



SkartaNYAB Plc's half-yearly report 1 January-30 June 2022: Profitable growth in Sweden - challenges in Finland

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SkartaNYAB Plc

COMPANY ANNOUNCEMENT

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- The first combined quarter of Skarta and NYAB proved the successful merger of two Nordic companies, as good performance of Swedish business operations compensated challenges experienced in Finnish operations
- The company has started measures to improve profitability in Finland during the rest of the year by utilizing practices that have been successful in Sweden, and is confident about successful future of the group
- Revenue for the second quarter was 55.7 million euros (pro forma 04-06/2021 50.6 million euros), increasing 10.1%, and EBITA 2.7 (4.7) million euros
- According to the updated financial guidance given on 19 August 2022, revenue for financial year 2022 is estimated to be 225-245 million euros and EBITA 14-20 million euros

Key figures of SkartaNYAB Plc Group (more detailed financial information is presented in the attachment of this release)

SkartaNYAB Plc Group	04-06/2022 (3 months)	04-06/2021 (3 months)	01-06/2022 (6 months)	01-06/2021 (6 months)
Revenue, 1000 EUR	55 721	241	67 334	532
EBITDA, 1000 EUR	3 396	-1 042	2 409	-1 098
-share of revenue	6.1 %	-432.4 %	3.6 %	-206.6 %
EBITA, 1000 EUR	2 669	-1 042	1 385	-1 099
-share of revenue	4.8 %	-432.4 %	2.1 %	-206.7 %
Operating profit (EBIT), 1000 EUR	-3 021	-1 101	-5 373	-1 288
-share of revenue	-5.4 %	-456.9 %	-8.0 %	-242.3 %
Profit for the period, 1000 EUR	-4 435	-4 426	-7 861	-4 735
-share of revenue	-8.0 %	-1836.5 %	-11.7 %	-890.6 %
Equity ratio	78.6 %	-2.9 %	78.5 %	-2.9 %
Shares at the end of the period	702 641 888	20 054 317	702 641 888	20 054 317

Pro forma key figures*

	04-06/2022 (3 months)	04-06/2021 (3 months)	01-06/2022 (6 months)	01-06/2021 (6 months)
Revenue, 1000 EUR	55 721	50 599	85 443	75 663
EBITDA, 1000 EUR	3 396	5 192	1 883	5 795
-share of revenue	6.1 %	10.3 %	2.2 %	7.7 %
EBITA, 1000 EUR	2 669	4 745	490	4 846
-share of revenue	4.8 %	9.4 %	0.6 %	6.4 %

*Financial information of NYAB Sverige AB subgroup for 1 January-31 March 2022, when the companies did not belong to SkartaNYAB Plc Group, has been added to the pro forma figures for 01-06/2022. Information for financial year 2021 consists of combined financial information of Skarta Finland Oy subgroup and NYAB Sverige AB subgroup. Skarta Finland Oy subgroup has been consolidated to SkartaNYAB Plc's official consolidated income statement as of 1 August 2021, and NYAB Sverige AB subgroup as of 1 April 2022.

Financial guidance

SkartaNYAB Plc estimates that revenue of the group for financial year 2022 is 225-245 million euros, and operating profit without amortization and reduction in value of intangible assets (EBITA) 14-20 million euros. The guidance was changed on 19 August 2022 because of uncertainties that had particularly weakened the outlook of Finnish business operations of the group. In previous guidance that was published in May 2022, revenue of the group for financial year 2022 was estimated to be 220-255 million euros and EBITA 20-29 million euros.

CEO Johan Larsson's review

Second quarter was the first moment of proof for the new SkartaNYAB group. Performance between group companies was two-folded. In Sweden, results were excellent and revenue of NYAB Group increased by almost one third from the comparison period. Despite the strong growth and challenging operating environment, NYAB succeeded to maintain its operating profit margin at previous year's level. In Finland, our business operations were at a clear loss during the first half of the year.

In Swedish markets, we have been able to select those clients, with whom we have a good dialogue, and to large avoid risks involved in material prices to a large extent. Therefore, the increase in material prices has not had a major impact in Sweden, nor has their availability caused big problems so far. In Finland, we have been through more challenges during the first half of the year. Cost inflation, challenges in the execution of certain projects, as well as cancellations and delays investment decisions of private sector clients made our result clearly negative. On the other hand, we managed to win several interesting projects in Finland during the second quarter and will pay extra attention to execute them effectively and with high quality.

Our essential operating area in Sweden is the Norrbotten County, where significant investments with a target of a clean future have already been on the agenda for a long time. For example, the HYBRIT project by LKAB, SSAB and Vattenfall has got a lot of publicity. During the review period, the projects have become more and more concrete, and we have been able to participate in an increasing number of projects regarding the construction of new infrastructure and production facilities. Beside Northern Sweden, we have reached steady growth with good margins in Stockholm area, where projects are available throughout the year, and the market area therefore creates seasonal balance to the northern areas where winter conditions play a major role.

In Finland, the development of energy projects has proceeded actively during the beginning of the year. Various additional competences have been recruited to the project development team, so that both environment and client perspective would be paid comprehensive attention in the development of new projects aimed at improving national energy self-sufficiency. The price of electricity has been clearly higher in Finland than in Sweden during this year's energy crisis, and it is estimated that the crisis may even lead to the rationing of consumption. We can therefore draw a conclusion that the need to increase domestic energy production is particularly high. With a successful project development, we can also strengthen our orderbook for the coming years, as our group companies are also experts in energy construction.

Although Skarta is in a different development stage than NYAB because of the active project development that is not yet creating any revenue, we are not satisfied with the performance of Finnish operations. Therefore, we have started measures to improve profitability during the rest of the year. Our goal is to integrate operating models between the companies so that we can reach sustainable profitable growth also in Finland. We have just the first common quarter behind us, so the integration between companies is at an early phase. I am convinced that by continuing determined work we can reach distinctly better results also in Finland.

Despite the challenging macroeconomic situation with inflation, rising interest rates and geopolitical unrest, we stand firm and optimistic. We have a strong financial position as a group and proof of historical capability of value creation among our group companies. Given these matters I see clearly where we are heading. Having been appointed as CEO as of 1 April 2022, my understanding is that our operative management in Finland needs a higher degree of expertise and specialization to reach supreme quality and earnings. These features are already in place in Sweden, and the route on how to achieve them in Finland is almost ready. And when this is achieved, combined with the excellent outlook in our markets, we are very confident and excited about the future of the entire SkartaNYAB.

Business operations of SkartaNYAB group during the review period

The most significant event of the first half was the corporate transaction that was closed at the end of March, in which Skarta Group Plc acquired all shares in NYAB Sverige AB and changed its name to SkartaNYAB Plc. Equity of the group increased to 250 million euros with the transaction, as the purchase price was paid almost entirely by arranging a directed share issue to NYAB Sverige AB's shareholders. Johan Larsson started as the CEO of the company as of 1 April 2022, and there were some other changes in the Executive Management Team as well to correspond to the management needs of the new group.

Business operations of the new SkartaNYAB group focus on infrastructure, energy, and industrial construction, as well as development of renewable energy projects in Finland and Sweden. SkartaNYAB has a strong position especially in northern

parts of the countries, where the planned investments in carbon-free industry for the coming decades amount to even more than a hundred billion euros, and public sector demand for infrastructure projects is solid. In addition, the group has projects in Stockholm region, where accelerating urbanization increases demands for sustainable infrastructure.

In infrastructure construction, business operations of SkartaNYAB have been active especially in Northern Sweden, where group companies have made several contracts with public sector regarding construction and maintenance of roads and railways. Contracts include several perennial maintenance contracts as well. In addition, group company NYAB Mälardalen AB made a strategically important frame agreement with Swedish Transport Administration in June. The agreement has a maximum value of 400 million SEK, and it regards preparatory land improvement and construction work of the expansion of Mälaren Line railway that goes from Stockholm to Örebro. The ultimate value to the company depends on the number of orders made under the agreement.

In energy construction, SkartaNYAB has concentrated on comprehensive Balance of Plant (BoP) projects, where it is responsible for land improvement, foundations, and power network of the wind farm in a project-specifically defined scope. New BoP projects that were started during the review period include the construction of Lumivaara wind farm with eight power plants to the municipality of Hyrynsalmi in Kainuu, as well as Pajunperänkangas wind farm with 14 power plants to the city of Haapajärvi in Northern Ostrobothnia. Both Energiequelle, developer of Lumivaara wind farm, and ABO Wind, developer of Pajunperänkangas wind farm, are new clients for SkartaNYAB. First projects in power network construction were also started in both Finland and Sweden during the review period.

In industrial construction, major new projects in Finland include the construction of wastewater pumping stations as a part of the central wastewater treatment plant project in Tampere region, as well as the construction of a research and laboratory facility at SSAB's plant area in Raahe. In Sweden, industrial construction projects have been started, for example, in Norrbotten region, where new facilities are constructed for companies out of the way of expanding mining areas.

Regarding project development in renewable energy, SkartaNYAB has focused on local Near Energy projects, where nearby produced renewable energy is offered for local use for municipalities and industrial operators, as well as industrial scale solar power projects that are developed in collaboration with Solarigo Systems Oy. Companies have been planning, for example, to construct a 100-megawatt solar power entirety to old mining districts of Hitura and Pyhäsalmi in Northern Ostrobothnia. In addition, SkartaNYAB has continued the planning of a solar farm to disused peat bog areas of more than a hundred hectares in the municipality of Utajärvi. Planning requirement decision has been granted to the project, which enables applying a building permit for the first phase of the project. SkartaNYAB has also been granted European Union's Horizon funding, designated for transition to clean energy, to investigate smart grid solutions regarding energy distribution at Utajärvi as a part of VTT's project.

Financial position and performance

The consolidated income statement of SkartaNYAB Plc has been prepared according to the applicable accounting regulation so that NYAB Sverige AB and its subsidiaries have only been consolidated to the income statement as of 1 April 2022, when the companies have become part of the group. Reported revenue of the group was 67.3 (0.5) million euros for the first half of the year. Approximately 70 percent of the revenue accrued from Swedish markets and 30 percent from Finnish markets. Pro forma revenue, that also includes the first quarter of NYAB Group, was 85.4 (75.7) million euros and increased 12.9%. Swedish markets comprised 76 percent of the pro forma revenue of the first half.

EBITA, i.e. operating profit before amortization of goodwill and other intangible assets, was 1.4 (-1.1) million euros for the first half and pro forma EBITA 0.5 (4.8) million euros. Relative profitability in Swedish operations remained almost at the comparison period's level in spite of the challenging operating environment, but profitability in Finnish operations was significantly less than the target. Cost inflation, some delays in working sites caused by the Covid-19 pandemic and challenging weather conditions, delays and cancellations in investment decisions of clients caused by the uncertain operating environment, such as interruption of Hanhikivi working site, as well as higher costs in group administration caused by governance requirements for a listed company explain the weaker performance. As typical for the seasonality of the business, profitability is expected to significantly improve towards the end of the year, as progress is made in projects as weather conditions permit. Reported operating profit of the group was -5.6 (-1.3) million euros for the first half, and it was materially affected by the amortization of consolidated goodwill that is originated from corporate acquisitions made during the review period and in July 2021. The amortization for the review period amounted to 6.8 million euros.

Information of the comparison period for the group consists entirely of the investment service business operations that were discontinued in summer 2021 and is therefore not comparable with the information of the review period. Financial information of the comparison period was reported in accordance with financial statement regulation for investment firm and has been reclassified for the report to correspond to the current presentation.

Equity of the group was markedly strengthened during the review period, as the acquisition price for shares in NYAB Sverige AB was paid almost entirely by arranging a directed share issue to the prior shareholders of the company. Total equity at the end of the review period was more than 245 million euros and equity ratio 78.6 percent. In April, SkartaNYAB made a new

financing agreement of SEK 135 million (approximately 13 million euros) that includes covenants relating to, for example, equity ratio. The loan facility has a maturity of four years and will be used for refinancing and working capital purposes.

SkartaNYAB Plc's Board of Directors decided to set new long-term financial targets in May. SkartaNYAB pursues an annual organic growth exceeding 7 percent, EBITA margin exceeding 10 percent, equity ratio exceeding 45 percent, and a dividend exceeding 30 percent of the adjusted net profit.

Operating environment and risks

Most significant risks of SkartaNYAB regard the changes in the operating environment. Because of the war that began in Ukraine in February, changes have been sudden, and their prediction has become significantly more difficult than before. Increase in material prices and challenges in their availability have been considerable. However, at the end of the review period there have been signs of the prices becoming more stable, which has improved visibility for the moment. Hedging against cost risks has succeeded relatively well in Swedish operations, but in Finland the increased costs have weakened the financial performance.

Other uncertainties that may have effects for the rest of the year in Finnish business operations relate to the collection of receivables regarding the suspended Hanhikivi nuclear power project, uncertainties caused by the Covid-19 pandemic, and the decision by the District Court regarding the dispute with Mikkeli Waterworks. As most of the revenue and operating result of SkartaNYAB accrues in Swedish krona, fluctuation in currency rates also has a major effect on the result, balance sheet, and cash flow of SkartaNYAB. Negotiations with creditors will take place during the rest of the year to secure long-term funding of the group. Other risks related to business operations and financing are more thoroughly described in the annual report of the company.

According to Prognoscentret that analyses Swedish markets, ongoing year is a top year for construction industry, whereas the following couple of years will remain at a lower level as financial risks increase and there are problems in the availability of raw materials. However, population growth and increase in energy prices speed up infrastructure and repair construction and investments to achieve energy efficiency. Also in Finland, according to the business cycle review published by the Confederation of Finnish Construction Industries RT in May, situation of land, water, and business premises construction remains good for the ongoing year, as projects have been started a lot before the beginning of the war. However, disadvantages caused by the uncertainty to the business will increase towards 2023, and it is estimated that the demand in construction will decrease regardless of the development of the war. The risk of economic recession and inflation, together with increasing interest rates, increase uncertainty regarding future investment decisions.

Changes in operating environment have also improved SkartaNYAB's business opportunities, as the rapid change in energy markets have further increased the importance of domestic energy production. Finnish Wind Power Association estimates, for example, that more than six billion euros will be invested in wind power in Finland between 2022-2025. The construction of wind power has been at a record speed already during the first half, and wind power capacity has increased by 24 percent. The construction of wind power has been particularly fast in Northern Ostrobothnia, where SkartaNYAB has a strong position. European Commission's solar energy strategy that was published in May includes a target of bringing more than 320 gigawatts of solar energy online by 2025, and almost 600 gigawatts by 2030. To reach the target, permitting procedures are intended to be made simpler, for example. The construction of solar power is also sped up with several planned financial incentives, with which support can be given to the repurposing of land that is a part of project development in SkartaNYAB, as well as to the development of increasingly innovative solutions.

Norrbottnen region in Northern Sweden is a significant market area for SkartaNYAB. There are substantial ongoing investments in both public and private sector that are important for the green transition of whole Nordics, as leading Nordic mining companies strive for fossil-free production by making use of waste and by-products that are caused by the mining in the production of metals. The value of the investments for the following 10-20 years is expected to be even more than a 100 billion euros. In Gällivare and Kiruna that is the domicile of group company Skarta AB, residential and industrial areas are moved to new locations out of the way of the expanding mining areas, which regularly provides new potential projects for the group companies regarding, for example, construction of new infrastructure and companies' facilities. In addition, the construction of Norrbottniabanan railway that goes from Umeå to Luleå, as well as electrical network connections that enable the production of renewable energy and the implementation of the investments, creates new business opportunities.

Share and shareholders

SkartaNYAB Plc's total number of shares at the end of the review period was 702,641,88 shares (20,054,317 shares in the comparison year) and the average number of shares for the review period 495,519,839 (20,054,317 shares). The number of shares increased with a decision on a share issue made by the Board of Directors on 31 March 2022, when prior shareholders of NYAB Sverige AB were issued a total of 414,244,098 shares as a consideration for the acquisition of all shares in NYAB Sverige AB.

On 30 June 2022, SkartaNYAB Plc had a total of 3358 shareholders that had been registered in the shareholder register of the company. The largest shareholders of the company were Holding Investment Förvaltning i Luleå AB (a company under joint control of Board member and CEO Johan Larsson and Board and Executive Management Team member Mikael Ritola,

ownership 33.6%), Andament Group Oy (a company under joint control of Chairman of the Board Markku Kankaala, Board member Jukka Juola, and Executive Vice President Tuomas Hirvonen, ownership 19.2%), Sätergrens Entreprenad AB (ownership 10.6%), Laisdalen Konsult AB (ownership 7.2%), and Mininvest Oy (ownership 3.6%).

Members of the Board and Executive Management Team of the Company, including companies under their control, owned a total of 58.0% of all shares in the Company at the end of the review period. On 30 June 2022, the share capital of the parent company was 80 000 euros, and the total equity was 244.4 million euros.

After the end of the review period, the number of shares in the company has been increased to 702,651,838 shares, as a directed share issue without payment was arranged to the personnel of the group and 9950 new shares in the company were subscribed. Trading in the new shares began in Nasdaq First North Growth Market Finland trading venue on 29 July 2022.

Resolutions of General Meetings

SkartaNYAB Plc's Extraordinary General Meeting was held on 17 March 2022. In the EGM, resolutions needed for the acquisition of all shares in NYAB Sverige AB were made, regarding the directed share issue with payment to NYAB Sverige AB's prior shareholders, as well as approval of the corporate transaction. In addition, EGM decided to change the name of the company to SkartaNYAB Plc and change the Board of Directors of the company so that prior members Markku Kankaala and Jari Suominen continue as members, and Jukka Juola, Johan Larsson, Johan K Nilsson, Mikael Ritola, and Arne Simula are elected as new members. The resolutions of the EGM came in force on 31 March 2022, when the Board of Directors, authorized by the EGM, decided on the closing of the NYAB transaction. In its organizing meeting, the new Board of Directors decided to elect Markku Kankaala the Chairman of the Board, and Johan K Nilsson the Vice Chairman.

SkartaNYAB Plc's Annual General Meeting was held on 3 May 2022. In the AGM, usual matters belonging to the power of decision of the AGM were on the agenda, such as adoption of the financial statements and consolidated financial statements for the financial year 2021, discharging the persons, who were Board members and CEOs during financial year 2021, from liability, as well as election and remuneration of Board members and auditors. In addition, AGM decided to establish a shareholders' nomination board that has a responsibility of preparing proposals to General Meetings regarding the members and remuneration of the Board of Directors. The nomination board consists of three members, of which three largest shareholders of the company are each entitled to appoint one. Minutes of the General Meetings are available in Finnish at <https://skartanyab.com/hallinnointi/yhtiokokous>.

Related party transactions

Consolidated income statement includes 14 302 euros of rent payments for business premises that have been paid to Kallastor Oy, Board member Jukka Juola's related party company. In addition, consolidated income statement includes 31 484 euros of compensation for legal services relating to project business of the group companies and that has been paid to JKN Advokatbyrå AB, Board member Johan K Nilsson's related party company.

Significant events after the review period

At the beginning of July, group company Skarta Finland Oy made a 32-million-euro agreement regarding the construction of Karahka wind park in the city of Oulainen in Northern Ostrobothnia. Construction work starts in the autumn and the completion of the project will take place by the end of 2024. Skarta is responsible for land improvement, foundations and internal grid works, as well as the construction of a substation, main transformer, and a 110 kV power line, in the comprehensive BoP project.

On 26 August 2022, SkartaNYAB Plc signed an agreement, according to which it acquires all shares in a Swedish company Power Forze AB. Power Forze AB operates particularly in Northern Sweden and offers services regarding power installations for industry and wind power, as well as construction and maintenance of electric grids. Purchase price for the shares is 38.5 million SEK (approximately 3.6 million euros), of which 8.5 million SEK (0.8 million euros) will be paid as a cash consideration and the remaining by arranging a directed share issue for Power Forze AB's shareholders. The acquisition has no significant impact on this year's revenue and result of SkartaNYAB. Closing of the share issue is targeted to take place by the end of August.

SkartaNYAB Plc will publish its business review for the period 1 July – 30 September 2022 on Friday, 11 November 2022.

This half-yearly report is unaudited.

ATTACHMENT: Principles for calculating the key figures, SkartaNYAB Plc's consolidated income statement, SkartaNYAB Plc's consolidated balance sheet, SkartaNYAB Plc's consolidated cash flow statement, Changes in equity of SkartaNYAB Plc Group

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About SkartaNYAB Oyj

SkartaNYAB is a builder of a clean future with decades of experience in complex and demanding projects. Our strategy is based on a strong competence and expertise in specialized construction, and we aim at expanding our activities in the value chain of wind power, solar energy and hydrogen solutions towards the development, construction and ownership of overall projects in clean energy, where we see excellent growth potential. SkartaNYAB is headquartered in Oulu and it has more than 300 employees at different locations in Finland and Sweden.

SkartaNYAB Plc's Certified Adviser is Augment Partners AB, info@augment.se, phone +46 8 604 22 55.

Attachments

- [Download announcement as PDF.pdf](#)
- [SkartaNYAB Attachment to half-yearly report.pdf](#)