financial statements for the figures for the financial year 2020 so that adding the rounded figures of the tables together gives the total amount of the table.

Other new or amended standards and interpretations do not have a significant effect on the consolidated financial statements.

SUBSIDIARIES

The consolidated financial statements include the financial statements of the parent company Enedo Plc (formerly Efore Plc) and its subsidiaries. Subsidiaries are companies in which the parent company holds, through direct or indirect shareholding, over 50 percent of the voting rights or in which it has the position to govern the financial and operating policies (control). Potential voting rights have been taken into account in assessment whether the control exists, when such instruments are exercisable at the balance sheet date. Mutual shareholdings are eliminated using the acquisition method. Subsidiaries are consolidated from the date when the Group acquired control commences and are included up to the date control ceases.

All intercompany transactions, receivables, liabilities, unrealized gains or losses on intercompany transactions and distribution of profits within the Group are eliminated in the consolidation process. Unrealized losses due to impairment are not eliminated. The distribution of profit or loss for the financial period to the shareholders of the parent company is disclosed in the statement of income.

ASSOCIATED COMPANIES

Associated companies, in which the Group holds, through direct or indirect shareholding, usually between 20 percent and 50 percent of the voting rights and in which it exercises significant influence but not control, are consolidated using the equity method. If the Group's share of the associated company's losses exceeds the acquisition cost of the company, the investment has no value in the balance sheet. No consideration is given to losses in excess of the acquisition amount unless the Group has other obligations relating to the associated company. Unrealized profits between the parent company and its associates are eliminated in proportion to the share ownership. The profit or loss for the associated companies in the Group is presented as a separate line below operating profit. The Group had no associated companies on the financial statements date on December 31, 2020 and December 31, 2019.

FOREIGN CURRENCY TRANSLATION

Figures for the performance and financial position of the Group entities are recorded at the currency that is used in the primary operating environment of the entities (functional currency). The consolidated financial statements are presented in euros, which is the functional and presentation currency of the parent company.

FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into the respective functional currencies using the exchange rates at the date of the transaction. In practice, an exchange rate that approximates the rate at the date of the transaction is often used. Monetary foreign currency balances at the balance sheet date are translated into functional currency using the exchange rates prevailing at the balance sheet date.

Non-monetary foreign currency item recognised at fair value are translated into functional currency using the exchange rates at the dates when the fair value was calculated. Otherwise non-monetary items are translated using the exchange rate at the transaction date. Gains and losses arising from foreign currency transactions and translation of monetary balances are recognized in profit or loss.

Exchange rate differences arising from the translation of balance sheet items in foreign currency and sales, purchases, expenses and financial items as well as from intragroup receivables and liabilities are recognized as exchange rate gains and losses in financial income and expenses. Exchange rate differences on used for hedging net positions in foreign currency are recognized as financial items.

TRANSLATION OF THE FINANCIAL STATEMENTS OF THE FOREIGN GROUP COMPANIES

The statements of income of the foreign group companies are translated into euro at the average exchange rate of the average rates of the European Central Bank for the calendar months in the financial period, while the balance sheets are translated at the exchange rates at the balance sheet date. The use of different exchange rates for translating the result for income statement and balance sheet results in translation differences, which are recognized in equity. Translation differences arising from the elimination of the cost of foreign subsidiaries and from the translation of the accumulated post acquisition equity balances are recognized in equity. At disposal of a subsidiary, the relevant accumulated translation differences are transferred to profit or loss as part of the gain or loss on the sale. Translation differences due to consolidation are presented in equity as a separate item.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

In the case that an item of property, plant or equipment consists of several parts with different useful lives, they are treated as separate items in accounting. In such cases, replacement of such an item is capitalized and the carrying amount of the replaced parts is expensed. In other situations, subsequent costs are recognized in the carrying amount of the property, plant and equipment only if it is probable that the future income of the item will profit the Group and the cost of the item can be determined reliably. Normal maintenance, repair and renewal costs are expensed as incurred. Land and water are not depreciated. Property, plant and equipment are depreciated on a straight-line basis over the estimated economic lives of the assets. The estimated useful lives are as follows:

Buildings and constructions	20–40 years
Machinery and equipment	3–10 years
Other tangible assets	5 years
Right-of-use assets	1–5 years

Other tangible assets include improvement expenditure in rental premises. The residual values and useful lives are reviewed at least annually at year-end and where they differ from previous estimates, depreciation periods are changed accordingly to reflect changes in the expectations of future economic lives.

Gains and losses on scrapping and disposal of property, plant and equipment is recorded in other operating income or expenses.

Depreciation ends when the item of property, plant or equipment is classified as a non-current asset held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

GOVERNMENT GRANTS

The recognition method for grants received from the Government or other entities subject to public law depends on the nature of the grant. Grants relating to expenses incurred are recognized as revenue in other operating income when the expenses occur. Such grants are presented in other operating income. Grants relating to the acquisition of property, plant and equipment are deducted from the cost of the asset. The latter grants are recognized as income through lower depreciation and amortization charges during the useful lives of the asset. Government grants are recognized when there is reasonable assurance that the grants are received and the Group company complies with the conditions associated with them.

INTANGIBLE ASSETS

Goodwill

Goodwil arising from business combinations is the excess of the cost over the net identifiable assets, liabilities and contingent liabilities measured at fair value. Goodwill is not amortized but instead it is subject to an annual procedure of impairment testing. The testing is done more frequently if there is an indication that goodwill might be impaired. For this purpose, goodwill is allocated to the cash generating unit (CGU) it relates to. An impairment loss is recognized in the consolidated income statement, if the impairment test shows that the carrying amount of the goodwill exceeds the estimated recoverable amount, and the carrying amount is reduced to the recoverable amount. Impairment losses on goodwill cannot be reversed.

Research and development costs

Research costs are recognized as an expense in profit or loss. Development expenditure arising from designing new or more advanced products are capitalized in the balance sheet as intangible assets from the moment the product is technically feasible, it can be applied commercially and it is expected to generate future economic benefits. Capitalized development costs comprise of material, labor and testing cost that are directly attributable to the process of completing the product for its intended use.

The development process proceeds in phases. The capitalization of development costs starts when the project meets capitalization conditions of IAS 38 -standard. An asset is amortized from the date it is available for use. An asset that is not yet available for use is tested annually for impairment. Capitalized development costs are recognized subsequently at cost less accumulated amortization and impairment. Capitalized development costs are amortized on a straight-line basis over their useful life of 5 years.

Intangible rights

The intangible rights include for among others, licenses for IT software.

Other intangible assets

Other intangible assets comprise the capitalized costs concerning IT projects. An intangible asset is initially recorded at cost only if the cost can be recorded reliably, and the expected future gains will be in the benefit of the group.

Intangible assets with a definite useful life are amortized on a straight-line basis over their expected useful lives. Intangible assets with indefinite useful lives are not amortized but tested annually for impairment.

Other intangible assets may also contain intangible assets acquired through business acquisitions such as intangible assets related to customer relations and product rights.

Amortization periods for the other intangible assets are as follows:

Customer relationships	5–7 years
Product rights	7 years
Development expenses	5 years
Intangible rights	3–5 years
Right of use assets	5 years
Other intangible assets	3–10 years

DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

During the previous finacial year ending on December 31, 2019, in accordance with IFRS 5 -standard, the Group classified the Telecom business as a discontinued operation starting from July 31, 2019. The divestment was completed on November 28, 2019.

In the statement of comprehensive income, the discontinued operations, including the loss on disposal, are presented in a single line. The computational effects on cash flow are presented in note 3. Depreciation or amortization are not recognized for the discontinued operations after their classification pursuant to the standard. The Group's general expenses are also not allocated to the discontinued operations after classification.

Non-current assets, and the disposal groups, as well as assets and liabilities relating to discontinued operations are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. An asset is classified as held for sale when a disposal is highly probable and the asset, or the disposal group, is available for immediate sale in its present condition subject to usual and customary terms, when the management is committed to sell the asset and the sale is expected to be completed within one year from the date of classification. The assets held for sale, or the disposal group, is recognized at the lower of their carrying amount and disposable value. Depreciation and amortization on these assets ends at the date of classification. Where IFRS 5 is not applicable on assets and liabilities in disposal groups the items are treated in accordance to the applicable IFRS.

Assets classified as held for sale, disposal groups, items recognized directly into equity and relating to the assets held for sale as well as liabilities relating to disposal groups are presented separately in the balance sheet.

INVENTORIES

Inventories are stated at the lower of historical cost or net realizable value. The cost of raw materials is calculated on the weighted average cost basis. The cost for finished goods and work in progress consists of raw materials, direct labor, other direct cost and an appropriate part of the variable and fixed production overhead based on the normal operating capacity. The net realizable value is the estimated sales price in the normal course of business less the cost of completion and realization. A provision for excess inventory and obsolescence is recorded during the financial year in which the technical ageing or other criteria indicate a need for such provision.

LEASES

For leases of right-of-use assets, the Group assesses whether the contract meets the criteria for a lease as defined in IFRS 16. Leases under IFRS 16 are defined as identifiable assets whose use the Group can control during a non-cancellable lease term in exchange for consideration. The standard provides two recognition exemptions concerning short-term leases and leases for which the underlying asset is of low value.

In assessing the lease term, the option to extend the lease or terminate the lease before the contractual expiration date are considered if exercising the said option is reasonably certain. Leases whose probable term is less than 12 months are classified as short-term leases and they are not recognized as fixed assets. Leases that do not have a binding contractual term and which provide the Group with the right to terminate the lease without the counterparty's consent with insignificant consequences are also classified as short-term leases.

In determining the value of a lease, the present value of the lease payments over the probable term of the lease is taken into consideration. When the implicit interest rate of the lease cannot be determined, the incremental borrowing rate is used. The estimates are company-specific and they are based on risk-free interest, expected inflation, estimated premium and country-specific risk. Leases for which the underlying asset is valued at EUR 5,000 or less are not recognized on the balance sheet.

The Group recognizes on the balance sheet both a right-of-use asset and a lease liability whose value corresponds to the present value of future lease payments. The right-of-use asset is depreciated and the lease liability amortized over the lease term. The values of the right-of-use asset and lease liability are adjusted if there is a change in the lease term or lease payments. The lease payments for short-term leases and leases for which the underlying asset is of low value are recognized through profit or loss. The group does not operate as a leaser.

IMPAIRMENT

The carrying values of assets on the balance sheet are tested annually to identify need impairment. If indications of impairment exist, the recoverable amount of the asset is estimated. Estimation is also made concerning the recoverable amount for the following assets at least annually irrespective of whether there are any indications of impairment: intangible assets with indefinite useful lives and capitalized development expenditure (unfinished intangible assets). The need for impairment is considered at the lowest unit level for which separately identifiable, mainly independent, cash inflows and outflows can be defined – the cash-generating unit level.

The recoverable amount of the asset is the disposal value less costs of disposal or the value in use, whichever is higher. The value in use represents the discounted future net cash flows expected to be derived from an asset or cash-generating unit. The discount rate is a pretax discount rate that is reflecting current market assessments and the risks specific to the asset.

Impairment is recognized when the carrying amount of an asset exceeds its recoverable amount. Impairment is recognized immediately in profit or loss. At recognition of the impairment the useful life of a depreciable or amortizable asset is reviewed. Impairment recognized on assets other than goodwill is reversed subsequently if there are changes in the estimates concerning the recoverable amount of the asset. The impairment to be reversed may not, however, exceed the carrying value the asset had before the recognition of the impairment.

EMPLOYEE BENEFITS

Pension obligations

The Group has entered into several pension schemes in different countries according to local regulations and practices. The pension schemes are classified as defined contribution plans. The Group pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further contributions if the payer of the contributions does not have sufficient assets to pay the pension benefits in question. Payments made into defined contribution pension plans are expensed in the period to which they apply.

Defined benefit obligations

As a result of the acquisition of the Group's Italian subsidiary, the Group also has a defined benefit obligation, which is due when the employment of the employees concerned ceases in the future. The related liability is recognized in the consolidated balance sheet. The valuation of this liability is based on actuarial calculations. The contributions to the fund are recognized as personnel expenses in the income statement and the interest cost as financial expense. Remeasurements of the fund are recognized in equity.

Sharebased incentives

Benefits paid as equity-based instruments are measured at fair value on the grant date and expensed on a straightline basis over the vesting period with corresponding entries in retained earnings in equity.

The Group had no sharebased incentive programs during the financial years 2020 and 2019.

FINANCIAL ASSETS AND LIABILITIES

The Group's financial assets are classified upon their initial acquisition on the basis of their intended use. Acquisitions and sales of financial assets are recognized at the trade date. In the case of financial assets not held at fair value through profit or loss, the transaction cost is included in the cost. The Group writes-off financial assets when a financial asset no longer generates income or when all the risks and rewards of the item are transferred substantially to an external party.

Financial assets measured at fair value through profit or loss

In the Group, financial assets held for trading are classified into this category. Financial assets held for trading comprise quoted shares and funds acquired primarily for earning profit from short-term fluctuations in market prices. Derivative financial instruments that are neither financial guarantee contracts nor qualify for hedge accounting are classified as held for trading. Both realized and unrealized gains and losses arising from fluctuations in market value are recognized in profit or loss as incurred. Financial assets held for trading are included in current assets.

Financial assets measured at amortized cost

The Group applies the simplified approach provided by IFRS 9, according to which impairment is recognized at an amount equal to lifetime expected impairment.

The trade receivables and other receivables classified as financial assets measured at amortized cost are non-derivative assets for which the payments are fixed or measurable and which are not quoted in active markets and not held by the Group for trading. Trade and other receivables are measured at amortized cost. They are included in current or non-current financial assets depending on their maturity. At end of each financial year, the Group reviews objective evidence for the need for impairment recognition regarding both individual receivables and groups of receivables. The unrecoverable amount is assessed primarily on the basis of the risk involved in each item. The amount of impairment is determined primarily based on the risks of individual receivables. Impairment losses are recognized as expenses in profit or loss. The Group uses a factoring arrangement for trade receivables. To the extent that the liquidity risk lies with the Group, the trade receivables are recognized in the balance sheet at their original invoicing value and stated less any credit losses. The assessment of the amount of unrecoverable receivables and any need for impairment is based on the risk involved in each item.

Trade receivables are recognized at their fair value at a maximum. An impairment loss on trade receivables is recognized if there is objective evidence that the Group will not recover the receivables on the original terms. The Group recognizes impairment from trade receivables when there is objective evidence that the receivable cannot be collected in full. Significant economic difficulties, probability of liquidation, default in payments or delays in payments over 90 days are evidence of impairment in trade receivables. The impairment loss is recognized in income statement amounting to difference between the carrying amount of the receivable and the present value of the estimated future cash discounted at the effective interest rate. Credit losses recognized as an expense are included in other operating expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and other highly liquid current investments convertible to known amounts of cash, without significant risk of changes in value. Items qualifying as cash and cash equivalents have maturities of three months or less. Bank overdrafts related to the cash pool accounts in the Group are included in current liabilities.

Financial liabilities

The Group's financial liabilities are classified into the following categories: financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortized cost. The first-mentioned category includes derivative financial liabilities and the latter includes loans from credit institutions. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial cost of the financial liabilities measured at amortized cost. Financial liabilities are included in both non-current and current liabilities and can be either interest-bearing or non-interest-bearing. Financial liabilities are classified as current if the Group does not have an unconditional right to defer the settlement of the liability for at least twelve months after the balance sheet date.

Both realized and unrealized exchange gains and losses are recognized in profit or loss in financial income and expenses as incurred. Financial costs concerning liabilities are expensed as incurred.

Derivative financial instruments

Derivative financial instruments are recognized both initially and subsequently at fair value. The group can use derivatives for hedging against interest risk. According to its currency risk hedging principles, the group does not use derivatives for hedging cash flows against currency risk. All gains and losses, both realized and unrealized, arising from the fair value changes of derivatives are recognized in profit and loss as incurred regardless of the fact that the hedged item has not an effect on profit or loss until in the future period. Changes in the fair value are reported in financial items in the income statement. Derivatives used for hedging against exchange rate risks are recorded as current receivables or liabilities in the balance sheet.

TRADE PAYABLES

Trade payables are recognized to the initial invoiced amount, which reflects their fair value due to the short maturity of these payables.

PROVISIONS

Provisions are recognized in the balance sheet when the Group has, as a result of a past event, a present legal or constructive obligation and the settlement is expected to occur and the amount of the obligation can be estimated reliably. Provisions may relate to restructuring costs, onerous contracts, legal cases and warranty costs, among other costs. A reimbursement from a third party relating to a part of the provision is recognized as a separate asset only when the reimbursement is virtually certain.

A warranty provision is recognized when the underlying product is sold. The amount of the provision is based on historical warranty information. Warranty provisions are expected to be used within two years. A restructuring provision is recognized when the Group has drawn up a detailed restructuring plan and the implementation of the plan has started or the plan is announced. A provision for onerous contracts is recognized when the minimum costs for meeting the contract obligation exceeds the expected income from the income from the contract.

CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities are potential obligations arising from past events where the existence will be confirmed at the occurrence of an uncertain event uncontrolled by the Group. Contingent liabilities are also present obligations that due to past events even if a settlement will not probably be required, or the amount of the obligation cannot be estimated with sufficient certainty. Contingent liabilities are presented in the notes to the financial statements.

A contingent asset is a potential asset arising from past events where the existence of the asset will be confirmed at the occurrence of an uncertain uncontrolled by the Group. A contingent asset is presented in the notes to the financial statements if it is probable that the economic benefits associated with the asset will flow to the Group.

INCOME TAXES

Accrual-based taxes based on the taxable income are calculated in accordance with the local tax legislation and present tax rate in force for each company. Tax adjustments for prior years and changes in deferred taxes are recognized as income taxes in the consolidated income statement. Income tax relating to items charged or credited directly in equity is recognized in equity, respectively.

Deferred tax liabilities and assets are recognized due to the temporary differences between the carrying amounts in the balance sheet and tax bases of assets and liabilities of the Group companies and on the differences arising from Group eliminations. The tax rate used for determining the deferred tax liabilities and assets is the prevailing tax rate at the balance sheet date for the following year in the country in question.

The most significant part of the total deferred tax receivable in the Group consists of the tax losses in subsidiaries. No deferred taxes are recognized for the undistributed profits in the subsidiaries, as this will unlikely affect group accounts in the foreseeable future.

Deferred tax liabilities are recognized at the full amount. Deferred tax assets are recognized only to the extent they are estimated to generate taxable income in future periods, and can be utilized against the temporary difference.

PRINCIPLES FOR REVENUE RECOGNITION

Revenue from product sales is recognized when the control of the sold products is transferred to the buyer. This typically occurs when the significant risks and rewards of ownership are transferred to the buyer. Revenue is mainly recognized upon delivery in accordance with the terms of delivery of the products. Revenue from services is recognized in the financial period the services are rendered to the customer. Net sales is calculated by deducting from revenue discounts granted, indirect taxes and exchange rate differences from trade receivables.

The Group has applied IFRS 15 "Revenue from contracts with customers" effective from January 1, 2018. The Group's revenue from contracts with customers consists of the sale of goods and they do not include significant service sales. Accordingly, revenue from performance obligations is recognized at a point in time under the current standard.

Interest income is recognized using the effective interest method and dividend income when the right to the dividend is established.

ITEMS AFFECTING COMPARABILITY

Items affecting comparability are highly infrequent and extraordinary income or expenses with a material effect on the financial statements. Revaluations and reassessments are not treated as items affecting comparability. Reassessments include, for example, changes in depreciation plans or principles.

OPERATING PROFIT

IAS 1 Presentation of Financial Statements does not define the concept of operating profit. The Group has defined it as follows: the operating profit is total net sales and other operating income deducted by expenses for materials and services adjusted by change in work in progress, manufacturing for own use, personnel costs, depreciation and amortization, impairment losses charges on non-current assets and other operating expenses. All other income statement items are presented under operating profit.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The Management of the group makes decisions concerning the adoption and application of accounting principles. This concerns specially cases, where applicable IFRS standards allow alternative recognition, measurement or presentation. Decisions made by the management that relate to adequacy of financing, deferred tax assets, impairment of capitalized development expenditure, impairment of the Group's goodwill and purchase price allocations, impairment of inventories, and credit losses are based on generally applied models and case by case estimates. Historical information and present management views of the markets are used in the models. Assessments of individual events are based on the best available information when the financial statements are prepared.

Estimates made in the preparation of financial statements are based on the best view of the management at the balance sheet date. The estimates are based on experience and assumptions at the balance sheet date that relate to e.g. expected development of sales and cost levels in the Group's economic environment. The Group follows the actual outcome of estimates and assumptions as well as changes in factors on a regular basis together with the business using several internal and external information sources. Potential adjustments in estimates and assumptions are recognized during the period in which the estimate or assumption is adjusted as well as in the following periods.

The major judgments and estimates relating to the uncertainties at the end of the financial and have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are presented below. The management of the Group has assessed that the following areas are most important concerning the accounting principles as the applicable accounting principles concerning these are the most complex and the application requires use of significant estimates and assessments, e.g. valuation of assets. Additionally, the effects of the estimates and assessments concerning these items are expected to be the most significant:

- adequacy of financing and assumption of ability to continue as a going concern,
- probability of future taxable profits against which tax-deductible temporary differences can be utilized,
- valuation of capitalized development expenditure, goodwill and purchase price allocations,
- estimates of the future development of business and other issues related to impairment testing,
- net realizable value of inventories,
- fair value (collectable amount) of trade receivables.

Covid-19 pandemic and restrictions put in place by national governments have impact on the business environment of the group. The duration of the epidemic and its impacts cannot be estimated and therefore, its impacts on profit and loss, financial position and cash flows may differ from current estimates and assumptions made by the management.

The company has conducted the impairment testing for 2020 financial statements taking into consideration the short-term and mid-term effects of the Covid-19 pandemic to the business environment as well as the generally increased uncertainty. Due to these factors, the impairment testing conducted in relation to 2020 financial statements have been compiled using using lower net sales and profitability growth estimates than previous tests.

Uncertainty about the impact of the Covid-19 pandemic on business and uncertainty about the realization of the subscription and directed issue are such significant uncertainties that may cast significant doubt on the entity's ability to continue as a going concern. Based on the overall assessment of the company's management, the company has considered it justified to prepare the financial statement release in accordance with the principle of going concern.

ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS APPLICABLE IN FUTURE FINANCIAL YEARS

The Group has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year:

- IFRS 17 Insurance Contracts (effective for financial years beginning on or after January 1, 2021). 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. The standard will have no impact on the consolidated financial statements.

Other new or amended standards or interpretations will not have an impact on the consolidated financial statements.

1. SEGMENT INFORMATION (EUR 1,000), continuing operations

The Group reports one business segment and, therefore, the business segment information below refers to the consolidated figures of whole Group. The products and services sold by the Group are based on a single technology platform. The President and CEO and the Executive Management Team are the highest operational decision-makers, who monitor the operating profit as a basis for profitability analysis and resource allocation in the Group.

The geographical areas are divided into three groups: The Americas (North, Central, and South America), EMEA (Europe, Middle East, and Africa) and APAC (Asia and the Pacific Region). The geographical segments are based on net sales according to the location i.e. the market areas of the customers. Assets and investments are reported according to the location of the items in question. Non-allocated assets contain cash and cash equivalents, interest receivables and tax receivables.

Geographical areas 2020	Americas	EMEA	APAC	Non-allocated	Group
Net sales	**7,002**	**26,516**	**4,972**		**38,491**
Assets	**311**	**28,773**	**69**		**29,153**

Geographical areas 2019	Americas	EMEA	APAC	Non-allocated	Group
Net sales	11,130	26,326	5,857		43,312
Assets	535	28,011	109	3,467	32,122

In 2020, approximately 21% (27%) of net sales in the Group consisted of income from the two largest customers: from customer A, EUR 4,395 (6,954) thousand and, from customer B, EUR 3,748 (4,586) thousand, totaling EUR 8,143 (11,540) thousand.

Net sales for the financial year consist of sales of goods in the amount of EUR 38,330 (43,251) thousand and sales of services totaling EUR 161 (61) thousand.

2. BUSINESS COMBINATION (EUR 1,000)

Business combination have not taken place during the financial year

3. DISCONTINUED OPERATIONS (EUR 1,000)

In the statement of comprehensive income, the discontinued operations, including the loss on disposal, are presented in a single line. Depreciations and amortizations are not recognized for the discontinued operations after their classification in accordance with the standard. The Group's general expenses are also not allocated to the discontinued operations after classification.

The groups discontinued operations are compiled of Telecom business which was classified as a discontinued operation during previous financial year and as of July 31, 2019 in accordance with IFRS 5 -standard. The transaction was closed on November 28, 2019. The EUR 350 thousand profit from discontinued operations during the financial year of 2020 comprises of release of escrow fund related to the divestment, expenses of the divestment and release of provision.

The table below illustrates the key figures for discontinued operations for the financial year 2020 and the comparison period in 2019 as well as the impact of the discontinued operations on the Group's cash flow.

	2020	**2019**
Discontinued operations:		
Income		18,528
Expenses		-20,375
Loss on the disposal of shares	**350**	-584
Profit/loss before taxes	**350**	-2,432
Tax on income from operations		-5
Profit/loss of discontinued operations	**350**	-2,436

	2020	**2019**
Discontinued operations:		
Cash flow from operating activities		-477
Cash flow from investing activities	**350**	-268
Cash flows from financing activities		-258
Total cash flow	**350**	-1,004

Due to the company structures involved, determining balance sheet figures for the discontinued operations was not possible for January 1, 2019. As a result, the cash flow effects are partly computational and the cash flows have not been adjusted in other sections of the financial statements.

4. OTHER OPERATING INCOME (EUR 1,000)

	2020	2019
Grants for product development	**105**	67
Other income	**256**	303
Total	**361**	370

5. MATERIALS AND SERVICES (EUR 1,000)

	2020	2019
Materials	**24,323**	26,687
Change in inventories	**315**	675
Services	**815**	1,018
Total	**25,453**	28,381

6. PERSONNEL EXPENSES (EUR 1,000)

	2020	2019
Salaries and wages *)	**6,951**	7,173
Pension expenses, defined contibution plans	**1,917**	2,226
Pension expenses, defined benefit obligations (TFR in Italy)	**54**	37
Other social security expenses	**165**	109
Total	**9,087**	9,545

*) Information on management compensation, other employment benefits and shareholdings is provided in Note 33 Related party transactions.

Number of personnel	2020	2019
Average number of personnel during fiscal year	**371**	388
Number of personnel at the end of year	**354**	394

The number of own personnel includes temporary personnel.

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT (EUR 1,000)

	2020	2019
Depreciation and amortization by asset class		
Development costs	**1,559**	1,595
Intangible rights	**157**	305
Other intangible assets	**374**	398
Machinery and equipment	**697**	664
Tangible assets / Right-of-use asset	**480**	457
Other tangible assets	**40**	38
Total	**3,307**	3,457
Impairment on development costs	**171**	195

8. OTHER OPERATING EXPENSES (EUR 1,000)

	2020	2019*
Rental costs	**200**	410
Non-statutory employee benefits	**70**	114
Administrative costs	**835**	909
Professional services	**574**	319
Usage and maintenance	**561**	589
Travel expenses	**153**	543
Changes in provisions	**-163**	-321
Entertainment expenses	**10**	46
Insurance expenses	**171**	188
Marketing expenses	**297**	254
Car expenses	**35**	52
Other fixed expenses	**1,345**	1,278
Other variable expenses	**0**	5
Audit fees	**128**	134
Credit losses	**124**	0
Sales services	**416**	352
Losses on sales of fixed assets	**12**	7
Total	**4,768**	4,878

*) Presentation of other operating expenses has been changed for 2019.

Audit fees:	**2020**	**2019**
KPMG Oy Ab		
Audit	**78**	66
Tax services	**8**	22
Other services	**0**	0
Total	**86**	88
KPMG		
Audit	**34**	34
Tax services	**3**	4
Other services	**2**	2
Total	**38**	40
OTHER AUTHORIZED AUDIT FIRMS		
Audit	**4**	5
Tax services	**0**	0
Other services	**0**	4
Total	**4**	9
TOTAL		
Audit	**115**	105
Tax services	**11**	25
Other services	**2**	6
Total	**128**	136

9. FINANCIAL INCOME (EUR 1,000)

	2020	2019
Interest income from loans and other receivables	**2**	30
Exchange rate gains from loans and other receivables	**578**	371
Other financial income *)	**112**	1,052
Total	**692**	1,453

*) In financial year 2019 other financial income includes EUR 0.7 million of income resulting from releasing an Earn-out provision related to Powernet acquisition and EUR 0.3 million profit from divesting the minority share in VOX Power Ltd.

10. FINANCIAL EXPENSES (EUR 1,000)

	2020	2019
Interest expenses for financial liabilities measured at amortized cost	**813**	754
Interest expenses for lease liabilities	**55**	60
Exchange rate losses	**526**	501
Other financial expenses	**415**	295
Total	**1,809**	1,611

11. EXCHANGE RATE DIFFERENCES (EUR 1,000)

		2020	2019
Itemization of net exchange rate gains (+) and losses (-) according to financial statement items			
Total	Gains	**578**	371
	Losses	**-526**	-501
	Net	**52**	-131
Sales	Gains	**70**	74
	Losses	**-178**	-58
	Net	**-108**	15
Purchases	Gains	**123**	96
	Losses	**-38**	-234
	Net	**85**	-138
Financial items	Gains	**314**	151
	Losses	**-200**	-148
	Net	**114**	2
Intra-group receivables and liabilities	Gains	**71**	50
	Losses	**-110**	-61
	Net	**-39**	-10

12. INCOME TAXES (EUR 1,000)

	2020	2019
Income taxes in statement of income		
Income tax for fiscal year	**-39**	-102
Deferred taxes	**-757**	289
Total	**-796**	187
The differences between income tax expense calculated at the Finnish tax rate in the parent company and tax expense in the income statement are		
Profit/loss before taxes	**-5,038**	-2,747
Taxes calculated at tax rate of the parent company (20.0%)	**1,007**	549
Difference due to other tax rates in subsidiaries	**298**	-220
Non-deductible expenses	**-276**	-86
Change in deferred tax assets from losses in prior periods	**-847**	
Tax-exempt income		416
Use of previously unrecognized tax losses	**7**	2
Unrecognized deferred tax assets from tax losses	**-985**	-1,162
Other items	**0**	687
Tax expense in consolidated statement of income	**-796**	187

13. EARNINGS PER SHARE (EUR 1,000)

	2020	2019
Result for the financial year attributable to shareholders of the parent company	**-5,832**	-4,996
Weighted average number of shares (in thousands)*	**8,363**	8,363
Effect of adjustment for potential shares in the share-based incentive plans		
Weighted average number of diluted shares (in thousands) *	**8,363**	8,363
Earnings per share: Continuing operations		
Earnings per share, undiluted, EUR	**-0.74**	-0.31
Earnings per share, diluted, EUR	**-0.74**	-0.31
Earnings per share: Discontinued operations		
Earnings per share, undiluted, EUR	**0.04**	-0.29
Earnings per share, diluted, EUR	**0.04**	-0.29
Earnings per share, EUR: Group total		
Earnings per share, undiluted, EUR	**-0.70**	-0.60
Earnings per share, diluted, EUR	**-0.70**	-0.60

UNDILUTED

Earnings per share are calculated by dividing the profit or loss attributable to the shareholders of the parent company by the average number of shares during the fiscal year.

DILUTED

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential shares. These payments are treated as share options in the calculation for diluted earnings per share even though they remain contingent. Options have a diluting effect, as the exercise price is lower than the market value of the company share. Not yet recognized option expenses are accounted for in the exercise price.

*The number of outstanding shares of comparison periods have been revised to correspond the number of outstanding shares after the reverse split.

14. INTANGIBLE ASSETS (EUR 1,000)

Intangible assets 2019	Development costs	Intangible rights	Intangible assets, right-of-use asset	Other intangible assets	Advance payments for intangible assets	Goodwill	Total
Cost Jan. 1, 2019	21,678	3,387	1,674	4,664	109	4,277	35,789
Translation differences	8	-4		0			5
Additions	2,070	3		24			2,097
Divestments	-6,100	-108	-1,674	-1			-7,883
Disposals	-2,857	-98		-34	-7		-2,995
Reclassifications	-65						-65
Cost Dec. 31, 2019	14,735	3,181	0	4,654	101	4,277	26,947
Accumulated amortization and impairment Jan. 1, 2019	-12,273	-2,895	-1,674	-2,954		-1	-19,797
Translation differences	-3	4		0			1
Cumulative amortization on disposals, divestments and reclassifications	5,475	205	1,674	34			7,387
Depreciation and amortization	-2,338	-329		-402			-3,068
Impairment	-195	0					-195
Accumulated amortization and impairment Dec. 31, 2019	-9,334	-3,016	0	-3,322		-1	-15,673
Carrying amount Jan. 1, 2019	9,404	492	0	1,710	109	4,275	15,990
Carrying amount Dec. 31, 2019	5,401	165	0	1,331	101	4,275	11,274

Intangible assets 2020	Development costs	Intangible rights	Other intangible assets	Advance payments for intangible assets	Goodwill	Total
Cost Jan. 1, 2020	14,735	3,180	4,653	102	4,276	26,946
Translation differences			-1			-1
Additions	1,268		12	74		1,354
Disposals	-599	-1	-26	-102		-728
Cost Dec. 31, 2020	15,404	3,179	4,638	74	4,276	27,571
Accumulated amortization and impairment Jan. 1, 2020	-9,334	-3,015	-3,322		-1	-15,672
Translation differences			1			1
Accumulated amortization on disposals and reclassifications	599	1	26			626
Depreciation and amortization	-1,559	-157	-374			-2,090
Impairment	-171					-171
Accumulated amortization and impairment Dec. 31, 2020	-10,465	-3,171	-3,669		-1	-17,306
Carrying amount Jan. 1, 2020	5,401	165	1,331	102	4,275	11,274
Carrying amount Dec. 31, 2020	4,939	8	969	74	4,275	10,265

DEVELOPMENT COSTS

* During 2020, capitalized development expenses have been impaired by EUR 171 thousand (EUR 195 thousands) mainly due to changes in volume expectations of some products for customers of Italy products.
** On December 31, 2020, the carrying amount of unfinished development expenditure was EUR 485 thousand (EUR 2 179 thousands). Development expenses are tested for impairment annually. The test is a comparison between the carrying amount of the development cost and the recoverable amount, which is defined as the present value of the future cash flows expected to be derived from the asset.

GOODWILL IMPAIRMENT TESTING

For impairment testing, goodwill of EUR 4,275 and is allocated to the cash-generating units, namely the sub-groups of Enedo SpA (EUR 1,114 thousands) and Enedo Holding Oy (EUR 3,161 thousands). In impairment testing, the recoverable amount of the unit is the value in use. Cash flow forecasts are based on five-year plans approved by the management.

IMPAIRMENT TESTING

The company has conducted the impairment testing for 2020 financial statements taking into consideration the short-term and mid-term effects of the Covid-19 pandemic to the business environment as well as the generally increased uncertainty. Due to these factors, the impairment testing conducted in relation to 2020 financial statements have been compiled using using lower net sales and profitability growth estimates than previous tests.

The impairment testing did not indicate impairments to goodwill but the present value of future cash flows of the Italian subsidiary (Enedo Spa) have decreased and are closer to their book value and indicate greater sensitivity in relation to goodwill. As a result of the decreased present value of Italy's cash flows, the parent company's investment into the Italian subsidiary has been impaired by EUR 5,333 thousands which has no impact on Group's financial result but does weaken the parent company's equity. In addition, the deferred tax asset related to losses in Italian subsidiary has been amortisized by EUR 847 thousands.

From the cash-generating units, Enedo SpA is the most sensitive to changes in profitability. According to the impairment tests conducted for the financial statements of 2020, Enedo SpA's sensitivities have reduced significantly compared to previous financial year.

Cash flow estimates are based on management approved estimates that cover a period of 5 years. The discount rate used in the testing has been defined as weighted average cost of capital (WACC). Enedo SpA's discount rate, 14.93% (12.46%) and Enedo Finland's (previously Powernet) rate 11.09% (10.82%), are pre-tax rates. Enedo SpA's WACC has increased from the annual report 2019 mainly due to increase in country specific risk. The long-term growth factor for Enedo Spa is 0.9% (2.0%) and for Enedo Finland 1.4% (2.0%).

According to the sensitivity analysis, the present value of discounted cash flow would equal the carrying amount of the tested assets if EBITDA would be 12% (22%) lower for Enedo SpA and 48% (16%) lower for Enedo Finland during the years 2020–2025, or if the discount rate would be 4.38% (8.96%) higher for Enedo SpA and 11.78% (4.05%) higher for Enedo Finland. From the tested cash generating units, Enedo Spa is more sensitive to changes in profitability. Enedo Spa's estimates have decreased significantly from previous financial year.

Based on the impairment testing, Enedo SpA's value in use exceeds the tested book value of EUR 9,315 thousands by 42% (110%) and Enedo Finland's value in use exceeds the tested book value of EUR 5,045 thousands by 127% (49%).

15. TANGIBLE ASSETS (EUR 1,000)

Tangible assets 2019	Buildings and structures	Buildings and structures, right-of-use assets	Machinery and equipment	Machinery and equipment, right-of-use assets	Other tangible assets	Advance payments and work in progress	Total
Cost Jan. 1, 2019	20	0	18,921	773	4,674	106	24,495
IFRS 16 effect		1,845	0	354			2,199
Translation differences		0	46		56		102
Additions	5	196	1,022		32	133	1,387
Divestments		-710	-4,976		-3,642		-9,328
Disposals			-123		-3	-150	-275
Reclassifications			69			-69	0
Cost Dec. 31, 2019	25	1,330	14,960	1,127	1,119	21	18,582
Accumulated amortization and impairment Jan. 1, 2019	-1	0	-16,066	-769	-4,384		-21,220
Translation differences		0	-37		-54		-91
Cumulative amortization on disposals, divestments and reclassifications		6	4,329		3,562		7,897
Depreciation and amortization	-2	-488	-745	-143	-72		-1,450
Accumulated amortization and impairment Dec. 31, 2019	-3	-482	-12,519	-911	-949		-14,864
Carrying amount Jan. 1, 2019	19	0	2,855	4	290	106	3,275
Carrying amount Dec. 31, 2019	22	848	2,441	216	170	21	3,718

Tangible assets 2020	Buildings and structures	Buildings and structures, right-of-use assets	Machinery and equipment	Machinery and equipment, right-of-use assets	Other tangible assets	Advance payments and work in progress	Total
Cost Jan. 1, 2020	**25**	**1,330**	**14,960**	**1,127**	**1,119**	**21**	**18,582**
Translation differences		**-9**	**-6**		**-12**		**-27**
Additions		**201**	**543**	**289**	**9**	**72**	**1,114**
Disposals		**-188**	**-176**	**-780**	**-4**	**-8**	**-1,156**
Cost Dec. 31, 2020	**25**	**1,334**	**15,321**	**636**	**1,112**	**85**	**18,513**
Accumulated amortization and impairment Jan. 1, 2020	**-3**	**-482**	**-12,519**	**-911**	**-949**		**-14,864**
Translation differences		**3**	**6**		**12**		**21**
Accumulated amortization on disposals and reclassifications		**168**	**90**	**780**	**6**		**1,044**
Depreciation and amortization	**-3**	**-322**	**-697**	**-158**	**-37**		**-1,217**
Accumulated amortization and impairment Dec. 31, 2020	**-6**	**-633**	**-13,120**	**-289**	**-968**		**-15,016**
Carrying amount Jan. 1, 2020	**22**	**848**	**2,441**	**216**	**170**	**21**	**3,718**
Carrying amount Dec. 31, 2020	**19**	**701**	**2,201**	**347**	**144**	**85**	**3,497**

16. OTHER FINANCIAL ASSETS (EUR 1,000)

	Investments held to maturity	Non-current other receivables	Non-current loan receivables	Total
Cost Jan. 1, 2019	124	1	1	125
Translation differences	0	-1	-1	-1
Disposals	-119	0	0	-119
Cost Dec. 31, 2019	5	1	1	6
Carrying amount Jan. 1, 2019	124	1	1	125
Carrying amount Dec. 31, 2019	5	1	1	6

	Investments held to maturity	Non-current other receivables	Non-current loan receivables	Total
Cost Jan. 1, 2020	**5**	**1**	**1**	**6**
Translation differences	**0**	**-2**	**-2**	**-2**
Cost Dec. 31, 2020	**5**	**-1**	**-1**	**4**
Carrying amount Jan. 1, 2020	**5**	**1**	**1**	**6**
Carrying amount Dec. 31, 2020	**5**	**-1**	**-1**	**4**

17. DEFERRED TAX ASSETS AND LIABILITIES (EUR 1,000)

	Jan 1, 2019	Translation differences +/-	Changes through income statement	Recorded directly into equity	Other movements	Changes through business arrangements	Dec 31, 2019
Deferred tax asset							
Unused tax losses	3,667	22	175	0	0	-1,473	2,391
Total	3,667	22	175	0	0	-1,473	2,391
Deferred tax liability							
Fair value evaluation of intangible assets in business combinations	384	0	-114	0	0	0	270
Total	384	0	-114	0	0	0	270

	Jan 1, 2020	Translation differences +/-	Changes through income statement	Recorded directly into equity	Other movements	Changes through business arrangements	Dec. 31, 2020
Deferred tax asset							
Unused tax losses	**2,391**	**0**	**-847**	**0**	**0**	**0**	**1,544**
Total	**2,391**	**0**	**-847**	**0**	**0**	**0**	**1,544**
Deferred tax liability							
Fair value evaluation of intangible assets in business combinations	**270**	**0**	**-91**	**0**	**0**	**0**	**179**
Total	**270**	**0**	**-91**	**0**	**0**	**0**	**179**

The group companies in Finland, Italy, Tunisia and the United States had tax losses totaling EUR 42.6 mil-lion (EUR 36.5 million) on December 31, 2020. A deferred tax asset was not recognized on these losses as their use is uncertain in the foreseeable future. Of the unrecognized deferred tax assets, EUR 4.7 million is allocated to the losses of Finnish companies, EUR 3.2 million to the losses of companies in the United States, EUR 0.3 million to the losses of company in Tunisia and EUR 2.0 million to the losses of company in Italy. The losses will expire in the years 2021–2040.

A deferred tax liability on the undistributed earnings in the subsidiaries has not been recorded in the con-solidated accounts as the tax is not expected to be realized in the foreseeable future. An unrecorded deferred tax liability EUR 1.5 million was in the company of Estonia.

The parent company had deferred depreciation in 2020 amounting to EUR 7.9 million (EUR 7.9 million), for which no deferred tax asset has been recognized.

18. INVENTORIES (EUR 1,000)

	2020	2019
Materials and supplies	**3,330**	3,642
Work in progress	**606**	1,296
Finished goods	**2,650**	2,671
Total	**6,586**	7,608

During the financial year, write-downs of inventory in order to decrease the value from historical to the lower net realizable value totaled EUR 0.0 million (EUR 0.2 million).

19. TRADE RECEIVABLES AND OTHER RECEIVABLES (EUR 1,000)

	2020	2019
Non-current		
Non-current other receivables	**259**	327
Total	**259**	327
Current:		
Trade receivables	**5,552**	5,069
Credit loss provision	**-458**	-599
Other receivables	**476**	864
Prepayments and accrued income	**184**	293
Total	**5,754**	5,626
Trade receivables and other receivables total:	**6,013**	5,954

The book values of trade receivables do not significantly differ from their fair value.

During the financial year, the Group recognized realized credit losses of EUR 124 thousands (EUR 0 thousand), released credit loss provisions of EUR 144 thousands (EUR 18 thousands) and made new provisions of EUR 3 thousands (EUR 34 thousands).

The IFRS 9 impairment model is based on the expected credit losses. The Group has defined a model to recognize credit losses based on due dates of trade receivables and the management's consideration. A credit loss allowance has been made on a case-by-case basis on receivables that are substantially overdue. This has historically proven to provide a good view of expected credit losses. However, the management applies judgment in applying the recognition model.

	2020	2019
Credit loss provision 1.1.	**599**	583
Additions	**3**	34
Deductions	**-144**	-18
Credit loss provision 31.12.	**458**	599
Analysis of trade receivables past due:		
Neither past due nor impaired	**3,743**	3,484
Due not more than 30 days	**904**	492
Due 31 to 60 days	**95**	69
Due 61 to 90 days	**5**	59
Due 91 to 120 days	**2**	0
Due more than 120 days	**803**	965
Total	**5,552**	5,069
Trade and other receivables by currency:		
EUR	**5,172**	4,724
RMB	**32**	32
USD	**736**	1,144
SEK	**0**	0
Other currencies	**73**	54
Total	**6,013**	5,954
Material items in prepayments and accrued income:		
Prepaid expenses	**19**	20
Other items	**165**	273
Total	**184**	293

20. CASH AND CASH EQUIVALENTS (EUR 1,000)

	2020	2019
Cash and cash equivalents	**1,136**	1,076

Change of cash and non-cash borrowings born in financing activities.

				Non-cash changes			
	2019	**Cash flows**	**Classification**	**Capitalized interest**	**Exchange rate changes**	**Fair value changes**	**2020**
Non-current liabilities	5,804	3521	-89				**9,236**
Non-current lease liabilities	663		-58				**605**
Current liabilities	6,748	659	89	100			**7,596**
Current lease liabilities	427		58				**485**
Current derivatives						18	**18**
Financial liabilities total	13,642	4,180	0	100		18	**17,940**

					Non-cash changes			
	2018	**IFRS 16 impact on January 1, 2019**	**Cash flows**	**Classification**	**Capitalized interest**	**Exchange rate changes**	**Fair value changes**	**2019**
Non-current liabilities	5,396		408					**5,804**
Non-current lease liabilities		663						**663**
Current liabilities	7,702		-954					**6,748**
Current lease liabilities	5	422	0					**427**
Financial liabilities total	13,102	1,085	-546					**13,642**

21. SHARE CAPITAL (EUR 1,000)

	Number of shares	Share capital	Treasury shares	Reserve for invested unrestricted equity	Total
Shares outstanding as of 1.1.2020	**418,130,168**	**15,000**	**-2,427**	**38,187**	**50,760**
Shares outstanding as of 31.12.2020	**8,432,735**	**100**	**-2,425**	**53,087**	**50,762**
Total number of shares 31.12.2020	**8,363,486**				
Own shares held by the group 31.12.2020	**69,249**				
Shares outstanding as of 1.1.2019	418,130,168	15,000	-2,427	38,187	50,761
Shares outstanding as of 31.12.2019	418,130,168	15,000	-2,427	38,187	50,761
Total number of shares 31.12.2019	421,636,788				
Own shares held by the group 31.12.2019	3,506,620				

The number of shares in the parent company was 8,363,486 and the share capital was EUR 100,000 on December 31, 2020. During the financial year, the company's share capital was reduced from EUR 15,000,000 by EUR 14,900,000 to EUR 100,000 and the amount of the reduction of EUR 14,900,000 was transferred to the invested unrestricted equity fund. During the financial year, the number of the company's shares was reduced. The company redeemed the number of shares from each shareholder free of charge, which was obtained by multiplying the number of shares owned by each shareholder on the Transaction Date by a factor of 49/50, i.e. 49 shares were redeemed for every 50 existing shares.

In order to avoid the creation of fractions of shares, the company transferred its own shares held by the company in a directed issue free of charge, so that the number of shares according to the book-entry account of each shareholder on the Transaction Date was divided by 50.

There is no maximum number of shares or share capital in the Articles of Association. All issued shares have been paid in full. The shares have no nominal value. The company has one class of shares, the voting rights of which are one vote per share.

DESCRIPTION OF THE RESERVES WITHIN EQUITY:

OTHER RESERVES

Reserve for invested unrestricted equity

The total value EUR 1,400,000 of the new shares issued in the parent company's share issue was recognized in the reserve for invested unrestricted equity. On February 9, 2010, the Annual General Meeting decided to decrease the share capital by EUR 19,450,000. The decreased amount was transferred to the reserve for unrestricted equity. The sales of own shares in the parent company amounted to EUR 14,547.36 was entered in the reserve for invested unrestricted equity (in the financial year 2010). Pursuant to a decision by the Annual General Meeting on February 9, 2012, a total of EUR 2,097,097.75 was distributed from the reserve for invested unrestricted equity during that financial year. The distribution of assets amounted to EUR 0.05 per share. In the financial year 2013, a share issue of EUR 9,399,999.82 was recognized in the reserve for invested unrestricted equity. Transaction costs related to the share issue were recognized in the reserve for invested unrestricted equity in the amount of EUR -195,887.94. In the financial year 2018, a share issue of EUR 10,975,916.91 was recognized in the reserve for invested unrestricted equity. Transaction costs related to the share issue were recognized in the reserve for invested unrestricted equity in the amount of EUR -760,201.84. On February 25, 2020, the Annual General Meeting decided to decrease the share capital by EUR 14,900,000. The decreased amount was transferred to the reserve for unrestricted equity.

Other reserves

Other reserves include amounts included in the restricted equity of consolidated subsidiaries.

Treasury shares

The reserve for own shares consists of the cost of own shares. On December 31, 2020 the parent company held 69,249 own shares. The acquisition cost for this treasury stock was EUR 2,424.749.68, and this amount is reported as a reduction in the equity of the Group. The company's shares are recognized in the balance sheet as acquisition of own shares.

Translation differences

The translation reserve contains translation adjustments arising from the translation of the financial statements of foreign operations.

Dividends

No dividend was distributed for the fiscal period.

22. INTEREST-BEARING LIABILITIES (EUR 1,000)

	2020	2019
Non-current		
Loans from financial institutions	**9,236**	5,804
Lease liabilities	**605**	663
Total	**9,841**	6,467
Current		
Lease liabilities	**485**	427
Fair value of derivatives	**18**	0
Other liabilities	**0**	643
Loans from financial institutions	**2,358**	2,458
Working capital financing and credit limits	**5,238**	3,646
Total	**8,099**	7,175
Interest-bearing liabilities total	**17,940**	13,642

The interest-bearing liabilities are valued at initial value less installments, and the values do not differ materially from the fair values. Factors concerning the uncertainty of financing are disclosed in Note 27, including the presentation of the maturities of financial liabilities.

23. LEASES (EUR 1,000)

Right-of-use assets 2020:	Buildings and structures	Machinery, equipment and vehicles	Total
Carrying amount Jan. 1, 2020	848	216	1,064
Additions	201	289	490
Disposals	-20	0	-20
Translation differences	-6	0	-6
Depreciation for the period	-322	-158	-480
Carrying amount Dec. 31, 2020	701	347	1,048

Right-of-use assets 2019:	Buildings and structures	Machinery, equipment and vehicles	Total
Carrying amount Jan. 1, 2019	1,845	359	2,204
Additions	196	0	196
Disposals	-710	0	-710
Depreciation for the period	-482	-143	-624
Carrying amount Dec. 31, 2019	848	216	1,064

Lease liabilities as of December 31	2020	2019
Less than year	**485**	427
1–5 years	**605**	663
Over 5 years	**0**	0
Total	**1,090**	1,091

Leases on income statement	2020	2019
Depreciation of right-of-use assets	**-480**	-457
Short-term leases and leases of low value	**-200**	-260
Interest expenses for lease liabilities	**-55**	-60
Total	**-735**	-777

24. TRADE PAYABLES AND OTHER LIABILITIES (EUR 1,000)

	2020	2019
Non-current:		
Trade payables	**42**	0
Total	**42**	0
Current:		
Advances received	**118**	220
Trade payables	**8,809**	10,406
Other liabilities	**1,038**	693
Accruals and deferred income	**1,339**	1,294
Total	**11,304**	12,613
Trade payables and other liabilities total	**11,346**	12,613

The book values of trade payables do not differ materially from their fair value.

Material items included in accruals and deferred income	**2020**	**2019**
Accrued personnel expenses	**1,048**	1,132
Current interest payable	**100**	82
Other items	**191**	80
Total	**1,339**	1,294

25. PENSION OBLIGATIONS (EUR 1,000)

The Group has a post-employment defined benefit obligation in Italy, where IAS standard 19 is applicable. The Italian legislation provides that, at employment contract termination, each employee receives a severance indemnity (Trattamento Fine Rapporto, TRF), which is paid from a fund held in the company or held in an external institution. The amount of each annual contribution equals approximately 6.9% of the gross annual salary which is accrued monthly to the personnel expenses. The contributions to the fund are recognized as personnel expenses in the income statement and the interest from the fund as financial items. The remeasurement of the fund is recognized in equity. The liability represents the accumulated benefit payment obligation at employment contract termination. The value of this liability is a fair value index-adjusted annually. This value is is based on actuarial calculations taking into account demographic assumptions in the future concerning current and future employees and financial assumptions based on market expectations.

	2020	2019
Pension obligations on Jan. 1	**1,271**	1,183
Changes recognized in income statement		
Interest expense	**6**	16
Benefits paid	**-54**	-37
Remeasurements recognized in equity:		
Actuarial gains (+)/ losses (-) based on experience	**0**	-5
Actuarial gains (+)/ losses (-) based on changes in demographic assumptions	**0**	-1
Actuarial gains (+)/ losses (-) based on changes in financial assumptions	**-12**	114
Pension obligations on Dec. 31	**1,211**	1,271

	2020	2019
The benefits expected to be paid to post-employment benefit plans in the next financial year (year 1) are as follows:	**133**	87
During years 2–5 the annual estimated benefits to be paid are, on average:	**51**	68

Actuarial assumptions	**2020**	**2019**
Discount rate	**0.44%**	0.63%
Salary rate	**1.20%**	1.50%
Pension rate	**2.40%**	2.63%

The following table is a sensitivity analysis for the actuarial assumptions, showing the estimated value of the obligation if the actuarial assumptions change:

	2020		**2019**	
	Change +0.25%	**Change -0.25%**	**Change +0.25%**	**Change -0.25%**
Discount rate	**1,183**	**1,238**	1,243	1,304
Salary rate	**1,228**	**1,194**	1,292	1,254
	Change +1%	**Change -1%**	**Change +1%**	**Change -1%**
Pension rate	**1,200**	**1,222**	1,261	1,286

26. PROVISIONS (EUR 1,000)

	2020	2019
Non-current provisions	**199**	211
Warranty provision Jan. 1	**136**	333
Additions	**-61**	-197
Warranty provision Dec. 31	**75**	136
Other provisions Jan. 1.	**75**	301
Additions	**49**	0
Deductions	**0**	-226
Other provisions Dec. 31	**124**	75
Current provisions	**153**	166
Warranty provision Jan. 1	**166**	165
Additions	**0**	1
Deductions	**-13**	0
Warranty provision Dec. 31	**153**	166
Provisions total Dec. 31	**352**	377

The products sold by the company typically have a warranty of 12–24 months. The corresponding anticipated warranty costs related to delivered products are recognized in the warranty reserve. Realized warranty costs are recognized in the income statement in the financial year in which they arise.

27. FINANCIAL RISK MANAGEMENT

The principles and objectives of the Group's financial risk management are determined in the financing risk policy, which is updated when necessary, and approved by the Board of Directors. The financial risk management aims at avoiding risks and providing cost-effective arrangements for protecting the Group from factors that may affect its performance and cash flows in a negative way.

Financial risks are managed by foreign exchange and interest rate hedging using only financial instruments with a market value and risk profile that can be reliably monitored.

Approximately 21% of the Group's net sales comes from the two largest customers. Key customers are included in a factoring facility. The maturity analysis of trade receivables and currency exposure of trade and other receivables are presented in note 19. Trade receivables and other receivables.

FOREIGN EXCHANGE RISK

Foreign exchange risks refer to the risks caused by changes in foreign exchange rates, which can affect business performance or Group solvency. Most of the Group's sales are denominated in EUR and USD. The operating expenses are generated in EUR, USD and TND. In 2020, the primary hedging method was to match foreign currency income and expense flows. Derivatives are not used in the group as hedges of risks related to the currency cash flow.

In the financial statements, the equity of foreign subsidiaries is translated at the European Central Bank's closing rate on the balance sheet date. Exchange rate differences are presented in the consolidated financial statements as translation differences. The net investments in foreign operations have not been hedged. The equity of the subsidiaries is not hedged.

INTEREST RATE RISK

Interest rate risks are caused by fluctuations in interest rates affecting the income, loan portfolio and cash reserves in the Group. Interest rate risks are also dependent on whether financing is made by fixed rate or variable rate agreements. Interest rate risks are managed by making decisions concerning the interest periods of the liabilities and by using different types of derivative financial instruments to hedge interest rate risks. On the balance sheet date, the Group had interest rate derivative in one loan in Italy.

LIQUIDITY RISK

According to the financing policy, the parent company is responsible for the Group's liquidity risk management, funding and efficient cash management. Liquidity risk is managed by maintaining a balanced distribution of loan maturities, adequate cash assets, the partial sale of trade receivables and the use of credit limits.

The Group's interest-bearing net financial liabilities at the end of the financial year were EUR 16.8 million. (EUR 12.6 million). Net financial liabilities include EUR 1.1 million (EUR 1.1 million) lease liabilities in accordance with IFRS 16. Cash flow from operating activities during July-December was EUR -0.4 million. (EUR -2.6 million) and during the financial year EUR -2.3 million (EUR -0.5 million). In addition to operating losses, the negative cash flow from operating activities was due to an increase in working capital requirements while sales volumes remained low. Cash flow for the financial year after investments was EUR -3.7 million (EUR-1.3 million). The Group's equity ratio at the end of the financial year was -7.4% (11.5%) and the balance sheet total was EUR 29.2 million (EUR 32.1 million). At the end of the financial year, the Group's equity was EUR -2.1 million. (EUR 3.7 million).

At the end of the financial year, the Group had a total of EUR 11.6 million of which EUR 2.3 million of loans from financial institutions are due in the next 12 months. This includes EUR 0.7 million in loan repayments from the Italian company and EUR 1.4 million installments under the parent company's stand-still agreement. The Group's financial reserves consist of unused credit facilities valid for the time being, which totaled EUR 1,3 million. (EUR 2.2 million). Cash and cash equivalents at the end of the financial year were EUR 1.1 million. (EUR 1.1 million).

A guarantee of EUR 4.0 million issued by Jussi Capital Oy in the financial year 2016 for a third-party financier is still valid. The arrangements were carried out on acceptable grounds for the Group's business and under ordinary market terms.

CREDIT RISK AND OTHER COUNTERPARTY RISKS

The management of credit risk is primarily the responsibility of the operating units. The management of credit risk is based on the Group's credit policy and the aim is to obtain security when the customer's creditworthiness requires it. Impairment related to trade receivables is evaluated for significant receivables on a counterparty-specific basis to estimate impairment losses. Credit risks related to the investment of liquid assets and the signing of derivative agreements are minimized by establishing credit limits on counterparties and only signing agreements with leading domestic and international banks and financial institutions.

Due to the COVID-19 pandemic, credit risk monitoring has been intensified to identify risky customers and to ensure that credit decisions are based on up to date information of customers liquidity and recent changes in liquidity. Credit losses for the financial year were EUR 0.1 million. Substantial portion of group's receivables are within supplier and factoring financing. The group has in total EUR 4.9 million of unused supplier financing and factoring limits. The group bears risks relating to possible cancellation of factoring and supplier financing or a reduction to granted limits.

FINANCIAL POSITION

The net interest-bearing liabilities were EUR 16.8 million (EUR 12.6 million) at the end of the financial year. The net interest-bearing liabilities include EUR 1.1 million (EUR 1.1 million) of IFRS 16 lease liabilities.

The July – December cash flow from operating activities was EUR -0.4 million (EUR -2.6 million) and during the financial year EUR -2,3 million (EUR -0.5 million). In addition to generated loss, the negative cash flow was caused by increased need for working capital as the sales volumes were lower than expected. The cash flow after investing activities was EUR -3.7 million (EUR -1.3 million). The Group's solvency ratio was -7.4% (11.5%) and the closing balance sheet was EUR 29.2 million (EUR 32.1 million). The Group's equity was EUR -2.1 million (EUR 3.7 million) at the end of the financial year.

At the end of the financial year, the group had EUR 11.6 million of loans from financial institutions of which EUR 2.3 million will be repaid within the following 12 months. This includes EUR 0.7 million repayments of Italy's loans and EUR 1.4 million repayments of parent company's loans included in the stand-still agreement.

The liquidity reserves of the group consist of undrawn credit facilities in the amount of EUR 1.3 million (EUR 2.2 million). The cash position at the end of the financial year was EUR 1.1 million (EUR 1.1 million).

The parent company has agreed on the extension of the stand-still period until 30 June 2021 with the main financier bank and Jussi Capital. The previous stand-still contract period ended on June 30, 2020.

In the stock market announcement of 29th december 2020, the Group announced that the financial arrangements in Italy have been concluded and as a result, Enedo has drawn in total EUR 2.7 million of new loans in Italy during the financial year. All loans in Italy include a stand-still agreement until summer 2021. The loans have been guaranteed by state backed MCC institution. One of the loans includes covnenants that the company breached as of 31st December. However, the company received a waiver from the financier and the loan receivables were not claimed.

On 16th of February 2021 the group announced planning of EUR 12 million rights and directed issue and a conditional EUR 3.3 million cancellation of its debts. The group has received irrevocable subscription commitments in the amount of EUR 9.6 million (assuming full subscription of share rights issue) which is 80% of the planned size of the share issue. The Company intends to execute a financial turnaround programme, with which it seeks to achieve a significant positive change in its financial result by the end of 2023. The key elements of the turnaround program are estimated permanent annual savings exceeding EUR 4 million in direct and indirect costs over the period 2021–2023 compared to the 2020 cost level (excluding temporary layoffs and other temporary savings), an annual increase in sales from 5 to 10 percent, and a clear improvement of the balance sheet and financing structure.

If the share issues and debt arrangements are realized as planned, it will have a significant positive impact on group's solvency and liquidity. The company estimates the expenses of the share issues to be EUR 0.7 million and therefore, net proceeds are estimated at EUR 11.3 million. The proceeds of the share issues would be used to pay-off a EUR 5.3 million debt to financiers and further EUR 3.3 million of debts would be cancelled. Cancellation of debts and the share issues would have a positive impact on company's equity. The remaining EUR 6.0 million would be used to execute the financial turnaround plan and for general working capital needs.

Maturities of financial liabilities, Dec 31 2020	Carrying amount	Contractual cash flows	< 6 mo	6–12 mo	> 12 mo
Trade payables and advances received	**8,926**	**8,926**	**8,856**	**70**	**0**
Loans from financial institutions	**11,594**	**13,666**	**528**	**2,363**	**10,775**
Lease liabilities	**1,090**	**1,123**	**267**	**253**	**603**
Overdraft and Factoring	**5,238**	**5,336**	**5,336**	**0**	**0**

Maturities of financial liabilities, Dec 31 2019	Carrying amount	Contractual cash flows	< 6 mo	6–12 mo	> 12 mo
Trade payables and advances received	10,626	10,625	10,206	345	75
Loans from financial institutions	8,906	10,589	1,460	2,231	6,897
Lease liabilities	1,091	1,179	246	231	702
Overdraft and Factoring	3,646	3,744	3,744		

The group has changed the presentation and classification of items in the maturities of financial liabilities table during the financial year 2020 and restated figures of comparative year accordingly. Contractual cash flows include interest expenses.

INTEREST RATE AND CURRENCY SENSITIVITY

	Operational transaction risk	
MEUR	**+10%**	**-10%**
EUR/USD	-0.3	0.4
EUR/JPY	0.0	0.0

	Income statement	
Cash flow interest rate sensitivity analysis	**+100 bp**	**-100 bp**
Non-current liabilities	-0.1	0.1
Current liabilities	-0.1	0.1
Other interest-bearing liabilities	0.0	0.0
Total	-0.2	0.2

28. FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS (EUR 1,000)

The group does not have active currency derivatives.

The group has an interest swap derivative in one of its Italian subsidiary's loans to hedge interest risk. Fair value of the derivative instrument is presented below:

	2020	2019
Derivatives		
Nominal value	**1,900**	0
Positive value	**0**	0
Negative value	**18**	0

29. OTHER LEASE COMMITMENTS (EUR 1,000)

	2020	2019
Group as lessee		
Non-cancellable minimum operating lease payments:		
Within 1 year	**111**	118
1–5 years	**17**	8
Total	**128**	126

The Group adopted the new IFRS 16 standard effective from January 1, 2019. Information on leases subject to the standard is presented in note 23.

30. OTHER CONTRACTS

The Group has certain significant customer contracts that include a condition normal for the branch of industry, where one of the contracting parties may terminate the agreement, if the control in the group is transferred to a party which is a competitor of the customer.

31. CONTINGENT LIABILITIES (EUR 1,000)

	2020	2019
Security given on own behalf		
Business mortgages	**15,248**	15,248
Other contingent liabilities	**0**	78
Liabilities guaranteed by business mortgages		
Loans from credit institutions*	**6,932**	5,703
Factoring in use	**0**	842
Total	**6,932**	6,545
Credit insurance liability according to factoring, The liability has not been realized.	**0**	42

* Shares in subsidiaries with a carrying value of EUR 3.6 million have been pledged as collateral for the parent company's loans from financial institutions.

32. LEGAL PROCEEDINGS

The Italian subsidiary is involved in legal proceedings concerning the employer's compensation of the employees of the company's subcontractor to the INPS (Istituto Nazionale della previdenza sociale). The Italian subsidiary won the lawsuit in the local court of Ancona and the case is pending. This legal proceeding does not have a material effect on the Group's financial position.

At the end of November 2018, Alessandro Leopardi, the former CEO of the Italian subsidiary, filed a claim against Enedo Spa and Enedo Oyj for various matters related to the employment and service relationship. The case is pending. Enedo Spa and Enedo Oyj consider the claim to be unfounded in all respects. This legal proceeding does not have a material effect on the Group's financial position.

33. RELATED PARTY TRANSACTIONS (EUR 1,000)

The Group's related parties include the subsidiaries and the key employees, consisting of the members of the Board of Directors, the President and CEO as well as the Executive Management Team.

The parent and subsidiary relationships in the Group are:	Registered office	Home country	Group ownership %	Share of voting rights %	The parent and subsidiary relationships in the group are %
Parent company:					
Enedo Plc (formerly Efore Plc)	Vantaa	Finland			
Shares in subsidiaries owned by Enedo Plc:					
Efore (USA), Inc.	Dallas TX	USA	100	100	100
Efore OÜ	Tallinn	Estonia	100	100	100
Enedo (Hongkong) Co., Limited	Kowloon	China	100	100	100
Efore (Suzhou) Automotive Technology	Suzhou	China	100	100	100
Enedo SpA	Osimo	Italy	100	100	100
Enedo Holding Oy	Vantaa	Finland	100	100	100
Shares in subsidiaries owned by Enedo Holding Oy:					
Enedo Finland Oy	Vantaa	Finland	100	100	
Shares in subsidiaries owned by Enedo SpA:					
Enedo Sarl	Charguia	Tunisia	99.72	100	
Enedo Inc.	Pennsylvania	USA	100	100	

		2020	2019
President and CEO, remuneration			
Vesa Leino		**234**	236
Members of the Board of Directors, remuneration			
Lähdesmäki Tuomo	1.1.2020–31.12.2020	**45**	44
Sivula Antti	1.1.2020–31.12.2020	**24**	23
Miettunen Matti	1.1.2020–31.12.2020	**24**	23
Narvanmaa Taru	1.1.2020–31.12.2020	**33**	30
Michael Peters	24.4.2020–31.12.2020	**16**	
Miettinen Marjo	1.1.2019–11.4.2019		6
		142	126
Executive Management Team, remuneration		**539**	747
Including fees			6
Key management			
Salaries and other short-term employment benefits		**915**	1,109
Benefits after termination of employment			
Total		**915**	1,109

No pension commitments with special terms have been granted nor have any other securities been granted on behalf of the related parties in 2020.

34. EVENTS AFTER THE END OF THE FINANCIAL YEAR

16.2.2021 - Enedo Plc has agreed conditionally on cancellation of its debts totalling MEUR 3,3, is planning a directed issue and a rights issue totalling approximately MEUR 12, and intends to execute a turnaround program in order to improve its result.

16.2.2021 - Notice is given to the shareholders of Enedo Plc ("Enedo" or the "company") to the Extraordinary General Meeting to be held on Tuesday,9 March 2021 at 10.00 a.m. at the head office of the company, address Martinkyläntie 43, Vantaa.

8.3.2021 – The Finnish Financial Supervisory Authority has granted Inission AB (publ) a permanent exemption from obligation to launch a mandatory bid

9.3.2021 - The Extraordinary General Meeting of Enedo Plc (the "Company") was held on 9 March 2021 at 10 a.m. in Vantaa.

Income statement for the parent company, EUR 1,000

	Note	Jan. 1–Dec. 31, 2020	Jan. 1–Dec. 31, 2019
NET SALES	1	**634**	13,365
Change in inventories of finished goods and work in progress		**0**	260
Other operating income	2	**547**	581
Materials and services			
Materials and consumables			
Purchases during the financial year	3	**0**	10,238
External services	3	**0**	-4
		0	10,234
Personnel expenses			
Wages, salaries and fees	4	**817**	1,987
Social security expenses			
Pension expenses	4	**68**	297
Other social security expenses	4	**12**	7
		897	2,291
Depreciation, amortization and impairments			
Depreciation and amortization according to plan	5	**32**	864
		32	864
Other operating expenses	6	**941**	17,902
OPERATING PROFIT (LOSS)		**-689**	-17,084
Financial income and expenses			
Income from group companies	7	**40**	275
Other interest and financial income	7, 9	**2**	225
Interest expenses to group companies	8	**-156**	-181
Impairment on fixed assets from group companies	8	**-5,333**	-200
Interest and other financial expenses	8, 9	**-757**	-1,020
		-6,204	-902
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**-6,893**	-17,986
Tax on income from operations			
Tax on income from operations	10	**-2**	-52
PROFIT (LOSS) FOR THE PERIOD		**-6,895**	-18,038

Balance sheet for the parent company, EUR 1,000

ASSETS	Note	Dec. 31, 2020	December 31, 2019
NON-CURRENT ASSETS			
Intangible assets			
Intangible rights	11	**7**	16
Other intangible assets	11	**10**	17
Prepaid expenses	11	**73**	0
		90	34
Tangible assets			
Machinery and equipment	11	**10**	18
Other tangible assets	11	**3**	7
		13	25
Investments			
Holdings in group companies	12, 13	**16,067**	21,584
Other shares and holdings	12, 13	**2**	2
		16,069	21,586
CURRENT ASSETS			
Current receivables			
Trade receivables	14	**4**	46
Receivables from group companies	14	**1,733**	2,083
Other receivables	14	**27**	51
Prepayments and accrued income	14	**23**	80
		1,787	2,260
Cash and cash equivalents		**29**	26
TOTAL ASSETS		**17,988**	23,930

Balance sheet for the parent company, EUR 1,000

EQUITY AND LIABILITIES	Note	Dec. 31, 2020	December 31, 2019
EQUITY			
Share capital	15	**100**	15,000
Other reserves	15	**54,076**	39,176
Retained earnings	15	**-44,076**	-26,039
Profit (loss) for the period	15	**-6,895**	-18,038
		3,205	10,100
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans from financial institutions	17	**4,350**	4,350
Loans from others	17	**500**	500
Liabilities to group companies	17	**1,434**	1,398
		6,284	6,248
Current liabilities			
Loans from financial institutions	17	**2,212**	1,205
Loans from others	17	**600**	500
Trade payables	17	**212**	519
Liabilities to group companies	17	**5,194**	5,128
Other liabilities	17	**112**	27
Accruals and deferred income	17	**169**	203
		8,499	7,582
TOTAL EQUITY AND LIABILITIES		**17,988**	23,930

Parent company cash flow statements, EUR 1,000

	Jan. 1–Dec. 31, 2020	Jan. 1–Dec. 31, 2019
Cash flow from operating activities		
Customer payments received	**878**	15,162
Payments to suppliers	**-2,017**	-19,085
Cash generated from operations	**-1,139**	-3,923
Interest paid	**-172**	-189
Dividends received	**0**	247
Interest received	**41**	76
Other financing items	**-459**	-566
Income taxes paid	**-2**	-52
Net cash from operating activities (A)	**-1,731**	-4,407
Cash flows from investing activities		
Purchase of tangible and intangible assets	**-76**	-559
Proceeds from sale of tangible and intangible assets	**0**	7
Acquisition of subsidiaries	**184**	175
Disposal of subsidiaries	**326**	2,374
Increase in loans receivable	**-580**	-1,135
Decrease in loans receivable	**873**	188
Net cash used in investing activities (B)	**727**	1,051
Cash flows from financing activities		
Proceeds from short-term borrowings	**1,525**	3,525
Repayment of short-term borrowings	**-518**	-2,770
Net cash used in financing activities (C)	**1,007**	755
Net decrease (-)/increase (+) in cash and cash equivalents (A+B+C)	**3**	-2,601
Cash and cash equiv. at the beginning of the period	**26**	2,627
Net increase/decrease in cash and cash equivalents	**3**	-2,601
Cash and equivalents at the end of the period	**29**	26

Accounting policies for the financial statements of parent company

GENERAL

The financial statements of Enedo Plc (formerly Efore Plc), registered office in Vantaa, Finland, are prepared and presented in accordance with the Finnish Accounting Act and other applicable laws and regulations in effect in Finland (Finnish Accounting Standards, FAS).

During the financial year 2019, the parent company had the business transfer, concluded the business transaction and the shares of subsidiary were sold. These transactions affect the comparability of the financial statements between financial years.

ASSUMPTION OF ABILITY TO CONTINUE AS A GOING CONCERN

The assumption of ability to continue as a going concern is presented in the Accounting principles for the Consolidated Financial Statements.

FOREIGN CURRENCY ITEMS

Transactions in foreign currencies are recognized at the exchange rate valid on the date of transaction. Foreign currency receivables and liabilities on the balance sheet date are valued at the exchange rates on the balance sheet date. Exchange rate differences arising from the translation of balance sheet items in foreign currency and sales, purchases, expenses and financial items as well as from receivables and liabilities are recognized as exchange rate gains and losses in financial income and expenses. The presentation in the parent corresponds with the presentation in the consolidated financial statements.

EVALUATION OF NON-CURRENT ASSETS

Intangible and tangible assets are stated at historical cost less accumuated amortization, depreciation and impairment. Planned depreciation on intangible and tangible assets is made on a straight-line basis over their estimated useful lives. Gains and losses on sale of intangible and tangible assets are included in the operating result

The estimated useful lives for different groups of assets are as follows:

Intangible rights	3–5 years
Other intangible assets	5–10 years
Machinery and equipment	3–10 years
Other tangible assets	5 years

An impairment is recognized on the book value of an item in intangible and tangible assets, if it is evident that earnings expectations do not cover the book value of the asset.

HOLDINGS IN GROUP COMPANIES AND NON-CURENT RECEIVABLES FROM GROUP COMPANIES

The carrying values of holdings in group companies and loans granted to group companies are tested annually on the balance sheet date to identify any impairment. The need for impairment is considered at the cash generating unit level of the group companies.

For impairment testing the recoverable amount of the unit is the value in use. The value in use represents the discounted future net cash flows expected to be derived from a cash-generating unit. The discount rate is a pretax discount rate that is reflecting current market assessments and the risks specific to the asset.

Impairment is recognized when the carrying amount of an asset exceeds its recoverable amount. An impairment is recorded in profit or loss. An impairment recognized is subsequently reversed if there are changes in the estimates concerning the recoverable amount of the asset.

LEASING

All leasing charges are treated as rental expenses. The unpaid leasing commitments related to future financial periods are presented as lease obligations in the notes to the financial statements.

PENSIONS

The pension cover of the company's employees is arranged through insurance policies in pension insurance companies. Pension costs are expensed as incurred.

INCOME TAXES

The taxes at source are recognized as income taxes in the profit and loss statement.

Notes to the financial statements, parent company, EUR 1,000

1. NET SALES

	2020	2019
EMEA	**634**	10,797
Americas	**0**	2,269
APAC	**0**	299
Total	**634**	13,365

2. OTHER OPERATING INCOME

	2020	2019
Product development and company grants	**0**	62
Services excluded of the actual business	**187**	0
Repayment of the sales price concerning the sales loss of subsidiary shares	**360**	0
Gain on sale on business transfer	**0**	519
Total	**547**	581

3. MATERIALS AND SERVICES

	2020	2019
Materials and supplies		
Purchases during the financial year	**0**	10,238
External services	**0**	-4
Materials and services in total	**0**	10,234

4. PERSONNEL EXPENSES

	2020	2019
Wages, salaries and fees	**817**	1,987
Pension expenses	**68**	297
Other social security expenses	**12**	7
Total	**897**	2,291
Management salaries and fees		
President and CEO, Members of the Board of Directors	**376**	362
Total personnel, average		
Salaried employees	**7**	40

5. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

	2020	2019
Depreciation and amortization according to plan:		
Development costs	**0**	773
Intangible rights	**10**	34
Other intangible assets	**8**	8
Machinery and equipment	**11**	45
Other tangible assets	**3**	4
Total	**32**	864

6. OTHER OPERATING EXPENSES

	2020	2019
Losses on the disposal of shares in subsidiaries and costs of sale	**34**	15,132
Other ordinary business expenses	**907**	2,770
Total	**941**	17,902
Audit fees:		
KPMG		
Audit	**59**	61
Other services	**9**	22
Total	**68**	83

7. FINANCING INCOME

	2020	2019
Dividend income from Group companies	**0**	247
Interest income from Group companies	**40**	28
Interest income from others	**2**	18
Exchange rate gains	**0**	206
Total	**42**	500

8. FINANCING EXPENSES

	2020	2019
Exchange rate gains from loans and other receivables	**156**	181
Impairment on investments in Group companies	**5,333**	200
Interest expenses to others	**252**	210
Exchange rate losses	**51**	325
Other financial expenses	**454**	485
Total	**6,246**	1,402

9. EXCHANGE RATE DIFFERENCIES

		2020	2019
Itemization of net exchange rate gains (+) and losses (-) according to financial statement items			
Sales	Gains	**0**	37
	Losses	**-1**	-18
	Net	**-1**	19
Purchases	Gains	**0**	4
	Losses	**-6**	0
	Net	**-6**	4
Financial items	Gains	**0**	39
	Losses	**0**	-47
	Net	**0**	-8
Intra-group receivables and liabilities	Gains	**0**	126
	Losses	**-43**	-260
	Net	**-43**	-134
Total	Gains	**0**	206
	Losses	**-50**	-325
	Net	**-50**	-119

10. INCOME TAXES

	2020	2019
Taxes at source	**2**	52
Total	**2**	52

Enedo Plc had tax losses totaling EUR 20.5 million on December 31, 2020. A deferred tax asset was not recognized on these losses as their use is uncertain in the foreseeable future. The losses will expire in the years 2021–2030.Of the unrecognized deferred tax assets, EUR 4.1 million is related to the losses.

The parent company had deferred depreciation in 2020 amounting to EUR 7.9 million, for which no deferred tax asset has been recognized. Of the unrecognized deferred tax assets, EUR 1.6 million is related to the deferred depreciation.

The parent company has unrecognized deferred tax assets totaling EUR 5.7 million on December 31, 2020.

11. NON-CURRENT ASSETS

	2020	2019
Intangible assets		
Development costs		
Acquisition cost on Jan. 1	**0**	8,329
Additions	**0**	509
Disposals	**0**	-8,837
Acquisition cost on Dec. 31	**0**	0
Accumulated amortization and impairment on Jan. 1	**0**	4,297
Accumulated depreciation on disposals	**0**	-5,070
Depreciation for the period	**0**	773
Accumulated amortization and impairment on Dec. 31	**0**	0
Book value on Dec. 31	**0**	0
Intangible rights		
Acquisition cost on Jan. 1	**280**	391
Disposals	**0**	-111
Acquisition cost on Dec. 31	**280**	280
Accumulated planned depreciation on Jan. 1	**263**	341
Accumulated depreciation on disposals	**0**	-111
Depreciation for the period	**10**	34
Accumulated planned depreciation on Dec. 31	**273**	263
Book value on Dec. 31	**7**	16
Other intangible assets		
Acquisition cost on Jan. 1	**38**	72
Disposals	**0**	-35
Acquisition cost on Dec. 31	**38**	38
Accumulated planned depreciation on Jan. 1	**20**	46
Accumulated depreciation on disposals	**0**	-34
Depreciation for the period	**8**	8
Accumulated planned depreciation on Dec. 31	**28**	20
Book value on Dec. 31	**10**	17
Prepaid expenses		
Acquisition cost on Jan. 1	**0**	7
Additions	**73**	0
Disposals	**0**	-7
Acquisition cost on Dec. 31	**73**	0
Book value on Dec. 31	**73**	0

	2020	2019
Tangible assets		
Machinery and equipment		
Acquisition cost on Jan. 1	**70**	1,012
Additions	**3**	23
Disposals	**0**	-994
Reclassifications	**0**	30
Acquisition cost on Dec. 31	**73**	70
Accumulated planned depreciation on Jan. 1	**52**	829
Accumulated depreciation on disposals	**0**	-822
Depreciation for the period	**11**	45
Accumulated planned depreciation on Dec. 31	**63**	52
Book value on Dec. 31	**10**	18
Other tangible assets		
Acquisition cost on Jan. 1	**19**	20
Disposals	**0**	-1
Acquisition cost on Dec. 31	**19**	19
Accumulated planned depreciation on Jan. 1	**12**	8
Depreciation for the period	**4**	4
Accumulated planned depreciation on Dec. 31	**16**	12
Book value on Dec. 31	**3**	7
Advance payments and work in progress		
Acquisition cost on Jan. 1	**0**	0
Change Jan. 1–Dec. 31	**0**	30
Reclassification	**0**	-30
Acquisition cost on Dec. 31	**0**	0
Book value on Dec. 31	**0**	0

12. INVESTMENTS

	2020	2019
Holdings in group companies		
Book value on Dec. 31	**21,584**	14,442
Additions during the financial year	**0**	7,453
Deductions	**-184**	-111
Impairment	**-5,333**	-200
Book value on Dec. 31	**16,067**	21,584

The Group conducts impairment tests on a regular basis annually or more frequently if there are indications of possible impairment. In the case of Italy, the recoverable amounts of the cash-generating units' assets were less than their carrying amount per balance sheet item. As a result, the parent company, Enedo Oyj, has recorded an impairment of EUR 5.3 million in subsidiary shares.

	2020	2019
Other shares and holdings		
Shares on Jan. 1	**2**	2
Book value on Dec. 31	**2**	2

13. HOLDINGS IN GROUP COMPANIES

		2020	2019
		Book value	Book value
Efore (USA), Inc., Dallas TX	USA	**0**	0
Enedo (Hongkong) Co. Limited, Kowloon	China	**1**	1
Efore Automotive Technology Co., Ltd, Suzhou	China	**0**	0
Enedo S.p.A, Osimo	Italy	**6,263**	11,596
Enedo Holding Oy, Vantaa	Finland	**3,597**	3,781
Efore Oü, Tallinna	Estonia	**6,206**	6,206
		16,067	21,584

14. RECEIVABLES

	2020	2019
Non-current receivables from Group companies		
Subordinated loans on Jan. 1	**0**	32,000
Impairment of subordinated loan on Jan. 1	**0**	-8,067
Deduction of subordinated loan during the financial year	**0**	-23,933
Non-current receivables from Group companies in total	**0**	0
Current receivables		
Trade receivables	**4**	46
Other receivables	**27**	51
Prepayments and accrued income	**23**	80
	54	177
Current receivables from group companies		
Trade receivables	**627**	642
Loan receivables	**1,101**	1,436
Interest receivables	**5**	4
	1,733	2,083
Current receivables in total	**1,787**	2,260
Prepayments and accrued income		
Prepayments and accrued income include the following items:		
Product development and company grants	**0**	50
Prepaid expenses	**19**	20
Unbilled revenue	**0**	-1
Other items	**4**	11
	23	80

15. EQUITY

The Extraordinary General Meeting decided that the registered share capital of the company will be reduced from EUR 15,000,000 by EUR 14,900,000 to EUR 100,000 and that the amount of the reduction of EUR 14,900,000 will be transferred to the invested unrestricted equity fund.

The Extraordinary General Meeting decided to reduce the number of shares in the company. The company redeemed the number of shares from each shareholder free of charge, which was obtained by multiplying the number of shares owned by each shareholder on the Transaction Date by a factor of 49/50, ie 49 shares were redeemed for every 50 existing shares.

The Company transferred the treasury shares without compensation so that the number of shares in the book-entry account of each shareholder is made divisible. The transfer was required to bring the number of outstanding shares owned by the shareholders to be divisible by 50 on the transaction day.

	2020	2019
Share capital on 1.1.	**15,000**	15,000
Share capital reduction into unrestricted equity reserve	**-14,900**	0
Share capital on 31.12.	**100**	15,000
Own shares 1.1.	**-2,427**	-2,427
Disposal of own shares (without compensation)	**2**	0
Own shares 31.12.	**-2,425**	-2,427
Other reserves		
Unrestricted equity reserve on 1.1.	**39,176**	39,176
Share capital reduction into Unrestricted equity reserve	**14,900**	0
Unrestricted equity reserve on 31.12.	**54,076**	39,176
Retained earnings 1.1.	**-41,649**	-23,613
Disposal of own shares (without compensation)	**-2**	0
Retained earnings 31.12.	**-41,651**	-23,613
Result for the period 31.12.	**-6,895**	-18,038
Equity total	**3,205**	10,100

DISTRIBUTABLE FUNDS

	2020	2019
Retained earnings	**-41,651**	-23,613
Result for the period	**-6,895**	-18,038
Reserve for invested unrestricted equity	**54,076**	39,176
Treasury shares	**-2,425**	-2,427
Distributable funds	**3,105**	0
Parent company share capital, one type of share	**pcs**	pcs
Outstanding shares 1.1.	**418,130,168**	418,130,168
Reverse split during financial year	**-409,766,682**	0
Outstanding shares on 31.12.	**8,363,486**	418,130,168
Parent company shares, one type of share	**pcs**	pcs
Outstanding shares in total 31.12.	**8,363,486**	418,130,168
Own shares in total 31.12.	**69,249**	3,506,620
Shares total 31.12.	**8,432,735**	421,636,788

16. MANDATORY PROVISIONS

	2020	2019
Other mandatory provisions on Jan. 1	**0**	86
Other mandatory provisions, change	**0**	-86
Other mandatory provisions on Dec. 31	**0**	0

17. LIABILITIES

	2020	2019
Non-current liabilities		
Loans from financial institutions	**4,350**	4,350
Other non-current liabilities	**500**	500
	4,850	4,850
Non-current Intercompany liabilities		
Other non-current liabilities	**1,200**	1,200
Accruals and deferred income	**234**	198
	1,434	1,398
Non-current liabilities Total	**6,284**	6,248
Non-current liabilities, aging		
1–5 years	**4,850**	4,850
over 5 years	**1434**	1398
	6,284	6,248
Current liabilities		
Loans from financial institutions	**2,212**	1,205
Loans from others	**600**	500
Trade payables	**212**	519
Other liabilities	**112**	27
Accruals and deferred income	**169**	203
	3,305	2,454

Financial liabilitites with covenants

The company agreed on a stand-still agreement with its main financier bank and Jussi Capital Oy until June 30, 2020. During the stand-still period, covenants are not measured.

	2020	2019
Loans from financial institutions	**5,200**	5,200
Factoring limits in use	**0**	842
Credit limits in use	**1,362**	355
Total	**6,562**	6,397
Current liabilities to group companies		
Trade payables	**0**	50
Other current liabilities	**4,125**	4,125
Accruals and deferred income	**1,069**	953
	5,194	5,128
Current liabilities total	**8,499**	7,582
Accruals and deferred income		
External accruals and deferred income include the following items:		
Accrued holiday pay	**77**	65
Accrued other personnel expenses	**16**	17
Accrued financial items	**66**	82
Other items	**10**	38
	169	203

18. CONTINGENT LIABILITIES

	2020	2019
Security given		
Security given on own behalf		
Business mortgages	**5,000**	5,000
Other contingent liabilities	**0**	78
	Pcs	Pcs
Pledged subsidiary Enedo Holding Oy shares, pcs	**24,091,404**	24,091,404
Liabilities guaranteed by business mortgages		
Loans from financial institutions	**6,562**	5,555
Factoring limits in use on Dec 31	**0**	842
	6,562	6,397
Liability engagements and other contingent liabilities		
Rent and leasing commitments on own behalf		
Payable in the following financial year	**3**	35
Payable later	**0**	21
Credit insurance liability according to factoring contract. The liability has not been realized	**0**	42

19. RELATED PARTY TRANSACTIONS

The net sales of the company MEUR 0,6 consists of the intra-group sales, which is based on the administration service provided for the subsidiaries. The company has also receivables and liabilities to group companies as stated in the financial statements.

20. EVENTS AFTER THE END OF THE FINANCIAL YEAR

16.2.2021 - Enedo Plc has agreed conditionally on cancellation of its debts totalling MEUR 3,3, is planning a directed issue and a rights issue totalling approximately MEUR 12, and intends to execute a turnaround program in order to improve its result.

16.2.2021 - Notice is given to the shareholders of Enedo Plc ("Enedo" or the "company") to the Extraordinary General Meeting to be held on Tuesday,9 March 2021 at 10.00 a.m. at the head office of the company, address Martinkyläntie 43, Vantaa.

8.3.2021 – The Finnish Financial Supervisory Authority has granted Inission AB (publ) a permanent exemption from obligation to launch a mandatory bid

9.3.2021 - The Extraordinary General Meeting of Enedo Plc (the "Company") was held on 9 March 2021 at 10 a.m. in Vantaa.

21. BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF DIVIDEND

The Board of Directors will propose to the Annual General Meeting on April 29th, 2021 that no dividend will be distributed.

Signatures for the financial statements and the report by the Board of Directors

Vantaa, March 10, 2021

Tuomo Lähdesmäki
Chairman

Antti Sivula

Matti Miettunen

Taru Narvanmaa

Michael Peters

Vesa Leino
President and CEO

Auditor’s Report

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

To the Annual General Meeting of Enedo Plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Enedo Plc (business identity code 0195681-3) for the year ended 31 December 2020. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company’s balance sheet, income statement, statement of cash flows and notes.

In our opinion

— the consolidated financial statements give a true and fair view of the group’s financial position, fi-nancial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

— the financial statements give a true and fair view of the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Arti-cle 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been dis-closed 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN BASIS

We would like to draw attention to the accounting principles for the consolidated financial statements “going concern” section stating amongst other that:

— After the balance sheet date, on 16 February 2021, the company announced the planning of EUR 12 million share issues and related EUR 8.6 million loan arrangement whereby the company would pay back debts EUR 5.3 million and EUR 3.3 million debts would be cancelled. The planned share issues and loan arrangement, if implemented, will have a significant impact on the company’s solvency and liquidity. There is uncertainty about the completion of the overall arrangement.

— At the time of publishing the financial statements on 10 March 2021, the company did not have sufficient working capital to finance the next 12 months of operations without the planned share issues and loan arrangements.

— The realization of the company’s cash flow forecast for the next 12 months and thus ensuring going concern require the completion of the share issues, debt arrangements and additionally increase in net sales and improved profitability.

— uncertainty about the impact of the Covid-19 pandemic on business and uncertainty about the realization of the subscription and directed issue are significant uncertainties that may cast significant doubt on the entity’s ability to continue as a going concern.

At the date of the auditor’s report the execution of the share issues and debt arrangements are pending. In our opinion, the abovementioned events and circumstances involve material uncertainty that may cast significant doubt upon Enedo Plc and the Group to continue as a going concern.

Our opinion has not been qualified by this matter.

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
Valuation of capitalized development costs, goodwill and allocated fair value to intangible assets / parent company investments in subsidiaries (Consolidated financial statements accounting principles and note 14 and parent company's financial statements accounting principles and notes 12, 13 and 14)	
– The Research and Development function is significant for the industry Enedo Group operates in. The development expenditures are capitalised in the consolidated balance sheet to the extent that they meet the capitalisation criteria set out in the relevant accounting standard (IAS 38) and are assessed to contribute future economic benefits. The assessment may change even in a rather short term, e.g. as a result of technical development. The amortization period for the capitalized development costs is five years. At the end of 2020 the capitalised development costs in the consolidated balance sheet amounted EUR 4.9 million. – At the end of 2020, the value of consolidated goodwill amounted EUR 4.3 million and allocated fair value to intangible assets to EUR 0.8 million. – Parent company's investments in subsidiaries comprise a significant part of parent company assets. Valuation of these investments depend on the financial performance of the subsidiaries. At year-end 2020 the parent company's shares in the Italian subsidiary has been impaired by EUR 5.3 million. – The capitalised development costs, goodwill, fair values allocated to intangible assets and parent company investments in subsidiaries are tested for impairment at least annually. – Management makes several estimates of assumptions used in the impairment calculations. The future cash flow projections require management judgement in regard to eg. sales growth, profitability, terminal growth and discount rates applied. – We considered the valuation of capitalized development costs, goodwill and allocated fair value to intangible assets and parent company investments in subsidiaries as a key audit matter because of the management judgement involved in the assumptions used in the impairment testings and the significance of their balance sheet values.	– We have assessed the appropriateness of the capitalisation process and amortization period of development expenditures and considered whether the development costs capitalised during the year had met the capitalisation criteria under the relevant accounting standard. – We have assessed the appropriateness of the impairment tests carried out for the goodwill in the consolidated financial statements and the parent company investments in subsidiaries and considered the appropriateness of the impairments recognized to subsidiary shares in parent company. – Our audit procedures on the impairment testings included, among others, the following: o We have evaluated the future cash flow estimates for future financial periods and the key assumptions used in the impairment tests, such as profitability, discount rates and terminal growth. o We involved KPMG valuation specialists to test the arithmetical accuracy of the impairment calculations and to compare the assumptions used against market and industry specific data. – In addition, we assessed the adequacy and appropriateness of the disclosures presented.

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 International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as 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 FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance on 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 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 in 2007 and our appointment represents a total period of uninterrupted engagement of 14 years.

OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 10 March 2021
KPMG OY AB

HENRIK HOLMBOM
Authorised Public Accountant, KHT

Group key figures

GROUP KEY FIGURES, MEUR		IFRS 2020	IFRS 2019	IFRS 2018
Income statement				
Net sales	MEUR	**38.5**	43.3	33.7
Adjusted EBITDA	MEUR	**-0.4**	1.2	-0.6
EBITDA	MEUR	**-0.8**	1.1	-1.1
Adjusted operating profit/loss	MEUR	**-3.9**	-2.4	-3.3
Operating profit/loss	MEUR	**-4.3**	-2.6	-3.8
Profit/loss before taxes	MEUR	**-5.4**	-2.7	-4.8
Profit/loss for the financial year	MEUR	**-6.2**	-2.6	-4.1
Gross investments in intangible and tangible assets	MEUR	**1.9**	3.2	2.6
Profitability				
Return on equity (ROE) *	%	**-803.6**	-39.2	-95.4
Return on investment (ROI) *	%	**-27.6**	-9.2	-35.4
* comparison periods have not been adjusted to continuing operations.				
Finance and financial position				
Net interest-bearing liabilities	MEUR	**16.8**	12.6	9.4
Net gearing **	%		342.1	100.6
Current ratio		**0.7**	0.7	0.8
Solvency ratio	%	**-7.4**	11.5	20.6
Cash flows from operating activities (incl. discontined operations)		**-2.3**	-0.5	-2.8
** Net gearing is not presented from financial year 2020 because of the negative equity				
Other key figures				
Personnel, average		**371**	388	324
Wages, salaries and fees	MEUR	**7.0**	7.2	5.2
Product development costs (expensed))	MEUR	**2.9**	2.4	1.4
Product development costs (capitalized in balance sheet)	MEUR	**1.3**	2.1	1.6
Product development costs total	MEUR	**4.2**	4.5	3.0

KEY FINANCIAL INDICATORS PER SHARE*		IFRS 2020	IFRS 2019	IFRS 2018
Earnings per share for continuing operations		**-0.74**	-0.31	-0.08
Diluted earnings per share for continuing operations		**-0.74**	-0.31	-0.08
Earnings per share	EUR	**-0.70**	-0.60	-0.14
Diluted earnings per share	EUR	**-0.70**	-0.60	-0.14
Dividend/share	EUR	**0.0**	0.0	0.0
Dividend payout ratio	%	**-**	-	-
Effective dividend yield	%	**-**	-	-
Distribution of assets from reserve of invested unrestricted equity	EUR	**-**	-	-
Equity per share, adjusted for share issue	EUR	**-0.26**	0.44	1.12
Closing share price	EUR	**0.90**	2.60	1.90
P/E ratio		**-1.29**	-4.73	-0.29
Market value				
Market capitalization	MEUR	**7.600**	21.900	16.900
Trading				
Shares traded	million pcs	**2.9**	1.6	39.0
Trading, %	%	**33.8**	19.3	9.3
Number of outstanding shares				
Average on December 31	1,000 pcs	**8,363**	8,363	56,278
Diluted number of shares on December 31	1,000 pcs	**8,363**	8,363	56,278
Actual number of shares on December 31	1,000 pcs	**8,363**	8,363	8,363
Share prices				
Lowest	EUR	**0.80**	1.85	0.03
Highest	EUR	**2.78**	3.50	1.90
Closing share price	EUR	**0.90**	2.60	1.90
Average price	EUR	**1.45**	2.85	0.10

* The number of outstanding shares of comparison periods have been revised to correspond the number of outstanding shares after the reverse split.

Calculation of key figures and ratios

EBITDA	=	Operating profit/loss + depreciation and amortization of tangible and intangible assets + impairment	
Adjusted EBITDA	=	EBITDA adjusted by items affecting comparability, related to e.g. restructuring measures	
Adjusted operating profit/loss	=	Operating profit/loss adjusted by the items affecting comparability, related to restructuring measures, for example	
Return on investment % (ROI)	=	Profit before taxes + interest and other financing expenses / Equity + interest-bearing liabilities (average)	x 100
Return on Equity (ROE), %	=	Profit/loss for the period / Equity (average)	x 100
Current ratio	=	Current assets / Current liabilities	
Solvency ratio, %	=	Equity / Total assets - advance payments received	x 100
Net interest-bearing liabilities	=	Interest-bearing liabilities - financial assets at fair value through profit or loss - cash and cash equivalents	
Gearing, %	=	Net interest-bearing liabilities / Equity	x 100
Earnings per share	=	Profit or loss attributable to ordinary equity holders of the parent entity / The weighted average number of ordinary shares	
Earnings per share (diluted)	=	Profit or loss attributable to ordinary equity holders of the parent entity / The weighted average number of diluted shares	
Dividend/share	=	Dividend distributed / Number of shares	
Dividend/Profit or loss -%	=	Dividend/share / Profit or loss/share	
Efffective dividend yield-%	=	Dividend/share / Closing share price	
Equity/share	=	Equity / Number of shares at balance sheet date	
Market capitalization	=	Number of outstanding shares on the balance sheet date x share price	
Personnel, average	=	The average number of employees at the end of each calendar month during the financial year	
Profit/loss before taxes	=	Profit or loss from continuing operations – tax on income from operations	
Operating profit or loss	=	Profit or loss from continuing operations – financing income – financing expenses - tax on income from operations	

The number of outstanding shares is used in all key figures expressed per share.
Equity is the equity attributable to the owners of the parent company.
The profit or loss for period is the result attributable to the owners of the parent company..

Reconciliation of some alternative key figures

The Following table presents the reconciliation for Return on Equity (ROE) %, Return on investment (ROI) %, Solvency ratio %, Net interest-bearing liabilities, Gearing %, Equity per share, EBITDA, Current ratio, Adjusted operating profit/loss and Adjusted EBITDA.

(EUR million unless otherwise stated)	Jan. 1–Dec. 31, 2020	Jan. 1–Dec. 31, 2019
Profit/Loss for the period	**-6.2**	-2.6
Equity at the end of the period	**-2.1**	3.7
Equity at the beginning of the period	**3.7**	9.4
Average	**0.8**	6.5
Return on Equity % (ROE)	**-803.6%**	-39.2%
Operating profit/loss	**-4.3**	-2.6
Income from investments	**0.0**	0.0
Interest income from non-current investments	**0.0**	0.0
Interest income from current investments	**0.0**	0.0
Other financing income	**0.1**	1.1
Unrealized gain from fair value change of financial assets and liabilities	**0.0**	0.0
Other financing expenses	**-0.4**	-0.3
Unrealized loss from fair value change of financial assets and liabilities	**0.0**	0.0
Profit/loss before taxes, interest expenses and other financial expenses	**-4.6**	-1.8
Equity at the end of the period	**-2.1**	3.7
Non-current interest-bearing liabilities at the end of the period	**9.8**	6.5

(EUR million unless otherwise stated)	Jan. 1–Dec. 31, 2020	Jan. 1–Dec. 31, 2019
Current interest-bearing liabilities at the end of the period	**8.1**	7.2
Investment at the end of the period	**15.8**	17.3
Equity at the beginning of the period	**3.7**	9.4
Non-current interest-bearing liabilities at the beginning of the period	**6.5**	5.4
Current interest-bearing liabilities at the beginning of the period	**7.2**	7.7
Investment at the beginning of the period	**17.3**	22.5
Equity and interest-bearing liabilities, average	**16.6**	19.9
Return on Investment % (ROI)	**-27.6%**	-9.2%
Equity	**-2.1**	3.7
Total assets	**29.2**	32.1
Advance payments received	**0.1**	0.2
Solvency ratio, %	**-7.4%**	11.5%
Non-current interest-bearing liabilities	**9.8**	6.5
Current interest-bearing liabilities	**8.1**	7.2
Cash and cash equivalents	**1.1**	1.1
Net interest-bearing liabilities	**16.8**	12.6

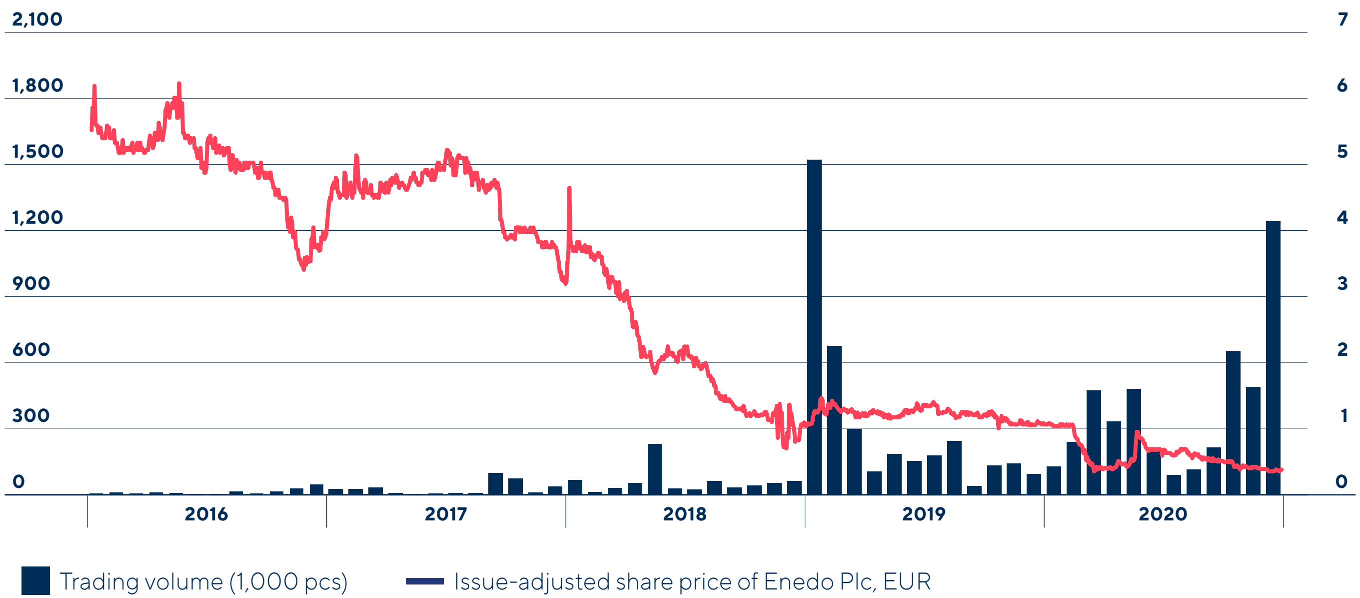
(EUR million unless otherwise stated)	Jan. 1–Dec. 31, 2020	Jan. 1–Dec. 31, 2019
Net interest-bearing liabilities	**16.8**	12.6
Equity	**-2.1**	3.7
Gearing, %	**-787.0%**	342.1%
Equity	**-2.1**	3.7
Number of shares at balance sheet date*	**8,363,486**	8,363,486
Equity / share*	**-0.26**	0.44
Operating profit/loss	**-4.3**	-2.6
Depreciation and amortization of tangible and intangible assets	**3.3**	3.5
impairment	**0.2**	0.2
EBITDA	**-0.8**	1.1
Current assets	**13.6**	14.4
Current liabilities	**19.8**	20.1
Current ratio	**0.69**	0.72

(EUR million unless otherwise stated)	Jan. 1–Dec. 31, 2020	Jan. 1–Dec. 31, 2019
EBITDA	**-0.8**	1.1
Resctructuring costs related to personnel		0.1
Production re-organisation	**0.2**	0.2
Provision release relating to a claim		-0.2
Enedo planning related expenses	**0.2**	0.1
Adjusted EBITDA	**-0.4**	1.2
Operating profit/loss	**-4.3**	-2.6
Resctructuring costs related to personnel		0.1
Production re-organisation	**0.2**	0.2
Provision release relating to a claim		-0.2
Enedo planning related expenses	**0.2**	0.1
Adjusted operating profit/loss	**-3.9**	-2.4

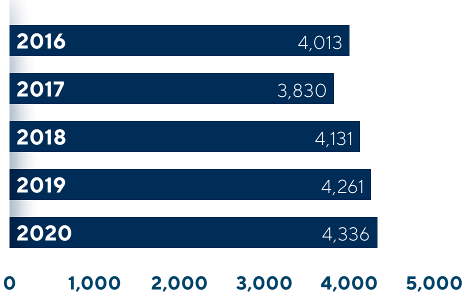
*The number of outstanding shares of comparison periods have been revised to correspond the number of outstanding shares after the reverse split.

Shares and shareholders

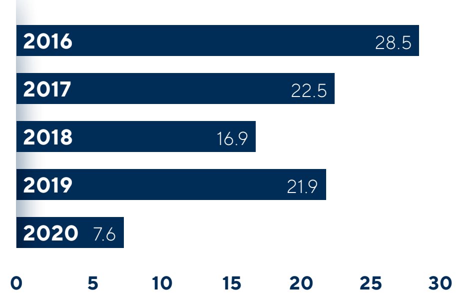
ENEDO PLC’S SHARE PRICE AND TRADING VOLUME IN 2016–2020



NUMBER OF REGISTERED SHAREHOLDERS



MARKET CAPITALIZATION, (MEUR)



Shares and shareholders

CHANGES IN SHARE CAPITAL 2004–2020

Share capital Nov. 1, 2003				8,135,104 pcs		13,830 (EUR 1,000)	
Year	**Subscription/ share relationship**	**Subscription/ registering time**	**Subscription price EUR**	**New shares pcs**	**Change EUR 1,000**	**New share capital EUR 1,000**	**Dividend right**
2004	On basis of options	23.1.2004	7.79	600	1	13,831	2004
2004	Exchange and targeted issue for K-shareholders, 1K:1.5A	Feb. 27, 2004	0.85	529,616	450	14,281	2004
2004	Split 1:1, gratuitous	Feb. 27, 2004		8,135,704		14,281	2004
2004	On basis of options	Apr. 21, 2004	3.71	2,400	2	14,283	2004
2004	Targeted share issue	Apr. 30, 2004	6.95	3,240,000	2,754	17,037	2004
2004	On basis of options	Jun. 22, 2004	3.71	47,200	40	17,077	2004
2004	On basis of options	Aug. 27, 2004	3.71	11,000	9	17,086	2004
2004	On basis of options	Oct. 28, 2004	3.71	47,400	40	17,127	2004
2004	On basis of options	Dec. 2, 2004	3.71	46,000	39	17,165	2004
2004	Annulment of shares	Dec. 21, 2004		-238,400	-203	16,963	
2004	Bonus issue 1:1	Dec. 21, 2004		19,956,624	16,963	33,926	2005
2005	On basis of options	Feb. 10, 2005	1.70	616,400	523	34,450	2005
2010	Decreasing of share capital	Jul. 19, 2010				-19,450	
2010	Targeted share issue	Oct. 18, 2010	0.70	2,000,000	0	0	2010
2013	Targeted share issue	Jul. 12, 2013	0.74	5,243,243	0	0	2013
2013	Share issue	Oct. 18, 2013	0.69	8,000,000	0	0	2013
2018	Share issue	Dec. 19, 2018	0.03	365,863,897	0	0	2019
2020	Reverse split	Feb. 28, 2020		-413,204,053	0	0	
2020	Share capital reduction	Jun. 23, 2020				-14,900	
Share capital Dec. 31, 2020				8,432,735 pcs		100 (EUR 1,000)	

Share capital Dec. 31, 2020	8,432,735 pcs	100 (EUR 1,000)
Own shares Dec 31, 2020	69,249 pcs	
Shares outstanding per December 31, 2020	8,363,486 pcs	

Shares and shareholders

DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF HOLDING, DECEMBER 31, 2020

Shares	Number of shareholders, pcs	Proportion of shareholders, %	Total number of shares and votes, pcs	shares and votes, %
1–100	2,741	63.22	67,206	0.8
101–500	901	20.78	228,152	2.71
501–1 000	278	6.41	210,414	2.5
1,001–5,000	299	6.9	676,204	8.02
5,001–10,000	52	1.2	371,015	4.4
10,001–50,000	46	1.06	967,100	11.47
50,001–100,000	4	0.09	283,698	3.36
100,001–500,000	12	0.28	2,659,788	31.54
500,001–	3	0.07	2,969,158	35.21
Total	4,336	100	8,432,735	100
of which nominee registered	11		723,376	8.58
On wait list, total	0		0	0
In joint account			0	0
In special accounts total			0	0
Total			8,432,735	100

DISTRIBUTION OF SHAREHOLDINGS BY SHAREHOLDER CATEGORY, DECEMBER 31, 2020

	Number of shareholders, pcs	Proportion of shareholders, %	Shares, pcs	shares and votes, %
Enterprises total	160	3.69	4,484,598	53.18
Financial- and insurance institutions total	12	0.28	170,006	2.02
Households total	4,139	95.46	2,773,326	32.89
Non-profit organizations total	9	0.21	275,551	3.27
Outside Finland	16	0.37	5,878	0.07
Total	4,336	100	7,709,359	91.42
of which nominee registered				
On wait list, total			0	0
In joint account			0	0
In special accounts total			0	0
Total			8,432,735	100

Shares and shareholders

THE 20 LARGEST SHAREHOLDERS, DECEMBER 31, 2020

	Shares pcs	shares and votes %
JUSSI CAPITAL OY	1,593,709	18.9
RAUSANNE OY	868,509	10.3
SOINITILAT OY	506,940	6.01
4CAPES OY	457,200	5.42
SKANDINAVISKA ENSKILDA BANKEN AB (PUBL) HELSINGIN SIVUKONTTORI	342,470	4.06
HEININEN JAAKKO MAURI	326,606	3.87
YLEINEN TYÖTTÖMYYSKASSA YTK	230,000	2.73
HEININEN PEKKA TAPANI	215,424	2.55
ADAFOR OY	211,649	2.51
DANSKE BANK A/S HELSINKI BRANCH	208,406	2.47
HEININEN INVEST OY	156,181	1.85
LAAKKOSEN ARVOPAPERI OY	137,153	1.63
ARVOJYVA OY	134,565	1.6
UMO CAPITAL OY	120,125	1.42
LAAKKONEN MIKKO KALERVO	120,009	1.42
EVLI PANKKI OYJ	93,400	1.11
ENEDO OYJ	69,249	0.82
SAXO BANK A/S	67,049	0.8
PYYKÖNEN RIKU TAPANI	54,000	0.64
GRIPENBERG JARL, KUOLINPESÄ	50,000	0.59
Total	5,962,644	70.71

SHAREHOLDINGS OF THE MANAGEMENT AND THE BOARD OF DIRECTORS ON DECEMBER 31, 2020

Total shareholdings	16,398 pcs
Shares	8,432,735 pcs
Proportion of shares and votes	0.19%

Enedo Plc's Corporate Governance Statement 2020

The obligations of Enedo's decision-making bodies are defined in accordance with the Finnish legislation and the principles established by the Board of Directors. Enedo's corporate governance complies with the provisions of the Companies Act. In addition, Enedo complies with the Insider Guidelines issued by Nasdaq Helsinki Ltd and the Finnish Corporate Governance Code 2020 issued by the Securities Market Association. This Corporate Governance Statement has been prepared in accordance with the Finnish Corporate Governance Code 2020. This statement has been issued separately from the report by the Board of Directors. The Corporate Governance Code is publicly available at www.cgfinland.fi. This statement has been approved to be published on week 13 of 2021 by the Board of Directors of Enedo Plc. It is included in the Annual Report and also available on the company website at www.enedopower.com.

COMPOSITION AND OPERATIONS OF THE BOARD OF DIRECTORS

As set out in the Articles of Association, the Board of Directors shall have no fewer than three and no more than ten ordinary members. The company's President and CEO is not a member of the Board of Directors. The composition shall take into account the company's operational needs and stage of development. A person to be elected to the Board shall have the qualifications required by the duties as well as sufficient knowledge of financial matters as well as business environment and operations of the group. A person to be elected to the Board shall have the possibility to devote a sufficient amount of time to the work.

The majority of the members of the Board shall be independent of the company. In addition, at least two of the members representing this majority shall be independent of the company's significant shareholders.

The Annual General Meeting held on April 24, 2020, re-elected Tuomo Lähdesmäki, Antti Sivula, Taru Narvanmaa and Matti Miettunen as members of the Board of Directors and Michael Peters was elected as a new member.

Composition of the Board of Directors on December 31, 2020:

Tuomo Lähdesmäki, b. 1957
- Education: M.Sc. (Eng.), MBA
- Board member and Chairman since January 31, 2017
- Primary occupation: Board professional
- Independent of the company and its significant shareholders
- Owns 6 097 shares in Enedo*

Matti Miettunen, b. 1963
- Education: M.Sc. (Econ.)
- Board member since April 12, 2018
- Primary occupation: Professional investor, management consultant
- Independent of the company and its significant shareholders
- Owns 6 801 shares in Enedo*

Taru Narvanmaa, b. 1963
- Education: M.Sc. (Econ.)
- Board member since April 12, 2018
- Primary occupation: Board professional
- Independent of the company and its significant shareholders
- Share ownership: no shares*

Michael Peters, b.1981
- Education: PhD (Sustainability and Technology), M.Sc. (Business Administration)
- Board member since April 24, 2020
- Primary occupation: Sunvigo GmbH, founder and CEO
- Independent of the company and its significant shareholders
- Share ownership: no shares*

Antti Sivula, b. 1961
- Education: M.Sc. (Eng.)
- Board member since 2016
- Primary occupation: Mekitec Group, Managing Director
- Independent of the company and its significant shareholders
- Share ownership: no shares*

*Share ownership information as of December 31, 2020

Remuneration of the Board of Directors in 2020

The Chairman of the Board was paid a fee of EUR 3,750 per month and the members EUR 2,000 per month. The Chairman of the Audit Committee was paid a fee of EUR 750 per month.

DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors has general decision-making authority in all company matters that are not stipulated (by law or under the Articles of Association) to be decided or acted on by another party. The Board is responsible for the governance of the company and for duly organizing its operations. It also approves the corporate strategy, the risk management principles, the Group's corporate values, the operating plan and related annual budget, and decides on major investments.

The main duties and operating principles of the Board of Directors are laid out in a separate Charter, which covers the declaration of a quorum at Board meetings, the writing and approval of minutes, and the preparations needed on matters for decision.

More specifically, the Board:

- approves the company's values and strategy
- approves annually the company's main targets of business operations and monitors the Group's profit performance
- decides on the Group's major investments and reorganization measures
- reviews and approves interim reports and financial statements
- appoints and discharges the President and CEO and decides on the conditions of the President and CEO's service contract and remuneration principles
- decides on the compensation scheme of the management and personnel
- monitors the major risks and their management as well as approves the principles of risk management

The Board of Directors reviews its own working procedures by means of an annual self-evaluation process or in co-operation with an external party.

BOARD MEMBERS' ELECTION PROCEDURES AND THE BOARD'S DIVERSITY PRINCIPLES

The Annual General Meeting elects the members of the Board of Directors by a simple majority vote for a term of office that ends at the close of the next Annual General Meeting following their election. The Board of Director s elects a Chairman and a Vice Chairman from among its members.

The composition of the Board of Directors must take into account the company's operational objectives and stage of development. The Board of Directors is composed of members whose skills, education and experience complement each other and who have the possibility to devote sufficient amount of time to the work. The diversity of the Board of Directors supports the development of the business. The objective is that both genders are represented on the Board as well as the members at different ages and with a different educational background and experience. Out of the 5 members, there was one female member in the Board in December 2020

BOARD COMMITTEES

The Board of Directors decides on establishing committees as necessary and appoints the members and chairmen of committees from among its members. The committees regularly report to the Board of Directors on their work.

Audit Committee 2020

The Audit Committee shall consist of at least three Board members who are independent of the company. In addition, at least one member shall be independent of the company's significant shareholders. The members shall have the qualifications required for the performance of the responsibilities of the committee, and at least one member shall have special expertise in accounting, bookkeeping or auditing.

In the financial year 2020 the members of the Audit Committee were Taru Narvanmaa (Chairman), Tuomo Lähdesmäki, Matti Miettunen and Antti Sivula until April 24, 2020. In its constitutive meeting held after the Annual General Meeting on April 24, 2020, the Board of Directors decided to establish a separate Audit Committee and appointed Taru Narvanmaa (Chairman), Tuomo Lähdesmäki and Matti Miettunen as its members.

The Audit Committee assists the Board of Directors by preparing the tasks assigned to the Board of Directors. The Committee regularly reports to the Board of Directors on the matters it has discussed and the measures it has taken. The Committee submits decisions proposals to the Board of Directors when appropriate. The primary tasks of the Audit Committee are to review the company's financial reporting and supervise compliance with laws and regulations.

- monitor the financial statements reporting process
- supervise the financial reporting process
- monitor the effectiveness of the company's internal control, internal auditing and risk management systems
- review the description of the main features of the internal control and risk management systems related to the financial reporting process, which is included in the company's Corporate Governance Statement
- monitor the statutory audit of the financial statements and consolidated financial statements
- evaluate the independence of the statutory audit or auditing firm and, in particular, the auditor's provision of supplementary services to the company
- prepare a draft resolution regarding the election of the auditor
- evaluate compliance with laws and regulations as well as the company's operating procedures and monitor significant legal processes involving Group companies, and
- exercise other duties as authorized by the Board of Directors.

In its first meeting following the Annual General Meeting, the Board of Directors shall appoint the members of the Audit Committee from among its members and appoint one of them to be the Chairman of the Audit Committee. The members' term of office shall be one year, ending at the conclusion of the Annual General Meeting following their appointment.

Attendance in Board and Audit Committee meetings in 2020

A total of 20 Board meetings and 7 Audit Committee meetings were held during the financial year 2020.

	Board meetings	Audit Committee meetings
Tuomo Lähdesmäki	20/20	7/7
Matti Miettunen	20/20	7/7
Taru Narvanmaa	20/20	7/7
Michael Peters	13/13	
Antti Sivula	20/20	2/2

SHAREHOLDERS' NOMINATION BOARD

Shareholders' Nomination Board 2020

The Annual General Meeting 2017 decided to establish a permanent Shareholders' Nomination Board to prepare proposals concerning the election and remuneration of the members of the Board of Directors to the General Meetings. The Annual General Meeting 2017 also adopted the charter of the Shareholders' Nomination Board.

The Nomination Board consists of four (4) members, with the company's three (3) largest shareholders each having the right to nominate one member. The Chairman of the Board of Directors of the company shall serve as the fourth member. The company itself cannot be a member of the Shareholders' Nomination Board.

On October 7, 2019, the following shareholders appointed the following members to the Nomination Board that submitted proposals to the Annual General Meeting 2020:

- Jussi Capital Oy: Jarkko Takanen
- Rausanne Group: Jarmo Malin
- Jaakko Heininen and related parties: Jaakko Heininen
- Tuomo Lähdesmäki, Chairman of the Board of Directors of Enedo, served as the fourth member.

In its constitutive meeting, the Nomination Board elected Jarkko Takanen as its Chairman.

The Nomination Board submitted its proposal regarding the composition and remuneration of the Board of Directors on March 3, 2020.

The Nomination Board convened two (2) times in 2020, with all of the members attending the meetings.

THE PRESIDENT AND CEO AND HIS DUTIES

The Board of Directors appoints the company's President and CEO and supervises his actions. The main terms and conditions governing the President and CEO's appointment are detailed in a written contract approved by the Board of Directors. The President and CEO manages and supervises the Group's business operations within the guidelines and directives issued by the Board of Directors, and ensures that the company's accounting accords with the law and that the financial management system is reliable.

Vesa Leino has been acting as President and CEO of the company since January 1, 2019.

OTHER MANAGEMENT

The corporate management of Enedo Group consists of the Chief Executive Officer (CEO) and the Executive Management Team.

The Executive Management Team has no powers based on law or the Articles of Association. The Executive Management Team assists the CEO in the development of the Group's business. The Executive Management Team's duty is to prepare strategy proposals for the Board and execute the approved strategy. The Executive Management Team members are accountable for the performance and development of their respective areas of responsibility and they supervise the operations of the units belonging to their areas.

Members of the Executive Management Team and their areas of responsibility on December 31, 2020:

Vesa Leino, b. 1969, M.Sc. (Econ.)
- President and CEO
- Share ownership: 3 500*

Olli Mustonen, b. 1985, M.Sc. (Econ.)
- CFO
- Share ownership: no shares*

Fabio Orlandini, b. 1968, Bachelor degree in Engineering
- Director, Sales
- Share ownership: no shares*

Carlo Rosati, b. 1966, M. Degree in Business and Economics
- Executive Vice President, Italy Products
- Share ownership: no shares*

Jussi Vanhanen, b. 1972, DI
- Vice President, Global Sales
- Share ownership: no shares*

* shareholding information as of December 31, 2020

AUDITORS

The principal auditor of Enedo Plc is responsible for the Group's audit and the related directions and coordination. The principal auditor prepares an annual audit plan and presents it to the Board of Directors. The plan specifies the focus areas of the audit and is subject to approval by the Audit Committee. The auditor issues an auditor's report on the consolidated financial statements and the report of the Board of Directors to the company's shareholders as required by law. Furthermore, the auditor reports their findings to the Audit Committee. The Annual General Meeting held on April 24, 2020, re-elected KPMG Oy Ab as the company's auditor. Authorized Public Accountant Henrik Holmbom served as the responsible auditor during the financial year 2020.

The fees for auditing the official financial statements amounted to EUR 77,436 in 2020. The auditing company charged the Group a total of EUR 8,477 for other services during the financial year.

THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

Internal control systems

The Board of Directors is responsible for ensuring that the internal control and risk management are adequately and effectively arranged. In addition, it is the responsibility of the Board to ensure that the internal control of the company's accounting and financial management is appropriately arranged. The Audit Committee is responsible for the control of the financial reporting process. The financial management function communicates its findings to the relevant members of the management.

The Group has financial reporting systems for monitoring business operations, financial management and risks. The Board of Directors has approved the management organization and principles, decision-making authorizations and approval procedures, operating policies of the various areas of the company's administration, financial planning and reporting as well as remuneration principles.

The Group does not have a separate internal audit function. Instead, the internal audit is part of the Group's financial administration. Representatives of the Group's financial administration perform certain control functions when they visit the subsidiaries. The financial management reports the findings to the President and CEO and the Audit Committee which, in turn, report to the Board.

The Group's financial management, together with the other management, prepares a monthly financial report. The report contains a summary of the net sales, gross profit, costs level, results, net working capital, cash flow and personnel development for the previous month, the year to date and a forecast for the remainder of the year. The report also includes the company's key risks and opportunities. The report is delivered to the Board of Directors, Executive Management Team and the financial management of the largest subsidiaries. It is also delivered to the auditors when it concerns interim reports. In addition to the monthly reporting, the management follows certain items more actively in weekly meetings. The Group aims to continuously improve the effectiveness of its financial processes and main business processes as well as reduce risks related to maintaining several parallel systems.

The Group's financial management oversees the centralized interpretation and application of accounting standards (IFRS). The Group's financing and hedging against currency risks are centralized in the head office in Finland. The Board's Audit Committee evaluates the financial statements and interim statements as well as certain other areas that are of significance to the result of the Group's business operations. The Audit Committee reports its findings to the Board, which monitors that the necessary measures are taken.

Risk management

The aim of Enedo's risk management system is to identify the Group's strategic, operational and financing risks as well as any conventional risks of loss. In its operations, the Group takes risks related to the pursuit of its strategy and goals. Risk management seeks to control these risks in a proactive and comprehensive manner. The measures taken can include risk avoidance, risk reduction or risk transfer by insurance or agreement.

Risk management forms an integral part of the Group's business processes in all of its operational units. In this way, the risk management process is tied to internal controls. The Group and its operational units assess the risks of their operations, prepare risk management plans and report risks in accordance with the organizational structure.

The Group CFO oversees that risk management is arranged efficiently and that the effectiveness of its performance is ensured. The CFO is responsible for the general development of Enedo's risk management. The CFO reports the Group's risk status to the Audit Committee and acts as a representative of the Executive Management Team in Audit Committee meetings.

The Audit Committee and the Board of Directors address risks in connection with addressing other business operations. Risk management is taken into consideration in the Group's quality systems, which also include contingency plans. A more detailed statement on the Group's risks and their management is available in the Investors section of Enedo's website.

RELATED PARTY TRANSACTIONS

Enedo maintains a list of its related parties. The company evaluates and monitors transactions carried out between the company and its related parties and ensures that it identifies, decides on, approves, reports, and monitors related party transactions in accordance with appropriate procedures. Related party transactions are reported in accordance with the Finnish Limited Liability Companies Act and regulations concerning the drawing up of financial statements and published, when certain conditions are satisfied, in accordance with the rules of the Helsinki Stock Exchange.

In decision-making pertaining to potential related party transactions, the company ensures that decisions are based on exceptionally careful preparatory work and appropriate reports, opinions and/or assessments. In arranging preparatory work, decision-making, and the evaluation and approval of individual transactions, the company takes into account all relevant disqualification provisions and the appropriate decision-making body in each individual matter to ensure that a representative of a related party does not participate in the decision-making.

An absolute guarantee issued for a loan in 2016 by Jussi Capital Oy is still valid. The arrangement was carried out on acceptable grounds for the Group's business interests and under ordinary market terms.

INSIDER ADMINISTRATION

Enedo has drawn up Group-level Insider Guidelines, which cover topics including the prohibition on unlawful disclosure and the abuse of inside information, insider lists, notification requirements and trading restrictions. The Insider Guidelines have been confirmed by the Board of Directors of Enedo. The Group CFO is responsible for insider administration.

The Group does not maintain a list of permanent insiders. A project-specific insider list according to the Nasdaq Helsinki Guidelines for Insiders is prepared when Enedo has an ongoing project.

The persons discharging managerial responsibilities in the Group are the members of the Board of Directors, the President and CEO and the CFO. The persons discharging managerial responsibilities in the Group and persons closely associated with them have an obligation to notify the Group and the FIN-FSA about transactions relating to the Group's financial instruments. The Group then discloses the information as a separate stock exchange release.

Enedo has organized regular supervision of the trading and the notification requirement concerning persons included in insider lists as well as persons discharging managerial responsibilities and persons closely associated with them in such a way that the company annually checks the information to be notified with the persons discharging managerial responsibilities and the persons closely associated with them. Enedo's duty of supervision also extends to any external advisors registered in the insider list who have taken on the duty of drawing up and maintaining the insider list. It is therefore recommended that the company agree in writing (e.g. by e-mail) with such external advisors on the maintenance of the insider list and assure that such parties are aware of the obligations and duties under MAR and the Group's

Insider Guidelines.

The persons discharging managerial responsibilities at Enedo are not allowed to trade in Enedo's financial instruments for their own account or for the account of a third party during the closed period, which begins 30 days before the disclosure of financial statement releases and half-year financial reports and ends on the day following the disclosure of such information. In the exceptional event that the financial statements release does not include all of the relevant information regarding the financial position of the company, in which case the closed period also applies during the 30 days prior to the publication of the financial statements, the company will separately inform the parties concerned.

Trading in Enedo's financial instruments is allowed outside closed periods, provided that the person in question is not entered into a project-specific insider list and they do not otherwise possess inside information at the time. Prior to trading, the person in question also needs to have received a statement, in writing by e-mail, from the person responsible for insider administration at Enedo, indicating that there is no obstacle to trading.

Persons in the service of Enedo Plc may, via an independent channel, report any suspected infringements of rules and regulations concerning the financial market, including violations of the company's Insider Guidelines and the Nasdaq Helsinki Guidelines for Insiders. Such reports are made by a freeform letter (anonymously, if necessary) addressed to the President and CEO.

Enedo Plc Board of Directors on December 31, 2020

Tuomo Lähdesmäki
b. 1957, M.Sc.(Eng.), MBA

Board member since 2017, Chairman of the Board

Primary occupation:
Boardman Oy, Founding Partner since 2002

Primary work experience:
Elcoteq Network Plc, President & CEO, 1997–2001
Leiras Ltd, President & CEO, 1991–1997
Swatch Group, VP & General Manager, 1990–1991
Nokia Mobile Phones, VP & General Manager, 1986–1989

Primary positions of trust:
Sievi Capital Plc, Chairman of the Board since 2019,
Fondia, Vice Chairman of the Board since 2017
Kitron ASA, Chairman of the Board since 2014
Meconet Oy, Vice Chairman of the Board since 2006
Turku University Foundation, Chairman of the Board since 1995

Independent of the company or its significant shareholders
Share ownership: 6,097 Enedo shares*

Matti Miettunen
b. 1963, M.Sc. (Econ.)

Board member since 2018

Primary occupation:
Professional investor, management consultant

Primary work experience:
Delta Freight Oy, Managing Director, Consultant, since 1990
Mandatum Life, Director of Sales, 2012–2015
Mandatum Life, Asset Manager, 2011–2012
RH Freight Oy, Managing Director, 2007–2008
Frans Maas Finland Oy, Managing Director, 2001–2006
GT-Trans Oy, Managing Director, 1987–2001

Primary positions of trust:
–

Independent of the company and its significant shareholders
Share ownership: 6,801 Enedo shares, including shares held by a company controlled by him*

Taru Narvanmaa
b. 1963, M.Sc. (Econ.)

Board member since 2018
Vice Chairman of the Board

Primary occupation:
Board professional

Primary work experience:
Aktia Plc, Senior Vice President and Deputy Managing Director 2011–2017 (2015–2017)
Aktia/Veritas Life Insurance, Managing Director, 2007–2011
Raisio Plc, EVP, Communications and IR, 2001–2007
Sampo Plc, several expert and management positions, 1989–2001

Primary positions of trust:
Sievi Capital Plc, Board member since 2019
Pohjantähti Mutual Insurance Company, Board member since 2018
Puutarhaliike Helle Oy, Chairman of the Board since 2015
Åbo Akademi, Board member 2015–2020.
Veritas Pension Insurance, member of Supervisory Board since 2014
Stiftelsen Eschnerska Frilasaretten, member of Supervisory Board since 2009

Independent of the company and its significant shareholders
Share ownership: no shares*

Michael Peters
b. 1981, PhD (Sustainability and Technology), M.Sc. (Business Administration)

Board member since 2020

Primary occupation:
Sunvigo GmbH, founder and CEO since 2019

Primary work experience:
MAN Energy Solutions, Vice President and Head of Hybrid Power Solutions 2017–2019

McKinsey & Company, Associate Partner 2006–2017

Primary positions of trust:
–

Independent of the company and its significant shareholders
Share ownership: no shares*

Antti Sivula
b. 1961, M.Sc. (Eng.)

Board member since 2016

Primary occupation:
Mekitec Group, CEO since 2015

Primary work experience:
Bluegiga Technologies Oy, CEO, 2011–2015
Elektrobit Corporate, EVP, Global Sales and Marketing, 2007–2011
Orbis Group, Finland/Orbis International Technologies, USA, VP of Sales and Marketing, 2004–2007

Primary positions of trust:
Monidor Oy, Chairman of the Board since 2020

Independent of the company and its significant shareholders
Share ownership: no shares*

* Shareholding information as of December 31, 2020

Executive Management Team as of December 31, 2020

Vesa Leino
b. 1969, M.Sc. (Econ.)

President and CEO of Enedo Group

Employed by the company since August 2017

Vesa Leino was previously the CFO of Enedo Group. Prior to joining Enedo, he worked as Head of Finance in the Phones business at Microsoft. He previously held several management positions at Nokia, with responsibilities related to product management, product development and business planning in Finland, China, Hong Kong and the UK.

Share ownership: 3,500 Enedo shares*

Olli Mustonen
b. 1985, M.Sc. (Econ.)

The Group's CFO

Employed by the company since April 2018

Olli Mustonen was previously Enedo's Group Controller. Prior to joining Enedo, he worked as a Financial Director in Raisio Group and as a Finance Director in the Raisio Branding division.

Fabio Orlandini
b. 1968, Bachelor's degree in Engineering

Vice President, Sales

Employed by the company since July 2013

Fabio Orlandini was previously the sales director for North America for Enedo Inc. and Roal Electronics Inc.

Carlo Rosati
b. 1966, M. Degree in Business and Economics

Executive Vice President, Italy Products

Employed by the company since June 2018

Carlo Rosati was previously the Finance Director of Enedo SpA. Before joining Enedo, he held various senior positions at Alitalia Group, with responsibilities including financial reporting.

Jussi Vanhanen
b. 1972, M.Sc. (Eng.)

Director, Global Sales

Employed by the company since March 2019

Jussi Vanhanen was previously the Director of Finland Sales. Before joining Enedo, he has worked in international sales and marketing at Ensto Oy, The Switch Oy and ABB Oy.

* Information on shares and stock options held as of December 31, 2020

Information for shareholders

Enedo Plc's registered office is in Vantaa, Finland. The company's Business ID is 0195681-3.

ANNUAL GENERAL MEETING
The Annual General Meeting of Enedo Plc will be held on Thursday, April 29, 2021.

THE BOARD OF DIRECTORS' PROPOSAL TO THE ANNUAL GENERAL MEETING
The Board of Directors proposes to the Annual General Meeting of April 29, 2021, that no dividend be distributed.

CHANGES OF ADDRESS
Shareholders are advised to report any changes of their address to their bookentry securities account provider.

FINANCIAL REPORTS IN 2021
Each year, Enedo publishes a financial statements release, an annual report and a half-year report. Stock exchange releases are made available on the company website after their publication. The annual report is published only in PDF format on the company website.

ANNUAL REPORT 2020
Week 13/2021

BUSINESS REVIEW FOR Q1/21
April 28, 2021

HALF-YEAR REPORT 2021
(Jan. 1–Jun. 30, 2021) August 12, 2021

BUSINESS REVIEW FOR Q3/21
October 27, 2021

BASIC INFORMATION ABOUT THE SHARE
Exchange listing:
Nasdaq OMX Helsinki, The Nordic Exchange (Small Cap)
Trading code ENEDO Trading lot 1 share
Number of shares on December 31, 2020: 8,432,735 shares
Number of treasury shares on December 31, 2020: 69,249 shares
Number of outstanding shares on December 31, 2020: 8,363,486 shares
Share capital: EUR 100,000

ANALYSTS MONITORING ENEDO
Information on analysts monitoring Enedo Plc is available on the company website at https://enedopower.com/ investors/share-and-shareholders/analysts/. The list may be incomplete and Enedo Plc accepts no responsibility for evaluations or recommendations published by analysts.

INVESTOR RELATIONS
The objective of the company's investor relations is to provide accurate and up-to-date information on the Enedo Group's business operations and financial development. Enedo publishes all investor information on its website in Finnish and English. Enedo observes a 30-day silent period before the publication of results. During quiet periods, Enedo will not issue any comments on its financial position or business development.

CONTACT INFORMATION FOR INVESTOR RELATIONS
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e-mail:
firstname.lastname@enedopower.com

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