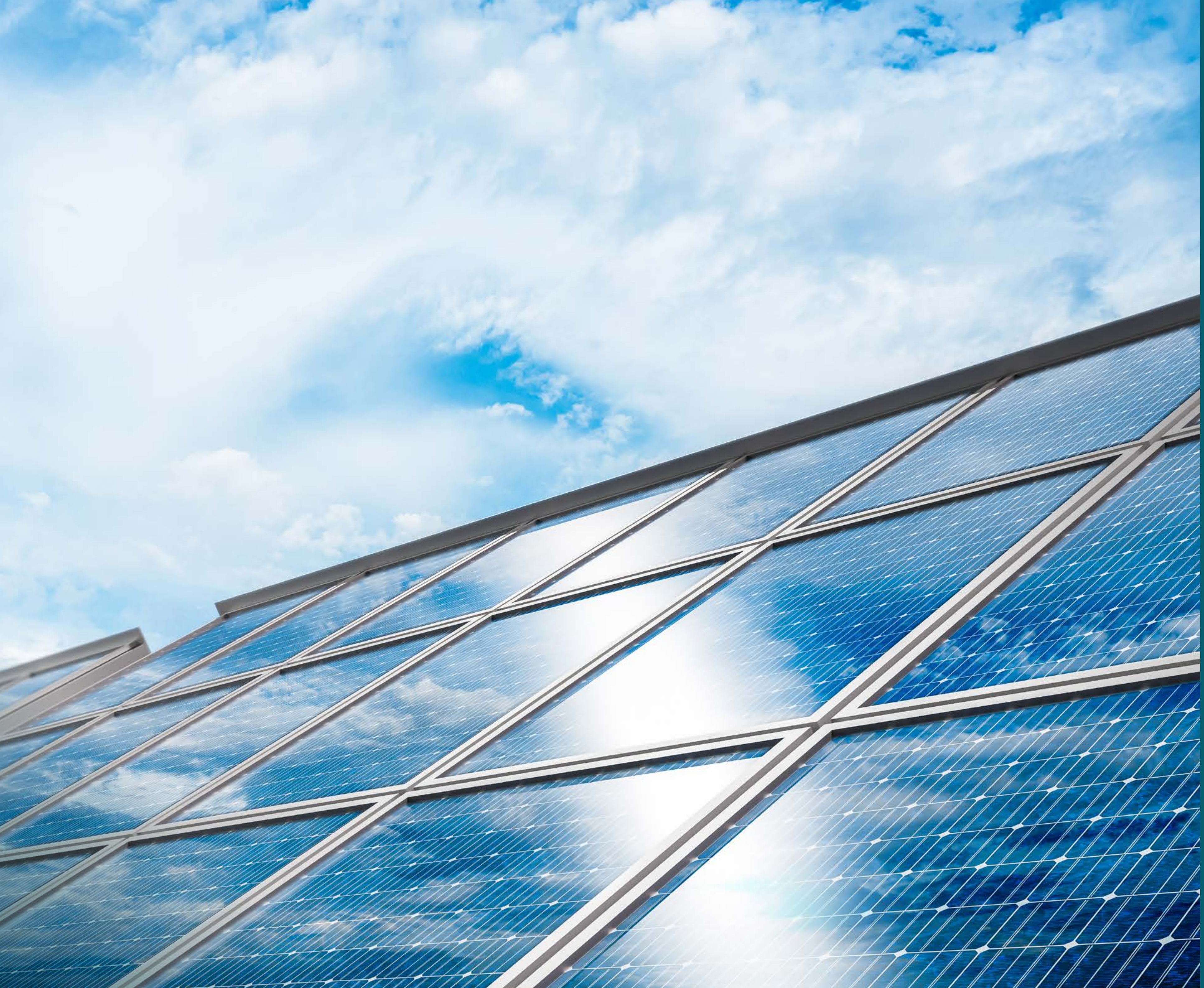


# Consolidated IFRS Financial Statements

## 1 January – 31 December 2022

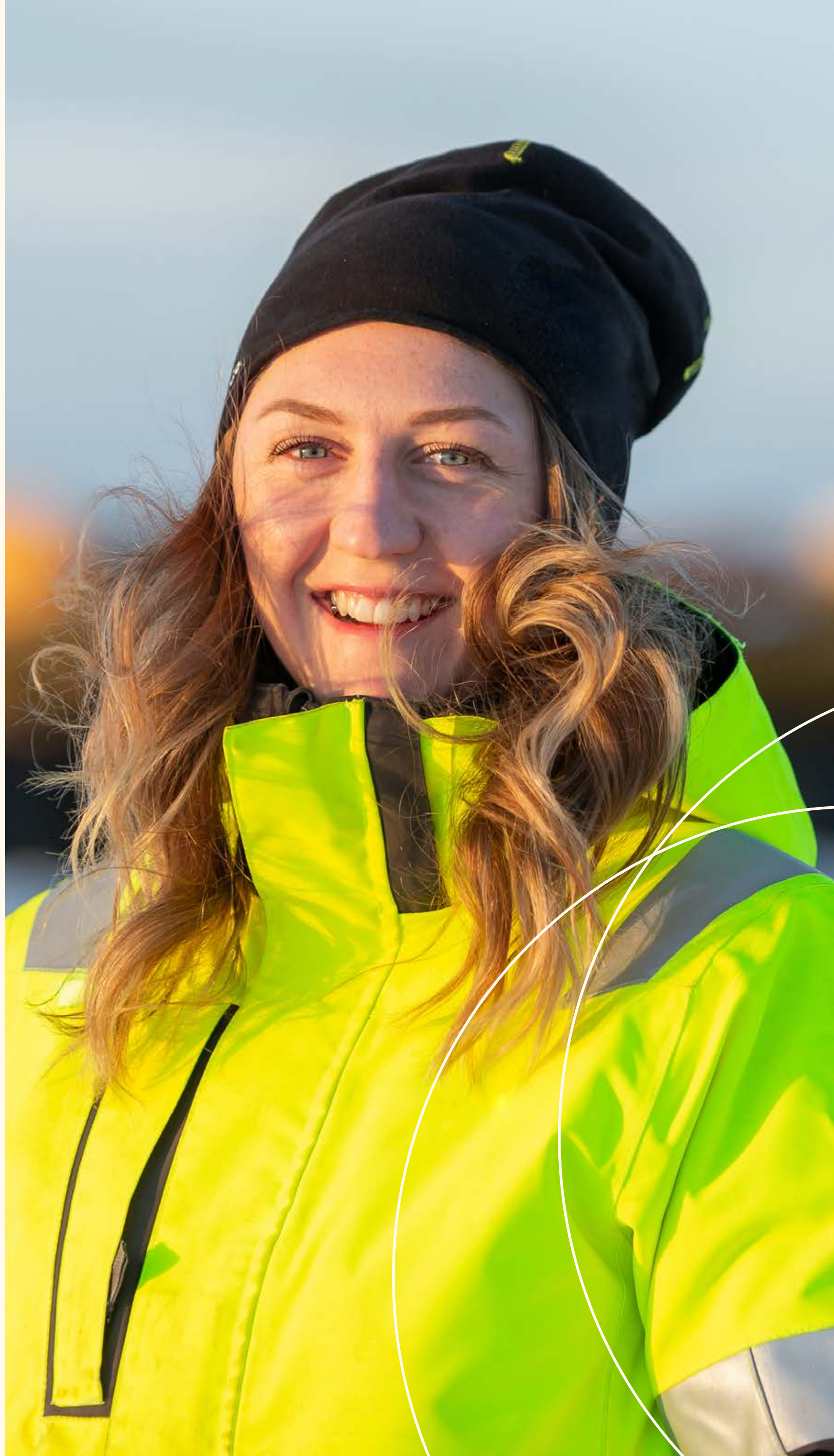
NYAB


| | |
|---|---|
| Domicile | Oulu |
| Company code | 2393685-6 |
| Address | Kauppurienkatu 7, OULU, 90100, Finland |

# Contents



This financial statement includes only NYAB Plc's first consolidated financial statement prepared in accordance with IFRS for the financial year ended 31.12.2022 and comparative information for the financial year ended 31.12.2021. NYAB has previously published its consolidated financial statement for the financial year ended 31.12.2022 in accordance with Finnish GAAP, and the financial statement has been approved in the Annual General Meeting on 26.04.2023.



# Key Figures

## Group key financial performance indicators

| | 1.1.–31.12.2022 | 1.1.–31.12.2021 |
|---|---|---|
| Revenue, EUR thousand | 253,318 | 131,713 |
| Change in net sales, % | 92.3% | 5.3% |
| EBITDA, EUR thousand | 30,389 | 16,741 |
| % of net sales | 12.0% | 12.7% |
| EBITA, EUR thousand | 27,217 | 15,612 |
| % of net sales | 10.7% | 11.9% |
| Operating Profit (EBIT) | 25,744 | 15,599 |
| % of net sales | 10.2% | 11.8% |
| Profit for the period, EUR thousand | 23,320 | 12,197 |
| Earnings per share (EPS), basic, in euros | 0.03 | 0.03 |
| Earnings per share (EPS), diluted, in euros | 0.03 | 0.03 |
| Balance sheet total, EUR thousand | 259,098 | 53,710 |
| Return on equity, % | 22.5% | 45.4% |
| Return on capital employed, % | 22.7% | 54.8% |
| Equity ratio -% | 69.6% | 49.7% |
| Net debt, EUR thousand | 7,010 | -5,801 |
| Net gearing -% | 3.9% | -21.7% |
| Net debt/EBITDA | 0.23 | -0.35 |
| Free cash flow, EUR thousand | 3,699 | 5,681 |
| Order backlog, EUR thousand | 239,682 | 162,922 |
| Number of employees at the end of the period | 383 | 149 |

# Calculation formulas for financial performance indicators and alternative indicators

| | | | |
|---|---|---|---|
| EBITDA | = | Operating profit + depreciations and amortisation | |
| EBITDA margin, % | = | Operating profit + depreciations and amortisation / Revenue | x 100% |
| EBITA | = | Operating profit + amortisation of intangible assets + impairments | |
| EBITA-% | = | Operating profit + amortisation of intangible assets + impairments / Revenue | x 100% |
| Operating profit (EBIT) | = | Profit for the financial year before financing items and taxes | |
| Operating Profit (EBIT) margin -% | = | Profit for the financial year before financing items and taxes / Revenue | x 100% |
| Earnings per share (EPS), basic, euros | = | Profit for the period attributable for shareholders of the company / Weighted average number of shares outstanding during the period | x 100% |
| Earnings per share (EPS), diluted, EUR | = | Profit for the period attributable to the shareholders of the parent company / Weighted average number of shares outstanding (adjusted for the impact of all diluting potential shares) | x 100% |

| | | | |
|---|---|---|---|
| Return on equity (ROE) -% | = | Profit for the period / Average shareholder's equity | x 100% |
| Return on capital employed (ROCE) -% | = | Profit before taxes + financial income and expenses / Average shareholder's equity + average interest-bearing loans and borrowings | x 100% |
| Equity ratio, % | = | Shareholders' equity / Balance sheet total – advances received | x 100% |
| Net debt | = | Interest-bearing debt – cash and cash equivalents | |
| Net gearing, % | = | Interest bearing liabilities - Interest bearing receivables and cash / Shareholders' equity | x 100% |
| Net debt/EBITDA | = | Net debt / EBITDA, rolling 12 months | |
| Order Backlog | = | Amount of unrecognised revenue from customer contracts at the end of the period | |

# Consolidated financial statements (IFRS)

## Consolidated statement of comprehensive income (IFRS)

| EUR thousand | Notes | 1.1.–31.12.2022 | 1.1.–31.12.2021 |
|---|---|---|---|
| Revenue | 3.1 | 253,318 | 131,713 |
| Other operating income | 3.2 | 16,019 | 231 |
| Materials and services | 3.3 | -203,612 | -99,173 |
| Employee benefit expenses | 3.4 | -26,764 | -12,785 |
| Other operating expenses | 3.5 | -8,571 | -3,245 |
| **EBITDA** | | **30,389** | **16,741** |
| | | | |
| Depreciation, amortisation and impairment | 3.6 | -4,645 | -1,142 |
| | | | |
| **OPERATING PROFIT** | | **25,744** | **15,599** |
| Finance income | 6.2 | 565 | 44 |
| Finance expenses | 6.2 | -1,004 | -90 |
| Finance income and expenses total | | -440 | -47 |
| Share of result of associates and joint ventures | 7.2 | -27 | - |
| | | | |
| **RESULT BEFORE TAXES** | | **25,278** | **15,553** |
| Income taxes | 8.1 | -1,958 | -3,356 |
| | | | |
| **RESULT FOR THE PERIOD** | | **23,320** | **12,197** |

| EUR thousand | Notes | 1.1.–31.12.2022 | 1.1.–31.12.2021 |
|---|---|---|---|
| **Attributable to:** | | | |
| Equity holders of the parent | | 23,320 | 11,777 |
| Non-controlling interests | | 0 | 420 |
| | | | |
| **Earning per share for net profit attributable to owners of the parent** | | | |
| Earnings per share, basic, EUR | | 0.03 | 0.03 |
| Earnings per share, diluted, EUR | | 0.03 | 0.03 |
| | | | |
| **Other comprehensive income** | | | |
| Items that will not be reclassified to profit or loss | | | |
| Valuation (losses)/gains on fair value through other comprehensive income equity investments | | -499 | 0 |
| Tax relating to items that will not be reclassified | | 100 | 0 |
| Items that may be reclassified subsequently to profit or loss | | | |
| Change in cumulative translation adjustment | | -1,857 | -523 |
| **TOTAL COMPREHENSIVE INCOME** | | **21,064** | **11,674** |
| | | | |
| **Total comprehensive income attributable to:** | | | |
| Equity holders of the parent company | | 21,064 | 11,258 |
| Non-controlling interests | | 0 | 416 |

Notes form an integral part of the consolidated financial statements.

# Consolidated balance sheet (IFRS)

| EUR thousand | Notes | 31.12.2022 | 31.12.2021 | 1.1.2021 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Goodwill | 5.1 | 121,182 | 0 | 0 |
| Intangible assets | 5.2 | 3,840 | 39 | 53 |
| Tangible assets | 5.3 | 14,360 | 6,715 | 4,930 |
| Right-of-use assets | 4.1 | 3,377 | 1,528 | 2,046 |
| Participations in associates and joint ventures | 7.2 | 11,110 | 0 | 0 |
| Other non-current receivables and investments | 6.3 | 5,624 | 18 | 19 |
| Deferred tax assets | 8.2 | 480 | 152 | 84 |
| **Total non-current assets** | | **159,973** | **8,453** | **7,131** |
| | | | | |
| **Current assets** | | | | |
| Inventories | 4.2 | 2,303 | 729 | 705 |
| Trade receivables | 4.3 | 50,618 | 22,014 | 16,980 |
| Contract assets | 4.3 | 22,841 | 12,707 | 8,979 |
| Other receivables | 4.3 | 9,536 | 437 | 83 |
| Cash and cash equivalents | 4.4 | 13,827 | 9,369 | 14,925 |
| **Total current assets** | | **99,125** | **45,256** | **41,672** |
| **TOTAL ASSETS** | | **259,098** | **53,710** | **48,803** |

| EUR thousand | Notes | 31.12.2022 | 31.12.2021 | 1.1.2021 |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| **Equity attributable to owners of the parent company** | | | | |
| Share capital | 6.2 | 80 | 16 | 16 |
| Reserve for invested non-restricted equity | 6.2 | 142,375 | 0 | 27 |
| Translation adjustment | 6.2 | -2,382 | -524 | 0 |
| Retained earnings | 6.2 | 40,345 | 26,665 | 23,864 |
| **Total equity attributable to the shareholders of the parent company** | | **180,418** | **26,157** | **23,907** |
| | | | | |
| Non-controlling interests | | 0 | 549 | 3,111 |
| **Total equity** | | **180,418** | **26,706** | **27,018** |
| | | | | |
| **Non-current liabilities** | | | | |
| Non-current interest-bearing liabilities | 6.4 | 10,367 | 1,840 | 795 |
| Lease liabilities | 6.4 | 2,277 | 895 | 1,034 |
| Accrued expenses | 6.4 | 113 | - | - |
| Provisions | 4.6 | 83 | - | - |
| Deferred tax liabilities | 8.2 | 4,379 | 2,353 | 2,143 |
| **Total non-current liabilities** | | **17,219** | **5,088** | **3,971** |
| | | | | |
| **Current liabilities** | | | | |
| Current interest-bearing liabilities | 6.4 | 7,178 | 296 | 253 |
| Lease liabilities | 6.4 | 1,014 | 537 | 944 |
| Contract liabilities | 4.5 | 11,647 | 3,584 | 4,212 |
| Trade and other payables | 4.5 | 41,621 | 17,498 | 12,406 |
| **Total current liabilities** | | **61,460** | **21,915** | **17,814** |
| **TOTAL LIABILITIES** | | **78,680** | **27,003** | **21,785** |
| | | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **259,098** | **53,710** | **48,803** |

Notes form an integral part of the consolidated financial statements.

# Consolidated statement of changes in equity (IFRS)

| EUR thousand | Share capital | Reserve for invested non-restricted equity | Other reserves | Translation differences | Retained earnings | Total equity attributable to the owners of the parent company | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Equity 1 January 2022** | **16** | **-** | **0** | **(524)** | **26,665** | **26,157** | **549** | **26,706** |
| Result of the year | - | - | - | - | 23,320 | 23,320 | - | **23,320** |
| Other comprehensive income | - | - | - | - | (400) | (400) | - | **(400)** |
| Translation adjustment | - | - | - | (1,857) | - | (1,857) | - | **(1,857)** |
| **Total comprehensive income** | **-** | **-** | **-** | **(1,857)** | **22,921** | **21,064** | **-** | **21,064** |
| | | | | | | | | |
| Reverse acquisition share issue impact | 64 | 139,250 | - | - | - | 139,314 | - | **139,314** |
| Share issues | - | 3,125 | - | - | - | 3,125 | - | **3,125** |
| Acquisition of non-controlling interests | - | - | - | - | 452 | 452 | (549) | **(97)** |
| Share-based payments | - | - | - | - | 657 | 657 | - | **657** |
| Dividends | - | - | - | - | (10,158) | (10,158) | - | **(10,158)** |
| Other items | - | - | - | - | (191) | (191) | - | **(191)** |
| Total transactions with owners | 64 | 142,375 | - | - | (9,240) | 133,199 | (549) | **132,650** |
| **EQUITY 31 December 2022** | **80** | **142,375** | **0** | **(2,381)** | **40,346** | **180,420** | **(0)** | **180,420** |

Note 6.2 describes changes in equity.

# Consolidated statement of changes in equity (IFRS)

| EUR thousand | Share capital | Reserve for invested non-restricted equity | Other reserves | Translation differences | Retained earnings | Total equity attributable to the owners of the parent company | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Equity 1 January 2021 FAS** | **16** | **-** | **27** | **-** | **23,864** | **23,907** | **3,111** | **27,018** |
| Effects of IFRS conversion* | - | - | - | - | - | - | - | **-** |
| **Equity 1 January 2021 IFRS** | **16** | **-** | **27** | **-** | **23,864** | **23,907** | **3,111** | **27,018** |
| Result of the year | - | - | - | - | 11,777 | 11,777 | 420 | **12,197** |
| Other comprehensive income | - | - | - | - | - | - | 416 | **416** |
| Translation adjustments | - | - | - | (524) | - | (524) | (4) | **(528)** |
| **Total comprehensive income** | **-** | **-** | **-** | **(524)** | **11,777** | **11,254** | **416** | **11,669** |
| | | | | | | | | |
| Transactions with owners | | | | | | | | |
| Share issues | - | - | - | - | - | - | - | **-** |
| Acquisition of non-controlling interests | - | - | - | - | (84) | (84) | (2,978) | **(3,062)** |
| Dividends | - | - | - | - | (8,892) | (8,892) | - | **(8,892)** |
| Other changes | - | - | (27) | - | - | (27) | - | **(27)** |
| **Total transactions with owners** | **-** | **-** | **(27)** | **-** | **(8,976)** | **(9,003)** | **(2,978)** | **(11,981)** |
| **EQUITY 31 December 2021** | **16** | **-** | **0** | **(524)** | **26,665** | **26,157** | **549** | **26,706** |

* Note 2. provides more detailed information on first time application of IFRS-standards.
The notes form an integral part of the consolidated financial statements.

# Consolidated statement of cash flows (IFRS)

| EUR thousand | Notes | 1.1.–31.12.2022 | 1.1.–31.12.2021 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Result for the period | | 23,320 | 12,197 |
| **Adjustments for profit:** | | | |
| Depreciation and amortisation | 3.6 | 4,645 | 1,142 |
| Finance income and expenses | 6.2 | 440 | 47 |
| Gain on disposal of intangible assets | | -16,020 | -27 |
| Income taxes | 8.1 | 1,958 | 3,356 |
| Share of profit/loss of an associate | 7.2 | 27 | 0 |
| Other adjustments | | 0 | -10 |
| **Total adjustments** | | **-8,950** | **4,507** |
| | | | |
| **Changes in working capital:** | | | |
| Increase (-) / Decrease (+) in trade and other receivables | | -19,743 | -9,067 |
| Increase (+) / Decrease (-) in inventories | | -421 | -24 |
| Increase (+) / Decrease (-) in trade and other payables | | 10,558 | 3,820 |
| **Total changes in working capital** | | **-9,605** | **-5,271** |
| | | | |
| Interest received and other financial income | 6.2 | 565 | 44 |
| Interests paid | 6.2 | -1,004 | -90 |
| Income taxes paid | 8.1 | -193 | -2,574 |
| **Net cash flows from operating activities** | | **4,132** | **8,813** |

| EUR thousand | Notes | 1.1.–31.12.2022 | 1.1.–31.12.2021 |
|---|---|---|---|
| **Cash flows used in investing activities** | | | |
| Acquisition of subsidiaries, net of cash acquired | 5.1 | 1,403 | 0 |
| Disposal of subsidiaries, net of cash disposed | | 4,559 | 0 |
| Purchase of tangible and intangible assets | 5.2, 5.3 | -6,395 | -3,779 |
| Proceeds from sale of tangible and intangible assets | 5.2, 5.3 | - | 647 |
| **Net cash flows from investing activities** | | **-433** | **-3,132** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of new long-term debt | 6.4 | 13,142 | 2,055 |
| Repayment of long-term debt | 6.4 | -5,606 | -1,159 |
| Change in short-term borrowings | 6.4 | -387 | 0 |
| Repayment of lease liabilities | 6.4 | -97 | -3,046 |
| Dividend paid | 3.7 | -5,654 | -8,872 |
| **Net cash flows from/(used in) financing activities** | | **1,398** | **-10,979** |
| | | | |
| **Net increase in cash and cash equivalents** | | **5,097** | **-5,296** |
| | | | |
| Cash and cash equivalents at 1 January | | 9,369 | 14,925 |
| Impact of the changes in foreign exchange rates | | -640 | -260 |
| **Cash and cash equivalents at 31 December** | | **13,827** | **9,369** |

The notes form an integral part of the consolidated financial statements.

# Notes to the consolidated financial statements (IFRS)

## 1. General accounting principles used in the preparation of the financial statements

### 1.1 Group information

NYAB Plc ("parent company" or "Company") is, together with its subsidiaries ("NYAB" or "Group"), is a builder of a clean future, whose vision is to be a pioneer in clean energy solutions and a respected building partner for a carbon-neutral society in the Nordic countries. Business operations of the Group focus on engineering, construction, and maintenance services for public and private sector clients within energy, infrastructure, and industrial construction.

These NYAB Plc's consolidated financial statements for the financial year ended on 31 December 2022 were authorised to be published in accordance with a resolution of the Board of Directors on 29 June 2023. NYAB has previously published its consolidated financial statement for the financial year ended 31.12.2022 in accordance with Finnish GAAP, and the financial statement has been approved in the Annual General Meeting on 26.04.2023.

NYAB Plc is a Finnish public limited liability company and its business ID is 2393685-6. The Company is domiciled in Oulu and its registered address is Kauppurienkatu 7, 90100 Oulu. Shares of the Company are traded on Nasdaq First North Growth Market Finland.

The notes to the consolidated financial statements are grouped into sections according to the topic. The general basis of preparation of the consolidated financial statements is described as part of this section. The accounting principles that are closely related to a specific note are presented as part of that note. Notes on each section contain relevant financial information, description of the accounting principles and critical accounting estimates and assumptions applied for the individual note.

The consolidated financial statements of the Group include the subsidiaries and associated companies specified in Notes 7.1 and 7.2. More information on the consolidation principles is presented in Note 2.1 First-time adoption of IFRS standards.

### 1.2. Basis of preparation

NYAB Plc's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as well as IFRIC and SIC interpretations as adopted by the European Union and effective on 31 December 2022. The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and liabilities classified at fair value through profit and loss accounts. The notes to the consolidated financial statements also comply with the Finnish accounting standards and corporate legislation which are complementary to the IFRS regulations.

NYAB releases its first consolidated financial statements prepared in accordance with IFRS for the year that ended on December 31, 2022 and IFRS-based comparison period for the financial year that ended on December 31, 2021. In addition, NYAB presents an IFRS-based opening balance sheet 1.1.2021. In this consolidated financial statement, NYAB has applied *IFRS 1 Initial IFRS implementation*, and the date for transition to IFRS is January 1, 2021. Earlier NYAB has applied Finnish GAAP (FAS) in its consolidated financial statements. NYAB has previously published its consolidated financial statements for the financial year ended on December 31, 2022 in accordance with Finnish GAAP. This financial statement has been approved in the Annual General Meeting on 26.04.2023.

The implementation of IFRS is described in Note 2.1 as the initial adoption of IFRS.

Skarta Group Plc and NYAB Sverige AB merged on March 31, 2022 to form a new entity called NYAB Plc (formerly SkartaNYAB Plc). In this arrangement, the legal acquirer is Skarta Group Plc, which issued its own new shares to complete the arrangement and received all the shares in NYAB Sverige AB. From the perspective of IFRS financial reporting, the combination of Skarta Group Plc and NYAB Sverige AB is treated as a reverse acquisition. NYAB applies the acquisition method for the business combination, in which NYAB Sverige AB is defined as the accounting acquirer and Skarta Group Plc as the accounting acquiree.

In NYAB's IFRS consolidated financial statements, for the period that ended on 31.12.2022, the information presented about the comparison periods only includes financial information of NYAB Sverige AB for the reporting periods that ended on 1.1.2021 and 31.12.2021. Skarta Group Plc has been consolidated as of 31.3.2022.

The reverse acquisition of NYAB Sverige AB is discussed in more detail in note 5.1. The acquisition of Power Forze AB is discussed in note 5.1 as well.

The preparation of the consolidated financial statements is based on the use of the initial cost, except for financial assets or liabilities recognised at fair value through profit or loss, and unless otherwise specified in the relevant accounting principle. The consolidated financial statements are presented in euros, which is the functional and presentation currency of the legal parent company of the Group. Financial statements are presented in thousands of euros, unless otherwise stated. The figures presented have been rounded and therefore the sum of the individual figures may differ from the total presented. KPIs are calculated using exact values.

All transactions and balances between Group companies are eliminated on consolidation.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

In the consolidated financial statements, the Group classifies assets and liabilities applying the current/non-current distinction. The Group classifies an asset as current when it expects to realise the asset within twelve months after the reporting period. Other assets are classified as non-current. The Group classifies a liability as current when it matures for repayment within twelve months after the reporting period or when the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Other liabilities are classified as non-current.

The financial statements are prepared on a going concern basis. At the date of signing the financial statements, management is required to assess the parent company's and the Group's ability to continue as a going concern, and this assessment should cover the parent company's and the Group's prospects for a minimum of 12 months from the end of the reporting period.

The more detailed accounting principles of NYAB Plc's consolidated financial statements are presented by topic in connection with the relevant note.

**Conversion of items presented in foreign currency**

The consolidated financial statements are presented in euros, which is the legal parent company's functional currency and NYAB Plc's presentation currency. The Group's business operations are primarily carried out in Finland and Sweden.

Transactions in foreign currencies are converted into functional currencies at the exchange rates prevailing on the day of the transaction. Foreign exchange gains and losses arising from payments related to transactions and the translation of monetary assets and liabilities in a foreign currency at the exchange rate prevailing at the end of the reporting period are recognised in profit or loss.

Foreign exchange gains and losses related to loans are presented in the income statement in financial income and expenses. All other foreign exchange gains and losses are presented in the income statement in other operating income and other operating expenses on a net basis.

The income statements of group enterprises using a functional currency that is different from the presentation currency are translated into euro at the average exchange rate for the period and the balance sheets at the exchange rate prevailing at the end of the reporting period. All exchange differences arising from the conversion are recorded in other comprehensive income. The functional currency of Group companies is either euro or Swedish krona.

Exchange differences arising from net investments in foreign subsidiaries are recognised in other comprehensive income when preparing consolidated financial statements. When a foreign operation is sold in whole or in part, the related exchange differences are transferred to profit or loss as part of the capital gain or loss. Goodwill arising from the acquisition of a foreign operation and adjustments made to reach fair values are treated as assets and liabilities of the foreign operation and are translated at the exchange rate prevailing at the end of the reporting period.

## 1.3 New and amended standards and interpretations

On 1 January 2022 the Group adopted the following new or amended standards. The application of the changes had no material impact on the Group's consolidated financial statement.

IAS 16 *Property, Plant and Equipment – Proceeds before Intended Use*. Proceeds from selling items produced before intended use should be included the statement of profit or loss rather than offset against the cost of property, plant and equipment as previously required by IAS 16 *Property, Plant and Equipment*.

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets – Cost of Fulfilling a Contract*. When the company assesses whether the contract is onerous, the company must include in the estimate the costs of fulfilling the contract, as well as the additional costs incurred directly from the contract and the allocated share of the costs directly related to the contract.

*Annual Improvements to IFRS standards 2018-2020* including technical changes to the standards IFRS 1, IFRS 9, IFRS 16 and IAS 41.

The following new or amended IFRS standards are not yet effective and will be adopted in the financial year commencing on 1 January 2023 or later. Only the changes that are most relevant to the Group have been included in the summary below. Management does not expect the changes to have a material impact on the Group's financial statements in future reporting periods:

IAS 1 *Presentation of Financial Statements* -standard amendments: specify the requirements related to the classification of liabilities as current or non-current items.

IAS 1 *Presentation of Financial Statements and IFRS Practice Statement 2* amendments in the presentation of accounting principles.

IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* -standard amendment: definition of an accounting estimate. The amendment clarifies the difference between the definition of the change in the accounting principle and the definition of accounting estimate in the application of IAS 8.

IAS 12 *Income Taxes* -standard amendments: deferred tax on a transaction which at the time of the transaction gives rise to equal taxable and deductible temporary differences. The purpose of the amendment is to clarify the recognition of deferred taxes for transactions which at the same time give rise to equal deferred tax liability and a deferred tax asset. Such events include, for example, the recognition of the lease in accordance with IFRS 16 and the recognition of the responsibility for restoration.

IFRS 16 *Leases* -standard amendments: regarding the subsequent measurement of lease liabilities arising from a sale and leaseback transaction.

### 1.4 . Critical accounting estimates and assumptions

The preparation of IFRS consolidated financial statements requires management to make estimates and assumptions as well as to use judgment when applying the accounting principles. These together have an effect on the values of balance sheet items, disclosure of contingent assets and liabilities as well as the reported amounts of revenues and expenses during the reporting period. Final actuals may differ from the estimates.

Estimates and judgements are continually evaluated and they are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The table below lists the areas where management's accounting estimates and judgements are most critical to reported results and financial position; as well as where to find more information on the areas of critical accounting estimate and judgement.

| Key estimates and judgements | | Note |
|---|---|---|
| Revenue Recognition | 3.1 | Revenue and reportable segments |
| Share-based payments and incentive plans | 3.4.3 | Share based payments |
| Determination of lease term and incremental borrowing rate | 4.1 | Right of use assets |
| Determination of warranty provision | 4.6 | Provisions |
| Assigned values and useful lives determined for intangible assets and property, plant and equipment acquired in a business combination | 5.1 | Business combinations |
| | 5.2 | Intangible assets |
| | 5.3 | Property, plant and equipment |
| Consideration transferred in the business combination | 5.1 | Business combinations |
| Impairment testing of goodwill | 5.2 | Intangible assets |

# 2. First-time adoption of IFRS standards

### 2.1. IFRS impact: The transition effects and exemptions applied

**Adoption of IFRS and its impact**

NYAB Plc publishes its first consolidated financial statements prepared in accordance with IFRS for the reporting period ended on the 31.12.2022. The following are the impacts of the adoption of IFRS on the income statement prepared in accordance with the Finnish Financial Reporting Standards (FAS) for the reporting periods 1.1.-31.12.2021 and 1.1.-31.12.2022 and on the Group's balance sheet on 1.1.2021, 31.12.2021 and 31.12.2022. In this consolidated financial statement, NYAB Plc has applied IFRS 1 *First-time adoption of IFRSs*, and the transition date to IFRS is 1.1.2021. Previously, NYAB Plc has applied the Finnish GAAP (FAS) in its consolidated financial statements.

The Group's consolidated income statement and consolidated balance sheet present the most material adjustments to the financial statements prepared in accordance with local accounting regulations. In addition, NYAB Plc has applied the exemptions in IFRS 1 *First Adoption of IFRSs*, and these exemptions are described below. IFRS adjustments made in the transition are described in the tables and in the corresponding explanations below.

# Consolidated statement of comprehensive income 1.1.-31.12.2021

| | 1.1.–31.12.2021 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **EUR thousand** | **local GAAP** | **Business combinations 1.** | **Leases 2.** | **Disposals 3.** | **IFRS 9 4.** | **Share-based payments 5.** | **Other adjustments 6.** | **IFRS transition impact** | **IFRS** |
| **Revenue** | **131,758** | **0** | **0** | **0** | **0** | **0** | **-45** | **-45** | **131,713** |
| Other operating income | 186 | 0 | 0 | 0 | 0 | 0 | 45 | 45 | 231 |
| Materials and services | -99,173 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -99,173 |
| Employee benefit expenses | -12,785 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -12,785 |
| Depreciation and amortisation expense | -982 | 0 | -159 | 0 | 0 | 0 | 0 | -159 | -1,142 |
| Other operating expenses | -3,419 | 0 | 174 | 0 | 0 | 0 | 0 | 174 | -3,245 |
| **Operating profit** | **15,585** | **0** | **14** | **0** | **0** | **0** | **0** | **14** | **15,599** |
| Finance income | 44 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 44 |
| Finance expense | -74 | 0 | -17 | 0 | 0 | 0 | 0 | -17 | -90 |
| Finance costs, net | -30 | 0 | -17 | 0 | 0 | 0 | 0 | -17 | -47 |
| Share of the associate's profits (losses) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Profit before taxes** | **15,555** | **0** | **-2** | **0** | **0** | **0** | **0** | **-2** | **15,553** |
| Income tax expense | -3,356 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -3,356 |
| Non-controlling interest | -420 | 0 | 0 | 0 | 0 | 0 | 420 | 420 | 0 |
| **Profit from continuing operations** | **11,779** | **0** | **-2** | **0** | **0** | **0** | **420** | **418** | **12,197** |
| Profit on discontinued operation, net of tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Profit for the period** | **11,779** | **0** | **-2** | **0** | **0** | **0** | **420** | **418** | **12,197** |
| Attributable to: | | | | | | | | | |
| Owners of the parent | 11,779 | 0 | -2 | 0 | 0 | 0 | 0 | -2 | 11,777 |
| Non-controlling interest | 0 | 0 | 0 | 0 | 0 | 0 | 420 | 420 | 420 |
| | | | | | | | | | |
| **Other comprehensive income** | | | | | | | | | |
| Items that will not be reclassified to profit or loss | | | | | | | | | |
| Tax relating to items that will not be reclassified | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Valuation (losses)/gains on fair value through other comprehensive income equity investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Items that may be reclassified subsequently to profit or loss | | | | | | | | | |
| Change in cumulative translation adjustment | 0 | 0 | 0 | 0 | 0 | 0 | -524 | -523 | -523 |
| **Other comprehensive income for the year, net of tax** | **0** | **0** | **1** | **0** | **0** | **0** | **-524** | **-523** | **-523** |
| **Total comprehensive income** | **11,779** | **0** | **-1** | **0** | **0** | **0** | **-103** | **-104** | **11,675** |
| | | | | | | | | | |
| **Attributable to:** | | | | | | | | | |
| Owners of the parent | 11,779 | 0 | -1 | 0 | 0 | 0 | -519 | -520 | 11,259 |
| Non-controlling interests | 0 | 0 | 0 | 0 | 0 | 0 | 416 | 416 | 416 |

# Consolidated statement of comprehensive income 1.1.-31.12.2022

| | 1.1.–31.12.2022 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **EUR thousand** | **local GAAP** | **Business combinations 1.** | **Leases 2.** | **Disposals 3.** | **IFRS 9 4.** | **Share-based payments 5.** | **Other adjustments 6.** | **IFRS transition impact** | **IFRS** |
| **Revenue** | **247,702** | **5,616** | **0** | **0** | **0** | **0** | **0** | **5,616** | **253,318** |
| Other operating income | 20,720 | -679 | 0 | -4,022 | 0 | 0 | 0 | -4,701 | 16,019 |
| Materials and services | -196,941 | -7,719 | 0 | 0 | 0 | 0 | 1,049 | -6,670 | -203,612 |
| Employee benefit expenses | -26,320 | 212 | 0 | 0 | 0 | -657 | 0 | -445 | -26,764 |
| Depreciation and amortisation expense | -20,858 | 16,712 | -412 | 0 | 0 | 0 | -87 | 16,213 | -4,645 |
| Other operating expenses | -12,061 | 3,038 | 452 | 0 | 0 | 0 | 0 | 3,489 | -8,571 |
| **Operating profit** | **12,242** | **17,180** | **40** | **-4,022** | **0** | **-657** | **962** | **13,503** | **25,744** |
| Finance income | 601 | -36 | 0 | 0 | 0 | 0 | 0 | -36 | 565 |
| Finance expense | -2,238 | 56 | -65 | 0 | 1,242 | 0 | 0 | 1,233 | -1,004 |
| Finance costs, net | -1,637 | 20 | -65 | 0 | 1,242 | 0 | 0 | 1,198 | -440 |
| Share of the associate's profits (losses) | -30 | 4 | 0 | 0 | 0 | 0 | 0 | 4 | -27 |
| Changes in untaxed reserves | 913 | 0 | 0 | -913 | 0 | 0 | 0 | -913 | 0 |
| **Profit before taxes** | **11,488** | **17,204** | **-26** | **-4,935** | **1,242** | **-657** | **962** | **13,790** | **25,278** |
| Income tax expense | -3,092 | 344 | 5 | 987 | -248 | 0 | 46 | 1,134 | -1,958 |
| Non-controlling interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Profit from continuing operations** | **8,396** | **17,548** | **-20** | **-3,948** | **994** | **-657** | **1,008** | **14,924** | **23,320** |
| Profit on discontinued operation, net of tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Profit for the period** | **8,396** | **17,548** | **-20** | **-3,948** | **994** | **-657** | **1,008** | **14,924** | **23,320** |
| Attributable to: | | | | | | | | | |
| Owners of the parent | 8,396 | 17,548 | -20 | -3,948 | 994 | -657 | 1,008 | 14,924 | 23,320 |
| Non-controlling interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | |
| **Other comprehensive income** | | | | | | | | | |
| Items that will not be reclassified to profit or loss | | | | | | | | | |
| Tax relating to items that will not be reclassified | 0 | 0 | 0 | 0 | 100 | 0 | 0 | 100 | 100 |
| Valuation (losses)/gains on fair value through other comprehensive income equity investments | 0 | 0 | 0 | 0 | -499 | 0 | 0 | -499 | -499 |
| Items that may be reclassified subsequently to profit or loss | | | | | | | | | |
| Change in cumulative translation adjustment | 0 | 897 | 5 | 0 | 0 | 0 | -2,760 | -1,857 | -1,857 |
| **Other comprehensive income for the year, net of tax** | **0** | **897** | **5** | **0** | **-400** | **0** | **-2,760** | **-2,257** | **-2,257** |
| **Total comprehensive income** | **8,396** | **18,445** | **-15** | **-3,948** | **594** | **-657** | **-1,752** | **12,667** | **21,063** |
| | | | | | | | | | |
| **Attributable to:** | | | | | | | | | |
| Owners of the parent | 8,396 | 18,445 | -15 | -3,948 | 594 | -657 | -1,752 | 12,667 | 21,063 |
| Non-controlling interests | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

# Consolidated balance sheet 1 January 2021

| | 1st January 2021 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **EUR thousand** | **1.1.2021 local GAAP** | **Business combinations 1.** | **Leases 2.** | **Disposals 3.** | **IFRS 9 4.** | **Share-based payments 5.** | **Other adjustments 6.** | **IFRS transition impact** | **IFRS** |
| **ASSETS** | | | | | | | | | |
| **Non-current assets** | | | | | | | | | |
| Goodwill | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Intangible assets | 53 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 53 |
| Tangible assets | 6,502 | 0 | -1,572 | 0 | 0 | 0 | 0 | -1,572 | 4,930 |
| Right-of-use assets | 0 | 0 | 2,046 | 0 | 0 | 0 | 0 | 2,046 | 2,046 |
| Other non-current receivables and investments | 19 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 19 |
| Deferred tax assets | 0 | 0 | 84 | 0 | 0 | 0 | 0 | 84 | 84 |
| **Total non-current assets** | **6,573** | **0** | **558** | **0** | **0** | **0** | **0** | **558** | **7,131** |
| | | | | | | | | | |
| **Current assets** | | | | | | | | | |
| Inventories | 705 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 705 |
| Trade receivables | 16,980 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 16,980 |
| Contract assets | 8,591 | 0 | 0 | 0 | 0 | 0 | 388 | 388 | 8,979 |
| Other receivables | 471 | 0 | 0 | 0 | 0 | 0 | -388 | -388 | 83 |
| Cash and cash equivalents | 14,925 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 14,925 |
| **Total current assets** | **41,672** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **41,672** |
| **Total assets** | **48,245** | **0** | **558** | **0** | **0** | **0** | **0** | **558** | **48,803** |

# Consolidated balance sheet 1 January 2021

| | 1st January 2021 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| EUR thousand | 1.1.2021 local GAAP | Business combinations 1. | Leases 2. | Disposals 3. | IFRS 9 4. | Share-based payments 5. | Other adjustments 6. | IFRS transition impact | IFRS |
| **EQUITY AND LIABILITIES** | | | | | | | | | |
| **Issued capital and reserves attributable to owners of the parent** | | | | | | | | | |
| Share capital | 16 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 16 |
| Reserve for invested non-restricted equity | 27 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 27 |
| Translation adjustment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Retained earnings | 23,864 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 23,864 |
| **Total equity attributable to owners of the parent** | **23,907** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **23,907** |
| Non-controlling interests | 3,111 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,111 |
| **Total equity** | **27,018** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **27,018** |
| | | | | | | | | | |
| **Liabilities** | | | | | | | | | |
| **Non-current liabilities** | | | | | | | | | |
| Non-current interest-bearing liabilities | 795 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 795 |
| Lease liabilities | 0 | 0 | 1,034 | 0 | 0 | 0 | 0 | 1,034 | 1,034 |
| Deferred tax liabilities | 2,059 | 0 | 84 | 0 | 0 | 0 | 0 | 84 | 2,143 |
| Other non-current liabilities | 1,572 | 0 | -1,572 | 0 | 0 | 0 | 0 | -1,572 | 0 |
| Accrued expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Provisions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total non-current liabilities** | **4,425** | **0** | **-454** | **0** | **0** | **0** | **0** | **-454** | **3,971** |
| | | | | | | | | | |
| **Current liabilities** | | | | | | | | | |
| Current interest-bearing liabilities | 253 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 253 |
| Lease liabilities | 0 | 0 | 944 | 0 | 0 | 0 | 0 | 944 | 944 |
| Contract liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 4,212 | 4,212 | 4,212 |
| Trade and other payables | 16,549 | 0 | 68 | 0 | 0 | 0 | -4,212 | -4,144 | 12,406 |
| **Total current liabilities** | **16,802** | **0** | **1,012** | **0** | **0** | **0** | **0** | **1,012** | **17,814** |
| **Total liabilities** | **21,227** | **0** | **558** | **0** | **0** | **0** | **0** | **558** | **21,785** |
| **Total equity and liabilities** | **48,245** | **0** | **558** | **0** | **0** | **0** | **0** | **558** | **48,803** |

# Consolidated balance sheet 31 December 2021

| | 31st December 2021 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **EUR thousand** | **1.1.2021 local GAAP** | **Business combinations 1.** | **Leases 2.** | **Disposals 3.** | **IFRS 9 4.** | **Share-based payments 5.** | **Other adjustments 6.** | **IFRS transition impact** | **IFRS** |
| **ASSETS** | | | | | | | | | |
| **Non-current assets** | | | | | | | | | |
| Goodwill | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Intagible assets | 39 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 39 |
| Tangible assets | 7,392 | 0 | -677 | 0 | 0 | 0 | 0 | -677 | 6,715 |
| Right-of-use assets | 0 | 0 | 1,528 | 0 | 0 | 0 | 0 | 1,528 | 1,528 |
| Other non-current receivables and investments | 18 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 18 |
| Deferred tax assets | 0 | 0 | 152 | 0 | 0 | 0 | 0 | 152 | 152 |
| **Total non-current assets** | **7,449** | **0** | **1,004** | **0** | **0** | **0** | **0** | **1,004** | **8,453** |
| | | | | | | | | | |
| **Current assets** | | | | | | | | | |
| Inventories | 729 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 729 |
| Trade receivables | 22,014 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 22,014 |
| Contract assets | 12,546 | 0 | 0 | 0 | 0 | 0 | 161 | 161 | 12,707 |
| Other receivables | 598 | 0 | 0 | 0 | 0 | 0 | -161 | -161 | 437 |
| Cash and cash equivalents | 9,369 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9,369 |
| **Total current assets** | **45,256** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **45,256** |
| **Total assets** | **52,705** | **0** | **1,004** | **0** | **0** | **0** | **0** | **1,004** | **53,710** |

# Consolidated balance sheet 31 December 2021

| EUR thousand | 1.1.2021 local GAAP | Business combinations 1. | Leases 2. | Disposals 3. | IFRS 9 4. | Share-based payments 5. | Other adjustments 6. | IFRS transition impact | IFRS |
|---|---|---|---|---|---|---|---|---|---|
| | 31st December 2021 | | | | | | | | |
| **EQUITY AND LIABILITIES** | | | | | | | | | |
| **Issued capital and reserves attributable to owners of the parent** | | | | | | | | | |
| Share capital | 16 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 16 |
| Reserve for invested non-restricted equity | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Translation adjustment | -132 | 0 | 0 | 0 | 0 | 0 | -392 | -392 | -524 |
| Retained earnings | 26,265 | 0 | -2 | 0 | 0 | 0 | 402 | 400 | 26,665 |
| **Total equity attributable to owners of the parent** | **26,148** | **0** | **-2** | **0** | **0** | **0** | **10** | **8** | **26,157** |
| Non-controlling interests | 559 | 0 | 0 | 0 | 0 | 0 | -10 | -10 | 550 |
| **Total equity** | **26,708** | **0** | **-2** | **0** | **0** | **0** | **0** | **-1** | **26,706** |
| | | | | | | | | | |
| **LIABILITIES** | | | | | | | | | |
| **Non-current liabilities** | | | | | | | | | |
| Non-current interest-bearing liabilities | 1,840 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,840 |
| Lease liabilities | 0 | 0 | 895 | 0 | 0 | 0 | 0 | 895 | 895 |
| Deferred tax liabilities | 2,201 | 0 | 152 | 0 | 0 | 0 | 0 | 152 | 2,353 |
| Other non-current liabilities | 693 | 0 | -693 | 0 | 0 | 0 | 0 | -693 | 0 |
| Accrued expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Provisions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total non-current liabilities** | **4,734** | **0** | **355** | **0** | **0** | **0** | **0** | **355** | **5,088** |
| | | | | | | | | | |
| **Current liabilities** | | | | | | | | | |
| Current interest-bearing liabilities | 296 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 296 |
| Lease liabilities | 0 | 0 | 537 | 0 | 0 | 0 | 0 | 537 | 537 |
| Contract liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 3,584 | 3,584 | 3,584 |
| Trade and other payables | 20,968 | 0 | 114 | 0 | 0 | 0 | -3,584 | -3,470 | 17,498 |
| **Total current liabilities** | **21,264** | **0** | **651** | **0** | **0** | **0** | **0** | **651** | **21,915** |
| **Total liabilities** | **25,998** | **0** | **1,006** | **0** | **0** | **0** | **0** | **1,006** | **27,003** |
| **Total equity and liabilities** | **52,705** | **0** | **1,004** | **0** | **0** | **0** | **0** | **1,004** | **53,710** |

# Consolidated balance sheet 31 December 2022

| EUR thousand | 31.12.2022 local GAAP | Business combinations 1. | Leases 2. | Disposals 3. | IFRS 9 4. | Share-based payments 5. | Other adjustments 6. | IFRS transition impact | IFRS |
|---|---|---|---|---|---|---|---|---|---|
| | 31st December 2022 | | | | | | | | |
| **ASSETS** | | | | | | | | | |
| **Non-current assets** | | | | | | | | | |
| Goodwill | 206,544 | -85,363 | 0 | 0 | 0 | 0 | 0 | -85,363 | 121,182 |
| Intangible assets | 31 | 8,744 | 0 | -4,935 | 0 | 0 | 0 | 3,809 | 3,840 |
| Tangible assets | 15,277 | 0 | -935 | 0 | 0 | 0 | 18 | -918 | 14,360 |
| Right-of-use assets | 0 | 0 | 3,377 | 0 | 0 | 0 | 0 | 3,377 | 3,377 |
| Participations in associates and joint ventures | 11,110 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,110 |
| Other non-current receivables and investments | 5,624 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,624 |
| Deferred tax assets | 0 | 0 | 480 | 0 | 0 | 0 | 0 | 480 | 480 |
| **Total non-current assets** | **238,587** | **-76,619** | **2,922** | **-4,935** | **0** | **0** | **18** | **-78,615** | **159,973** |
| | | | | | | | | | |
| **Current assets** | | | | | | | | | |
| Inventories | 2,303 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,303 |
| Trade receivables | 50,618 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 50,618 |
| Contract assets | 22,841 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 22,841 |
| Other receivables | 9,536 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9,536 |
| Cash and cash equivalents | 13,827 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13,827 |
| **Total current assets** | **99,125** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **99,125** |
| **Total assets** | **337,713** | **-76,619** | **2,922** | **-4,935** | **0** | **0** | **18** | **-78,615** | **259,098** |

# Consolidated balance sheet 31 December 2022

| EUR thousand | 31.12.2022 local GAAP | 31st December 2022 Business combinations 1. | Leases 2. | Disposals 3. | IFRS 9 4. | Share-based payments 5. | Other adjustments 6. | IFRS transition impact | IFRS |
|---|---|---|---|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | | | | | |
| **Issued capital and reserves attributable to owners of the parent** | | | | | | | | | |
| Share capital | 80 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 80 |
| Reserve for invested non-restricted equity | 273,235 | -130,860 | 0 | 0 | 0 | 0 | 0 | -130,860 | 142,375 |
| Translation adjustment | -1,503 | 897 | 1 | 0 | 0 | 0 | -1,776 | 898 | -2,382 |
| Retained earnings | -9,065 | 51,590 | -22 | -3,948 | 0 | 0 | 1,790 | 49,140 | 40,345 |
| **Total equity attributable to owners of the parent** | **262,747** | **-78,373** | **-22** | **-3,948** | **0** | **0** | **14** | **-82,328** | **180,418** |
| Non-controlling interests | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total equity** | **262,747** | **-78,373** | **-22** | **-3,948** | **0** | **0** | **14** | **-82,328** | **180,418** |
| | | | | | | | | | |
| **Untaxed reserves** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Provisions** | **83** | **0** | **0** | **0** | **0** | **0** | **-83** | **-83** | **0** |
| | | | | | | | | | |
| **LIABILITIES** | | | | | | | | | |
| **Non-current liabilities** | | | | | | | | | |
| Non-current interest-bearing liabilities | 11,303 | 0 | -935 | 0 | 0 | 0 | 0 | -935 | 10,367 |
| Lease liabilities | 0 | 0 | 2,277 | 0 | 0 | 0 | 0 | 2,277 | 2,277 |
| Deferred tax liabilities | 3,134 | 1,754 | 474 | -987 | 0 | 0 | 4 | 1,245 | 4,379 |
| Accrued expenses | 0 | 0 | 113 | 0 | 0 | 0 | 0 | 113 | 113 |
| Provisions | 0 | 0 | 0 | 0 | 0 | 0 | 83 | 0 | 83 |
| **Total non-current liabilities** | **14,437** | **1,754** | **1,929** | **-987** | **0** | **0** | **86** | **2,782** | **17,219** |
| | | | | | | | | | |
| **Current liabilities** | | | | | | | | | |
| Current interest-bearing liabilities | 7,178 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,178 |
| Lease liabilities | 0 | 0 | 1,014 | 0 | 0 | 0 | 0 | 1,014 | 1,014 |
| Contract liabilities | 4,415 | 0 | 0 | 0 | 0 | 0 | 7,232 | 7,232 | 11,647 |
| Trade and other payables | 48,852 | 0 | 0 | 0 | 0 | 0 | -7,232 | -7,232 | 41,621 |
| **Total current liabilities** | **60,446** | **0** | **1,014** | **0** | **0** | **0** | **0** | **1,014** | **61,460** |
| **Total liabilities** | **74,883** | **1,754** | **2,943** | **-987** | **0** | **0** | **86** | **3,797** | **78,680** |
| **Total equity and liabilities** | **337,713** | **-76,619** | **2,922** | **-4,935** | **0** | **0** | **18** | **-78,615** | **259,098** |

# A summary of the impacts of the adoption of the IFRS on NYAB's consolidated statement of comprehensive income and consolidated balance sheet

## 1. IFRS 3 - Business combinations, goodwill and structure of consolidated financial statements

### 1.1. Treatment of the Skarta-NYAB business combination as a reverse acquisition

The combination of the Skarta-NYAB businesses was completed on 31.3.2022. In the arrangement, the legal acquirer Skarta Group Plc issued new shares to the shareholders of NYAB Sverige AB and received all the shares in NYAB Sverige AB. In NYAB's financial IFRS reporting, the combination of the Skarta-NYAB businesses on 31.3.2022 has been treated as a reverse acquisition by applying the acquisition method in accordance with IFRS 3 *Business Combination*. In the reverse acquisition, NYAB Sverige AB was considered an accounting acquirer and Skarta Group Plc was considered an accounting acquiree. The legal acquirer Skarta Group Plc issued its own shares in order to carry out the share exchange and is thus an acquirer in the FAS consolidated financial statements. The consolidated financial statements in accordance with the Finnish Accounting Act do not identify a reverse acquisition. Further information on reverse acquisition and its accounting treatment is disclosed in Note 5.1.

#### 1.1.1. Companies to be consolidated and disclosure of information for comparison periods

NYAB has published its financial statements in accordance with FAS for the financial year ended in 31.12.2022. Due to the reverse acquisition, in accordance with IFRS 3, NYAB's IFRS consolidated financial statements are prepared as a continuation to NYAB Sverige AB's financial statements, and the information presented for the comparison periods 1.1.2021 and 1.1.-31.12.2021 is NYAB Sverige AB Group's data. The information presented in the financial statements prepared in accordance with FAS for the comparison period 1.1.-31.12.2021 concern companies that were previously part of the legal NYAB Plc (former Skarta Group Plc) Group.

The consolidated financial statements in accordance with FAS include NYAB Sverige AB Group's result for 1.4.-31.12.2022 and balance sheet as of 31.3.2022. In NYAB's IFRS consolidated financial statements, NYAB Sverige AB Group is included in the consolidated financial statements 1.1.-31.12.2022 and NYAB Plc Group (Skarta Group Plc) is consolidated only on 1.4.-31.12.2022.

#### 1.1.2. Fair value of the consideration transferred in the Skarta-NYAB business combination

During the course of the consolidation of the financial statements prepared in accordance with FAS in the Skarta-NYAB business combination, the acquisition cost in the combination of the Skarta-NYAB businesses was EUR 200,000,000, based on the share exchange agreement drawn up on 16.12.2021 and modifications made to it on 21.2.2022. Acquisition related costs 199 thousand euros are included in the FAS acquisition cost.

In the acquisition method in accordance with IFRS 3, the total consideration to be paid for the acquisition of a subsidiary has been determined as the fair value of the transferred assets, assumed liabilities and equity instruments issued by NYAB on the transaction date 31.3.2022. The fair value of the consideration transferred in the reverse acquisition was calculated in accordance with IFRS 3.B20 based on the number of equity interests the legal subsidiary NYAB Sverige AB would have had to issue to give the owners of the legal parent Skarta Group Plc the same percentage equity interest in the combined entity that results from the reverse acquisition. The fair value of the transferred consideration was EUR 139,250,000, which corresponds to 1,114 shares with a value of 125,000 that NYAB Sverige AB would have issued in accordance with the above. The value per share is derived from NYAB Sverige AB's value, which is based on one hand on the value agreed in the share swap agreement and the valuation of the company prepared in March 2022 on the other. This valuation has been prepared externally primarily on the basis of a discounted future cash flow model and on the other hand on the basis of a benchmark analysis. The future cash flows used in the valuation are based on the estimates and forecasts of the company's management and include significant management judgement.

In the arrangement, Skarta Group Plc also paid a cash consideration of EUR 2.5 million. The cash consideration does not increase the fair value of the consideration transferred when the method of acquisition is used, because it is not the consideration paid by the accounting acquirer. The cash consideration is deducted from the net assets of the object of the accounting acquiree.

#### 1.1.3. Effect of reverse acquisition on reserve for invested non-restricted equity and other equity items

*1.1.3. a) Share capital*
The Group's share capital has been converted from the share capital of the accounting acquirer, approximately EUR 14 thousand, to the share capital of the Group's legal parent company, EUR 80 thousand.

*1.1.3. b) Reserve for invested non-restricted equity*
The share issue booked by the legal parent company to acquire shares in NYAB Sverige AB has been cancelled, this cancellation reduces the amount of invested equity reserve EUR 197.5 million. An increase of approximately EUR 139 million has been recorded in the reserve for invested non-restricted equity as a share issue in accordance with the reverse acquisition. In the elimination of internal ownership of reverse acquisitions, approximately EUR 73 million has been deducted from the reserve for invested unrestricted equity at the time of acquisition. As a result of the reverse acquisition, the increase in the Group's fund of invested non-restricted equity is approximately EUR 131 million smaller than in FAS Group.

*1.1.3. c) Retained earnings*
The main impacts related to reverse acquisition are the elimination of internal ownership of the acquiree, an increase effect of approximately EUR 25 million, a reversal of the elimination of internal ownership recognised in FAS Group, an increase effect of approximately EUR 14 million, a reversal of the FAS share issue entry, a reduction effect of approximately EUR 3 million and a different treatment of the financial years of companies to be consolidated compared to FAS Group, a decrease effect of approximately EUR 2 million. These sum up to an increase of approximately EUR 34 million.

## 1.2. Goodwill

The balance sheets presented for the comparative periods in NYAB Corporation's IFRS financial statements do not include goodwill because they are presented as a continuation of NYAB Sverige AB. The financial statements of NYAB Sverige AB Group do not include goodwill as of 1.1.2021 or 31.12.2021, as all subsidiaries of the Group are self-established.

**1.2.1. Combination of Skarta-NYAB businesses**
Goodwill was created in the NYAB Group for the first time in the combination of the Skarta-NYAB businesses on 31.3.2022. In the consolidated financial statements according to FAS, goodwill has been determined based on the net assets of the legal acquiree NYAB Sverige AB Group and the transferred consideration. IFRS consolidated financial statements determine goodwill in the financial statements of NYAB Plc (previously Skarta Group Plc) based on net assets at the date of acquisition and the transferred consideration. The acquired net assets were adjusted in two ways, a) the net assets of the acquiree were adjusted to correspond to NYAB's IFRS accounting principles, and b) net assets were adjusted for fair value allocations.

*1.2.1. a) Accounting principle adjustments in the Skarta-NYAB businesses combination*
The net assets of accounting acquiree NYAB Plc (Skarta Group Plc), were adjusted to correspond to NYAB's IFRS accounting principles, the adjustments reduced the net assets acquired by a total of EUR 994 thousand. The adjustment of net assets consists of the following items:

- The declining balance method of depreciation was adjusted to correspond to the straight-line depreciation applied by NYAB. The adjustment increased the balance sheet item machinery and equipment by a total of EUR 105 thousand and reduced goodwill by the whole amount.

- Inventories was adjusted by a reduction of EUR 1.0 million, which had been taken into account as an expense in the project calculation based on the degree of completion, but the corresponding expense entry was not recognised. The adjustment reduced net assets and inventories by their full amount and increased goodwill accordingly.

- The tax effect of the adjusted accounting principles decreased the net assets acquired by EUR 49 thousand and increased goodwill accordingly.

*1.2.1. b) Fair value adjustments in the of Skarta-NYAB business combination*
To the net assets of the accounting acquiree NYAB Plc, a fair value adjustment was recorded, and it increased the net assets acquired by a total of EUR 9.1 million. Fair value adjustments decreased goodwill by the corresponding amount. The fair value adjustments recognised were:

- The fair value allocation of the order backlog was EUR 3.0 million, the depreciation period of the order backlog was set at 2 years and a total of EUR 1.1 million of depreciation was recognised in the income statement for the reporting period 1.1.-31.12.2022.

- The fair value allocation of non-competition agreements was EUR 1.9 million, the depreciation period of non-competition agreements was set at 5 years, and a total of EUR 284 thousand of depreciation was recorded in the income statement for the reporting period 1.1.-31.12.2022.

- The fair value allocation of the R&D project portfolio was EUR 4.9 million, the depreciation of the R&D project portfolio had not been started.

- The fair value allocation of the investment portfolio was EUR -743 thousand, the investment portfolio is measured at fair value and no depreciation is recognised.

Fair value allocations increased net assets and decreased goodwill from its total amount. The fair value of the investment portfolio acquired in connection with the acquisition was EUR 743 thousand lower on the date of acquistion, resulting in an impairment loss of EUR 743 thousand. The tax effect of fair value allocations totaled EUR 1.8 million and it increased goodwill by the corresponding amount. Deferred taxes arising from the combination of Skarta-NYAB businesses have been recorded at the corporate tax rate in force in Finland at 20.0. In order to complete the acquisition, a share issue was carried out. Transaction costs of EUR 199 thousand related to the issuance of new shares and the acquisition are recognised as goodwill in the FAS financial statements. In IFRS financial statements, transaction costs were deducted from the net assets of the acquiree, since they are not expenses paid by the accounting acquirer.

**1.2.2. Acquisition of Power Forze AB:**
Net assets acquired were adjusted in two ways, a) the net assets of the acquiree were adjusted to correspond to NYAB's IFRS accounting principles, and b) net assets were adjusted for fair value allocations.

*1.2.2. a) Accounting principle adjustments in the acquisition of Power Forze AB*
Power Forze AB's net assets acquired in the share exchange were adjusted to correspond to NYAB's IFRS accounting principles, the adjustments increased the acquired net assets by a total of EUR 82 thousand. The adjustment of net assets consists of the following items:

- The depreciation difference in accordance with FAS was written off debts. This increased net assets by EUR 103 thousand and decreased goodwill by the corresponding amount.

- The tax effect of the depreciation difference generated a deferred tax liability of EUR 21 thousand, which reduced net assets and increased goodwill by the corresponding amount.

*1.2.2. b) Fair value adjustments in the acquisition of Power Forze AB*
Fair value adjustments were recognised in the net assets of the acquiree, and they increased the net assets acquired by a total of EUR 390 thousand. The fair value adjustments recognised were:

- The fair value allocation of the order backlog was EUR 390 thousand, the depreciation period of the order backlog was determined to be 2.5 years and a total of EUR 56 thousand was depreciated in the income statement for the reporting period 1.1.-31.12.2022.

Fair value allocations increased net assets and decreased goodwill from its total amount. The tax effect of fair value allocations totaled EUR 80 thousand and it increased goodwill by the corresponding amount. The deferred taxes generated by the acquisition of Power Forze AB have been recorded at the corporate tax rate in force in Finland at 20.0. Transaction costs of EUR 199 thousand related to the acquisition are recognised as part of goodwill in the FAS financial statements. In IFRS financial statements, transaction costs of EUR 27 thousand were recognised as other operating expenses in the income statement for 1.1.-31.12.2022.

### 1.3. Reversal of amortization of goodwill

Goodwill is not amortized under the IFRS, but goodwill is tested for impairment on an annual basis and whenever there are indications that the value may be impaired.

| EUR thousand | Note | 31.12.2022 | 31.12.2021 | 1.1.2021 |
|---|---|---|---|---|
| Goodwill (FAS) | | 206,544 | 0 | 0 |
| Reverse acquisition impact: | 1.1. | | | |
| Fair value adjustment of the consideration: | 1.1.2. | -60,835 | 0 | 0 |
| Impact of change in accounting acquiree on net assets: | 1.1.2. | 346 | | |
| Reversal of Goodwill amortizations: | 1.1.4. | 17,178 | 0 | 0 |
| Accounting principle adjustments to the acquiree: | 1.2.1. a) | 912 | 0 | 0 |
| Fair value allocations: | 1.2.1. b) | -9,489 | 0 | 0 |
| The acquiree's initial goodwill: | | -35,350 | 0 | 0 |
| Deferred taxes related to fair value allocations: | 1.2.1. b) | 1,900 | 0 | 0 |
| Tax impact of accounting principle adjustments: | 1.2.1. a) | 71 | | |
| Treatment of transaction costs | | 27 | 0 | 0 |
| Translation adjustment | | -123 | | |
| **Goodwill (IFRS):** | | **121,182** | **0** | **0** |

No FAS goodwill in reporting periods ended December 31, 2021 and January 1, 2021.

In NYAB's consolidated financial statements prepared in accordance with FAS, EUR 17.2 million of goodwill amortization has been recognised in the income statement for 1.1.-31.12.2022, which has been cancelled as an IFRS adjustment in the IFRS income statement 1.1.-31.12.2022. The income statement for the comparison periods does not include amortization of goodwill in the consolidated financial statements according to FAS.

## 2. IFRS16 - Leases

In the FAS financial statements, NYAB has recognised expenses relating to leases in other operating expenses in equal amounts during the lease term. The leased assets have been disclosed in the notes as off-balance sheet items. In the IFRS financial statement, NYAB must recognise, following the principles of IFRS 16, a right-of-use asset and a lease liability for each lease. Due to the exemptions given in IFRS 16 these items do not need to be recognised for short-term leases and low-value leases. In the income statement depreciations on right-of-use assets and interest expenses on lease liabilities are recognised.

In connection with the IFRS transition, NYAB has applied the relief allowed by IFRS 1 to value lease liability and right-of-use assets on the transition date. The right-of-use asset and the corresponding lease liability are recognised at the discounted value of future lease payments. Lease liabilities have been calculated by discounting outstanding lease payments to net present value. The incremental borrowing rate has been used in discounting on 1.1.2021. Right-of-use assets have been calculated to be the sum of lease liabilities adjusted for advance lease payments or accrued lease payments, the underlying items of which were recognised on the balance sheet immediately before 1 January 2021.

In the opening 1.1.2021 balance sheet IFRS adjustments include an addition of EUR 2,046 thousand in right-of-use assets. Similarly an addition of EUR 1,034 thousand was recognised in non-current lease liabilities and an addition of EUR 944 thousand in current lease liabilities.

In the 31.12.2021 balance sheet an addition of EUR 1 528 thousand was recognised in right-of-use assets. In addition, EUR 895 thousand was added to non-current lease liabilities and EUR 537 thousand was added to current lease liabilities. In the 31.12.2022 balance sheet the IFRS adjustments amounted to an addition of EUR 3,377 thousand in right-of-use assets as well as EUR 2,277 thousand in non-current lease liabilities and EUR 1,014 thousand in current lease liabilities.

Due to IFRS adjustments in the 1.1.-31.12.2021 income statement, depreciations increased by EUR 159 thousand and finance expenses increased by EUR 17 thousand, in addition other operating expenses decreased by EUR 174 thousand. Following the same principle, in the 1.1.-31.12.2022 income statement, depreciations increased by EUR 412 thousand, finance expenses increased by EUR 65 thousand and other operating expenses decreased by EUR 452 thousand.

When recognising leases a change was also made in presentation. In the financial statements of NYAB Sverige AB -companies, which were created following local GAAP, right-of-use assets are presented as a part of tangible assets and lease liabilities as a part of other non-current liabilities. In the NYAB's financial statements that follow IFRS, right-of-use assets and lease liabilities are presented as their own balance sheet items.

In the 1.1.2021 balance sheet a batch of EUR 1,572 thousand was transferred out of both tangible assets and other non-current liabilities, the whole sum from tangible assets went to right-of-use assets while EUR 708 thousand of the liability went to non-current lease liabilities and the remaining EUR 864 thousand into current lease liabilities.

In the 31.12.2021 balance sheet EUR 677 thousand was transferred from tangible assets and into right-of-use assets, while EUR 693 thousand was transferred out of other non-current liabilities, of which EUR 312 thousand went into non-current lease liabilities and EUR 381 thousand into current lease liabilities. Finally in the 31.12.2022 balance sheet EUR 935 thousand was transferred out of tangible assets and into right-of-use assets. EUR 935 thousand was also transferred out of interest-bearing liabilities, of which EUR 415 thousand went into non-current lease liabilities and EUR 521 thousand went into current lease liabilities.

## 3. Disposals

Skarta Finland Oy has sold all of its shares in Skarta Energy Oy on 23 December 2022. The income statement of the subsidiary has still been consolidated in the Group for the whole financial year 2022. As a result of the sale ownership in Skarta Energy changed from subsidiary into an investment in associated company.

As IFRS adjustment on the 1.1.-31.12.2022 income statement the profit generated by the sale has been adjusted by reducing other operating income by EUR 4,022 thousand and also income tax expenses decreased by EUR 987 thousand, in addition from changes in untaxed reserves the whole EUR 913 thousand was removed.

In the 31.12.2022 balance sheet, intangible assets decreased by EUR 4,935 thousand due to expensing of fair value adjustment on R&D project. Following IFRS principles the gains arising from the sale were lower, which is why EUR 3,948 thousand was removed from profit for the period and EUR 987 thousand was removed from deferred tax liabilities.

## 4. IFRS 9 - Measurement of investment portfolio

As part of the Skarta-NYAB business combination, NYAB Group acquired an investment portfolio consisting of unlisted shares. In accordance with IFRS 9, these investments are measured at fair value. NYAB Group has made an irrevocable choice as permitted by IFRS 9 and discloses changes in the fair value of these equity investments through other comprehensive income instead of profit or loss.

These investments were measured at cost in FAS. The investment portfolio was measured at fair value in the IFRS acquisition calculation on 31.3.2023 and was subject to an impairment charge of EUR 742 thousand. FAS financial statements do not include impairment charges as of 31.3.2022. On the reporting date 31.12.2022, NYAB has recognised impairment of the investment portfolio in the FAS financial statements totalling EUR 1,242 thousand. The acquisition cost, net of impairment charges in the FAS financial statements, is fair value IFRS financial statements and the investment portfolio is therefore measured at fair value at the reporting date 31.12.2022.

As an IFRS adjustment an impairment loss of EUR 499 thousand, which was recognised in the FAS financial statements for the period 1.4.2022-31.12.2022, was transferred to be presented as a change in fair value through other comprehensive income. Similarly, the deferred tax effect related to a change in fair value is presented in IFRS under other comprehensive income.

## 5. IFRS 2 - Share-based payments

In June 2022 the Group launched share-based incentive plans for its key employees. The plans are accounted for as equity-settled plans under IFRS 2. The awards granted are measured at fair value at grant date and recognized as an employee benefit expense during the vesting period with a corresponding entry in equity. At each reporting date, the number of shares that are expected to vest from the Group's share-based incentive plans is revised. As part of this evaluation, the changes in the forecasted performance of the Group, the expected turnover of the personnel participating in the plans and other information impacting the number of shares to vest, is taken into consideration.

Any adjustments to the initial estimates is recognized in profit or loss and a corresponding adjustment is made to equity. Under previous GAAP NYAB did not recognise share-based payments as an expense. In 2022 income statement EUR -657 thousand was added to employee benefit expenses.

## 6. Changes in the presentation and other adjustments

### 1. Changes in the presentation:

*1.1.* In the 1.1.-31.12.2021 comprehensive income statement EUR 45 thousand of rental income was reclassified from revenue into other operating income.

*1.2.* In the FAS financial statement non-controlling interests are presented as their own line item before profit for the period. According to IFRS requirements the portion of profit for the non-controlling owners is presented as a part of the profit for the period. After the profit it is then presented separately how the profit is divided between owners of the parent company and the non-controlling owners. In NYAB's case this reclassification is done by transferring EUR 420 thousand non-controlling owner's part out of the 1.1.-31.12.2021 income statement.

*1.3* Advances received from customers has been transferred from trade payables to be presented separately. In 1.1.2021 balance sheet the amount transferred was EUR 4,212 thousand, in the 31.12.2021 balance sheet EUR 3,584 thousand was transferred and in the 31.12.2022 balance sheet EUR 7,232 thousand was transferred.

*1.4* In 1.1.2021 balance sheet EUR 388 thousand and in the 31.12.2021 EUR 161 thousand was transferred from other accrued receivables to contract assets.

## 2. Revenue recognition:

Related to IFRS 15 in the 1.1.-31.12. comprehensive income statement material and services decreased by EUR 1,049 thousand and income taxes decreased by EUR 29 thousand. "An item of EUR 1.1 million was adjusted from inventories, which had been taken into account as an expense in the project calculation according to the degree of completion, but the corresponding expense entry was not recognised. The adjustment reduced net assets and inventories by their full amount".

## 3. Depreciation method:

NYAB has applied reducing balance depreciation method for property, plant and equipment in the FAS financial statements. IFRS standards required the usage of straight-line depreciation method. Due to this change NYAB recognised in the 31.12.2022 balance sheet an addition of EUR 18 thousand in tangible assets. In the 1.1.-31.12.2022 income statement depreciation increased by EUR 87 thousand and income taxed decreased by EUR 17 thousand.

## 4. Translation adjustments:

In the FAS financial statements the comprehensive income statement items required by IFRS are not presented. Group's exchange differences are presented in comprehensive income statement's items that may be reclassified to profit or loss. Due to this reclassification, in 1.1.-31.12.2021 comprehensive income statement a EUR -524 thousand translation adjustment was recognised in items that may be reclassified to profit or loss. Following the same principle, a translation adjustment of EUR -2,758 thousand was recognised in the 1.1.-31.12.2022 income statement.

# Notes to the consolidated financial statements (IFRS)

## 3. Result from business operations

### 3.1 Revenue and reportable segments

**Segment information**
The CEO of the Group (the parent company's CEO) together with the Board of Directors are the most senior chief operating decision maker (CODM). CODM is responsible for allocating resources and assessing the Group's performance. The CODM mainly uses revenue and operating profit to assess the Group's financial performance, both of which are regularly monitored by the CEO and BoD only at the group level. CODM is assisted in operational decision making by a centralised Group Executive Management Team.

NYAB has one operating segment. CODM assesses its performance as a whole. The operating segment includes the group's entire business and corresponds to NYAB's only reportable segment, so segment information is presented as information for the entire NYAB Group.

NYAB has one reportable segment as there is one operating segment. The segment consists of all NYAB's business. NYAB's business consists of various infrastructure, energy and industrial projects and other services supporting these projects, such as maintenance and engineering. No project type or other services are monitored separately from construction projects. The risks and timing of cash flows are similar in all NYAB Group's projects and other services.

A significant part of NYAB's turnover comes from customers within the scope of public administration (70%), such as the state, municipalities and cities, as well as transport agencies in Finland and Sweden. In 2021-2022, NYAB has had one customer (Swedish Transport Administration, Trafikverket), which in certain periods has accounted for more than 10% of the Group's total group revenue.

The basis for decision making in the assessment of financial performance and the allocation of resources is revenue and operating profit in accordance with IFRS financial statements.

**Revenue**

#### Accounting policy

The Group applies the five-step revenue recognition model included in IFRS 15 to recognise revenue. IFRS 15 aims to provide users of financial statements with information about the risks, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The recognition of revenue under IFRS 15 is based on a transfer of control. Revenue is recognised when the performance obligation is fulfilled by transferring control over the promised good or service to the customer. The transfer of control may take place at a single point in time or over time. Revenue is recognised at the amount to which the company expects to be entitled against the transfer of the performance obligations.

**Types of contracts and performance obligations**
NYAB's net sales consist mainly of large infrastructure, energy and industrial construction projects. In addition to construction projects, NYAB's revenue includes other services, such as engineering and maintenance services. The most common type of customer contract related to construction projects is the all-in contract. Maintenance services usually involve a framework agreement, within which individual services are performed based on a separate work order.

*Projects*
NYAB's projects usually involve the delivery of one entirety to the customer, and construction projects thus constitute a single performance obligation. If additional work or modifications are agreed upon during the contract, they will be processed as part of the current customer contract and the existing performance obligation.

*Maintenance and other services*
Maintenance services are usually provided from a different order based on the framework agreement. Each order placed on the basis of a framework agreement is a separate performance obligation.

**Payments and timing of cash flows**
NYAB mainly does project business and there may be significant projects in progress on the reporting date. A large part of NYAB's project business concerns infrastructure, energy and industrial construction, which is why the operations are partly seasonal and construction projects are most frequent during favorable weather conditions.

For long-term projects, customer contracts include payment installment tables, which are typically based on work progress. In NYAB's projects, there is no significant difference in time between the assignment of the work and the payment received from the customer, and NYAB's customer contracts do not include financial components as typical payment terms are 30 days.

**Fulfillment of performance obligations**
The performance obligation is fulfilled when control of a good or service is transferred to the customer. In projects, control is considered to be transferred to the customer over time, as the customer has control over the asset to which the construction services are directed at. In the case of maintenance services and other services, control is deemed to be transferred to the customer over time, as the customer retains control over the asset to which the services relate, or because the customer simultaneously receives and consumes the benefits of the service when NYAB provides the service. NYAB would have no alternative use for the assets and NYAB has an enforceable right to receive payment for the work performed up till the time of review, including reasonable margins.

**Determination of the transaction price**
If the contract includes more than one performance obligation, NYAB allocates the transaction price to the performance obligations based on separate selling prices. Mainly, NYAB's customer contracts contain one performance obligation, while framework agreements contain a series of separate performance obligations based on an order.

When determining the transaction price, NYAB takes into account variable parts, such as fines and additional fees. The transaction price is updated as estimates change. All additional work and modifications agreed during the construction project will be included in the estimate of the transaction price. NYAB takes variable considerations into account in the transaction price to the extent that it is highly likely that no significant cancellation entries will have to be made to the recognized revenue when the uncertainty is resolved.

**Recognition of revenue**
The Group generally uses an input-based method to determine the degree of satisfaction of performance obligations. Progress is measured in relation to the estimated total costs and revenue is recognized based on this degree of readiness. The determination of the degree of satisfaction requires the discretion of the management. Materials that are not installed at the reporting date are considered to still be under the control of NYAB and are not considered a part of the accumulated costs under the input method.

If, on the reporting date, the invoicing of an individual customer contract is less than the revenue recognised on the basis of the performance obligation's degree of satisfaction, this difference is presented as an asset under trade receivables and other receivables on the balance sheet, based on the customer contract. If, on the reporting date, the invoicing of the customer contract is greater than the revenue recognised on the basis of the performance obligation's degree of satisfaction, this difference is presented as a liability in the short-term liabilities of the balance sheet under advances received, based on the customer contract.

If, based on the management's estimate, it is probable that the total costs required to complete the customer contract will exceed the total revenue from the customer contract, the expected loss is recognised as an expense immediately.

**Obligations arising from customer contracts**
NYAB does not have any unusual or non-standard warranty terms in customer contracts. The length of the warranties is typically 2-5 years in accordance with the general terms and conditions of the construction industry. According to the management's estimate, warranty expenses per reporting period are approximately EUR 80-175 thousand for the entire Group. The estimate of the warranty provision is based on historical information on the realisation of warranty costs and is monitored per reporting period. Individual contracts result in higher warranty costs and the warranty provision is recognised separately if necessary. Obligations arising from customer contracts are calculated and recognised in accordance with IAS 37. For more information, see Appendices 4.6.

## Key estimates and judgments

When revenue is recognized over time, the result of the customer contract and the recognition of revenue are based on estimates. NYAB's management conducts the assessment continuously during the project, and if the estimates of the result of the customer contract change, the recognition of revenue is updated during the month in which the change became known to the management. In the recognition of revenue from sales, NYAB's management makes discretionary decisions related to, in particular, the identification of performance obligations and the determination of the degree of satisfaction of the performance obligation, as well as the transaction price.

*Identification of performance obligations and measuring progress towards complete satisfaction*
The determining of performance obligations depends on their identification, and how NYAB's management, among other things, assesses the connection between the different components, services and work phases in the contract and whether the customer could benefit from each of them separately. Management also considers, for example, the treatment of options included in customer contracts, in particular whether they are treated as a separate performance obligation or as part of the original contract and performance obligation. NYAB's management assesses the recognition of options on a case-by-case basis.

In addition to identifying performance obligations, the recognition of revenue requires management assessment to determine the degree of satisfaction of the performance obligation, especially when input methods are used to recognise revenue. To determine the degree of satisfaction on the reporting date, the management of NYAB makes an estimate of the development of the total costs necessary to fulfil the performance obligation. Cost estimates require that the result of the project is assessed, and the actual future result may differ from the estimate. This may be due to various reasons, such as, the cost of additional work and materials, an increase in prices, as well as delays and changes in the cost of available resources. Risks characteristic of construction projects are related to, among other things, the pricing of labor and agreed upon cost and efficiency estimates. In addition, construction projects involve risks outside the control of NYAB, such as risks associated with the authorities, the client or other conditions.

The updating of the estimates and the monitoring of the recognition of past estimates related to the recognition of revenue from customer contracts is carried out regularly and reliably based on the experience of NYAB's management.

*Transaction price and variable consideration*
NYAB's management estimates the amount of consideration to be received from the customer contract in order to recognise revenue. Contracts related to NYAB's construction projects often include variable considerations, such as various penalties for late payments and additional fees, which are determined on a contract-by-contract basis. NYAB recognises revenue only at the amount and at the moment when it is highly probable that significant cancellations of the recognised revenue will not have to be made. In determining variable considerations, NYAB's management draws on previous evidence and empirical knowledge. The estimated revenue from the customer contract and the associated costs are updated on a contract-by-contract basis at the end of each reporting period.

## Revenue by Region

| EUR thousand | 2022 | 2021 |
|---|---|---|
| Finland | 51,604 | - |
| Sweden | 201,714 | 131,713 |
| **Total** | **253,318** | **131,713** |

## Revenue by customer group

| EUR thousand | 2022 | 2021 |
|---|---|---|
| Public sector (municipalities and government) | 177,322 | 92,199 |
| Private sector | 75,995 | 39,514 |
| **Total** | **253,318** | **131,713** |

NYAB has one customer (Trafikverket), which accounted for more than 10% of the Group's total revenue during the reporting period 1.1.-31.12.2022 (EUR 84,414,183.46) and the reporting period 1.1.-31.12.2021 (EUR 74,758,137.22).

## Transaction price allocated to the remaining performance obligations*

| EUR thousand | 31.12.2022 | 31.12.2021 | 1.1.2021 |
|---|---|---|---|
| Unrecognised transaction price | 239,682 | 162,922 | 105,297 |
| To be recognised as income the following year | 178,595 | 100,973 | 84,815 |
| To be recognised later | 61,087 | 61,949 | 20,482 |

*The transaction price allocated to the remaining performance obligations of the contract book can also be described by the term backlog.

## Revenue by contract balances

| EUR thousand | 31.12.2022 | 31.12.2021 | 1.1.2021 |
|---|---|---|---|
| Trade receivables | 50,618 | 22,014 | 18,086 |
| Contract assets | 22,841 | 12,707 | 8,979 |
| Contract liabilities | 11,647 | 3,584 | 4,212 |

The significant increase in contract assets is mainly due to the merging of businesses and partly due to business growth. During the fiscal year, no impairments have been recognised for contract assets. More information on credit losses on trade receivables is presented in notes 4.3. and 6.4.2.

During the reporting period, 3,584 thousand euros have been recognised as income from contract liabilities (advances received) (2021: 4,212 thousand euros).

## 3.2 Other operating income

### Accounting policy

Other Operating income includes income other than the actual sale, such as capital gains, insurance claims, rental income and public grants. Public grants that have been received as compensation for incurred expenses are recognized as income in the same period as the expenses are recorded as expenses. Public subsidies for tangible assets are recorded as a reduction of the acquisition costs of tangible assets.

| EUR thousand | 2022 | 2021 |
|---|---|---|
| Rental income | 113 | 45 |
| Received subsidies | 74 | 0 |
| Business and fixed asset disposals | 14,719 | 19 |
| Other income | 1,113 | 167 |
| **Total** | **16,019** | **231** |

During the financial year, the Group sold its holding in Skarta Energy Oy. The impact of the sale on profit or loss for the financial period 1.1.-31.12.2022 totals EUR 15.7 million, of which the capital gain from the sale is EUR 14.7 million and the tax effect approximately EUR 1 million. For more information, see Appendices 8.2. and 8.3.

## 3.3 Material and services

### Accounting policy

Cost of sales include purchases of materials, supplies and goods, change in inventories and external services in the financial period. The costs are directly related to the group's actual construction services.

| EUR thousand | 2022 | 2021 |
|---|---|---|
| **Materials and services** | | |
| Purchases during the financial year | (165,683) | (60,405) |
| Increase (-)/decrease (+) in inventories | (605) | 24 |
| External Services | (37,325) | (38,792) |
| **Total** | **(203,612)** | **(99,173)** |

## 3.4. Personnel

### 3.4.1. Employee benefits

#### Accounting policy

**Current employee benefit expenses**
Short-term employee benefits, such as salaries, remuneration, fringe benefits, annual holidays and bonuses are recorded for the period during which the work in question was performed. Bonuses are mainly project bonuses and part of project bookkeeping.

The payments made are recognised as personnel expenses once they fall due for payment. Advance payments are recognised as assets on the balance sheet to such an extent as they are recoverable in the form of refunds or deductions from future payments. Performance-based bonuses are recognised as an expense when the Group is obliged to pay the items and their amount can be reliably estimated.

**Pension commitments**
Pension plans are classified as defined benefit or defined contribution plans. In defined contribution plans, the Group makes contributions to pension insurance companies. The Group has no other payment obligations beside these contributions. Payments to defined contribution plans are recognised in the income statement as an expense for the period to which the payments relate. All plans that do not fulfil these criteria are considered defined benefit pension plans.

**Bonuses**
The Group recognises a liability and an expense for bonuses calculated according to a formula based on the Group's results and other qualitative key ratios. The Group has project bonus system, in which employees working in project management are rewarded for the good financial success of the project. On basis of previous practice, such a liability is recognised when there is a legal or informal commitment.

**Defined benefit and defined contribution plans**
The Group has both defined benefit and defined contribution pension plans. The only pension plan that is classified as a defined benefit plan is ITP 2, which is partly used by NYAB in Sweden, and it covers several employers. In ITP 2 plan the participating employers do not have enough information to account the plan as defined benefit plan, and instead it is accounted for as if it was a defined contribution plan. All of the earned benefits of the plan are registered with the final employer. As such, for accounting purposes the Group only has defined contribution plans.

ITP 2 benefit plans are managed by Alecta. As all benefits are registered with the final employer, Alecta lacks the possibility of establishing an exact distribution of assets and provisions to the respective employers. Losses on pension benefits incurred with other employers are, on the first hand, covered by Alecta's collective consolidation capital, and, therefore, do not result in increased costs through increased contractual premiums. However, there is no all adopted framework for the manner in which a loss is to be handled.
The monthly premium is calculated per insured and type of benefit on the basis of Alecta's assumptions regarding interest rates, life expectancy, operating costs and yield tax. Calculations are done in order that the payment of a consistent amount of premium up to retirement is sufficient to ensure that the entire, targeted benefit, based on the insured's current pensionable salary, is, in fact, earned. The collective funding ratio measures distributable assets in relation to insurance commitments. According to Alecta's consolidation policy for defined benefit insurance, the collective funding ratio is usually allowed to vary between 125 and 175 percent. If the ratio is below or over these thresholds, measures are taken to return the level to the normal range. If the ratio is high, one mesasure is that premium reductions may be introduced. If the ratio is low, one measure is that the agreed price for new and existing benefits may be increased. Alecta's surplus in the form of their collective funding ratio at year-end 2022 was 172 percent. As of 31.12.2022 NYAB Sverige AB's share of total savings premiums in ITP 2 in Alecta is 0.00095% and its number of active insured in ITP 2 is 0.00104%. As of 31.12.2022 NYAB Infrastruktur AB's share of total savings premiums in ITP 2 in Alecta is 0.00404% and its number of active insured in ITP 2 is 0.00340%.

Tables below show the average number of employees and the benefits granted to them. Employee benefits paid to the CEO and other management team members are presented in note 8.3

## Employee benefit expenses

| EUR thousand | 2022 | 2021 |
|---|---|---|
| Salaries and other remuneration | (16,696) | (8,546) |
| Pension expenses (defined contribution pension plans) | (2,295) | (905) |
| Social security contributions | (3,652) | (2,873) |
| Other personnel expenses | (3,465) | (460) |
| Equity-settled share-based incentive plans | (657) | - |
| **Total** | **(26,764)** | **(12,785)** |

### 3.4.2. Number of personnel

## Average number of employees

| | 2022 | 2021 |
|---|---|---|
| Average number of personnel (full-time) | 309 | 164 |
| Number of personnel at the end of the period | 383 | 149 |

### 3.4.3. Share based payments

### 3.4.3.1. Accounting policy

The Group has share-based incentive plans for its key employees. Share-based payments to be settled in shares are recognised in equity and the payments to be settled in cash are recognised as a liability. Such cash-settled share-based payments for which the employer shall deduct, on behalf of the employee, from the share award such number of shares which covers taxes and tax-like charges paid in cash, are classified in their entirety as equity-settled share-based payments and thus, are recognised in equity. NYAB Group's share-based payment arrangements are equity settled. The plans are valued at fair value based on the market price of NYAB shares at the grant date and recognized as an employee benefit expense during the vesting period with a corresponding entry in equity. At each reporting date, the number of shares that are expected to vest from the Group's share-based incentive plans is revised. As part of this evaluation, the changes in the forecasted performance of the Group, the expected turnover of the personnel participating in the plans and other information impacting the number of shares to vest, is taken into consideration. Any adjustments to the initial estimates are recognized in profit or loss and a corresponding adjustment is made to equity.

*3.4.3.2. Share-based incentive plans of the Group*

**Share issue without payment directed to the personnel**
In June 2022, the Board decided to arrange a directed share issue without payment, in which 50 new NYAB shares were offered to each employee of the Group. The shares issued are treated as an equity-settled share plan. The withhold tax paid on behalf of the recipients is treated as cash-settled component. For the arrangement a total of 9,950 shares were subscribed for, which were registered with the Finnish Trade Register in July 2022. A total expense EUR 12 thousand was recognized for 2022 based on the grant date share price (0.81 EUR) and including a cash-settled part of EUR 4 thousand which covers withholding tax.

**Performance share plan for 2022-2024**
In June 2022 the Board decided to launch the Performance Share Plan. The Performance Share Plan 2022–2024 consists of two performance periods, covering the financial years of 2022–2023 and 2023–2024 respectively.

In the plan, the target group is given an opportunity to earn NYAB shares based on performance. The Board of Directors decides on the plan's performance criteria and targets to be set for each criterion at the beginning of a performance period. The potential rewards based on the plan will be paid after the end of each performance period at the end of May 2024 and 2025 respectively. The prerequisite for reward payment is that a Participant´s employment contract is in force on the reward payment date. Performance Share Plan is treated as an equity-settled plan. Share-based expense for the awards is based on the fair value of the shares on the grant date and reflects the estimated probability that the performance and service conditions will be met during the vesting period. As the shares are to be given for free and there are no non-market performance conditions, they awards are valued based on the share price as at the day of grant. The share price is adjusted by the expected dividend as the awards are not entitled to dividends before the vesting. The share-based expense is adjusted in future periods for changes in the expected outcome of the performance related conditions until the vesting date. Performance Share awards for the performance period 2022-2023 were granted in July 2022 and a total expense EUR 657 thousand was recognized for 2022.

**Project bonus share plan for 2022**
In June 2022 the Board decided to launch the Project Bonus Share Plan. The Participants in the plan have possibility to choose that a portion of their future project bonuses will be paid in NYAB shares. The gross bonus is based on the terms and performance conditions set for the specific projects. After the end of a performance period, the agreed convertible proportion of the gross project bonus before the deduction of any applicable taxes will be converted into Shares. The share price to be applied in the conversion is based on the average share price of the month preceding the confirmation of the project bonus. No Project Bonus Share Plan awards were granted during 2022 and no expense was recognized for the plan.

## Share-based payments included in employee benefit expenses

| EUR thousand | 2022 | 2021 |
|---|---|---|
| Equity-settled share-based incentive plans | (657) | - |
| Social costs and taxes settled in cash | (4) | - |
| **Total** | **(661)** | **-** |

## Key assumptions made in determining the fair value of share-based incentive plans

| Performance Share Plan | 2022 | 2021 |
|---|---|---|
| Share price at grant (EUR) | 0.80 | - |
| Share price at the end of the period (EUR) | 0.87 | - |
| Risk-free rate % | 1.046 | - |
| Expected dividend % | 2.0 | - |
| Expected vesting period (years) | 1.9 | - |

## Share-based incentives 1 January 2022-31 December 2022

| Plan | Share issue without payment to the personnel | Performance share plan 2022-2024 |
|---|---|---|
| Type | share | share |
| **Instrument** | | **PSP 2022-2024** |
| Initial amount, pcs | 9,950 | 5,905,191 |
| Initial allocation date | 30. June 2022 | 4. July 2022 |
| Vesting date | 30. June 2022 | 31 May 2024 |
| Maximum contractual life, years | - | 2 |
| Remaining contractual life, years | - | 1 |
| Number of persons at the end of the financial year | - | 230 |
| Payment method | Equity | Equity |
| **Transactions during the financial year** | | **PSP 2022-2024** |
| Outstanding at the beginning of the period | - | - |
| | | |
| *Changes during the financial year* | | |
| Granted during the period | 9,950 | 5,905,191 |
| Forfeited during the period | | (708,309) |
| Exercised during the period | (9,950) | - |
| Expired during the period | - | - |
| | | |
| Outstanding at the end of the period | - | 5,196,882 |

No liabilities are recognised arising from share-based payments 31.12.2022 and 31.12.2021. See note 8.3 for information on the remuneration of the key management.

## 3.5. Other operating expenses

### Accounting policy

Other operating expenses include expenses that are not related to NYAB's actual operating activities. Other operating expenses include expenses other than the cost of goods sold, such as premises, IT and telecommunication, administrative, maintenance and operating for machinery and equipment, and marketing and communication. In addition, lease payments recognised in the income statement on leases classified as short-term leases or leased assets classified as of low value are included in other operating expenses as well as non-index-based variable leases recognized as an expense. Other operating expenses also include losses arising from the disposal of tangible and intangible assets.

| EUR thousand | 2022 | 2021 |
|---|---|---|
| Expenses from premises | (627) | (352) |
| Expenses from computer devices and programs | (666) | (194) |
| Marketing expenses | (488) | (220) |
| Administrative services | (1,929) | (1,565) |
| Other administrative expenses | (906) | (98) |
| Other operating expenses | (3,956) | (817) |
| **Total** | **(8,571)** | **(3,245)** |

The increase in other operating expenses is mainly due to the merging of Skarta-NYAB operations during the financial year.

### 3.5.1. Auditors' fees

| EUR thousand | 2022 | 2021 |
|---|---|---|
| **EY** | | |
| Audit fees | (159) | (29) |
| Other fees | (138) | - |
| **Total** | **(297)** | **(29)** |

## 3.6 Depreciation, amortisation and impairment losses

### Accounting policy

Depreciation is recognised as an expense in the income statement on a straight-line basis over the estimated useful lives of tangible and intangible assets. Right-of-use assets are depreciated over either the asset's useful life or the lease term depending on which is shorter.

More information regarding fixed assets and their depreciation are on notes 5.2, 5.3 and 4.1.

| EUR thousand | 2022 | 2021 |
|---|---|---|
| **Depreciation** | | |
| Intangible assets | (1,472) | (13) |
| Property, plant and equipment | (2,154) | (709) |
| Right-of-use assets | (1,019) | (420) |
| **Total amortisation, depreciation and impairment losses** | **(4,645)** | **(1,142)** |

There were no impairments or cancellations of impairment recognised related to fixed assets during periods ended on 31.12.2021 and 31.12.2022 respectively.

## 3.7 Earnings per share

### Accounting policy

Basic earnings per share is calculated by dividing the profit for the financial year attributable to the parent company's shareholders by the weighted average number of shares outstanding during the financial year, excluding own shares held by NYAB Plc. The average number of shares consists of 414,244,098 shares addressed to NYAB Sverige AB shareholders for January–March and the average total number of shares for April–December. The comparative numbers are based on shares issued to NYAB Sverige AB shareholders (414,244,098 shares).

Diluted earnings per share are calculated by adjusting the average weighted number of shares by diluting all potentially dilutive shares, such as convertible bond shares. This changes the weighted average of the number of shares outstanding.

| Earnings per share | 2022 | 2021 |
|---|---|---|
| **Earnings per share, basic** | | |
| Profit for the financial year attributable to the owners of the parent company, EUR | 21,063,811 | 11,258,325 |
| Weighted average number of shares, pcs | 631,882,053 | 414,244,098 |
| **Basic earnings per share, EUR** | **0.03** | **0.03** |
| | | |
| **Earnings per share, diluted** | | |
| Profit for the financial year attributable to the owners of the parent company, EUR | 21,063,811 | 11,258,325 |
| Adjustments: | | |
| Interest expenses on convertible bonds adjusted for the period adjusted for the tax effect, EUR | - | - |
| Adjusted profit attributable to owners of the parent company, EUR | 21,063,811.27 | 11,258,325.00 |
| Average weighted number of shares, pcs | 631,882,053 | 414,244,098 |
| Adjustments: | | |
| The average number of own shares that may be issued on the basis of a convertible bond, pcs | - | - |
| Average weighted number of shares when calculating diluted earnings per share, pcs | 631,882,053 | 414,244,098 |
| **Diluted earnings per share, EUR** | **0.03** | **0.03** |

# 4. Operating assets and liabilities

## 4.1. Right of use assets

IFRS 16 *Leases* requires lessees to recognise all leases in the balance sheet. This is done by recognising the right-of-use asset and the lease liability at the inception of each contract. The values of these are based on the present value of future rental payments. Instead of recognising lease costs in the income statement, depreciation is recognised for right-of-use assets and interest expenses for lease liabilities.

The Group's leases mainly consist of cars, machinery and real estate. The Group has not identified any service contracts under which there are identifiable assets that should be recognised separately in accordance with IFRS 16.

### Accounting policy

The moment each contract is agreed upon, the Group assesses whether the contract in question is a lease or whether it contains a lease. This assessment is made in accordance with IFRS 16 on the basis of whether a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For each identified lease in which it acts as a tenant, the Group recognises a right-of-use asset and the corresponding lease liability at the inception of the lease. The starting point is defined as the moment when the leased asset is available for use by the Group.

The valuation of the lease liability is made at the beginning of the contract by discounting future lease payments to present value. These fees take into account fixed fees, variable fees based on an index or a rate, residual value guarantees, which are expected to be payable by the Group and the exercise price of a purchase option if the Group is reasonably likely to exercise the option. Various penalty fees for terminating the lease are only taken into account in the valuation if the use of a termination option has been taken into account when assessing the lease period.

According to IFRS 16, the discount rate used for measuring the lease liability and right-of-use asset must be the internal rate of the lease. Often, however, this rate is not easy for the lessee to define, in which case the lessee is allowed to use the Group's incremental borrowing rate instead. The incremental borrowing rate is defined as the interest that the Group would have to pay if it borrowed, for an equivalent period of time and with similar collateral, the money needed to acquire an asset with a corresponding value to the right-of-use asset in a similar economic environment.

After the commencement of the lease, the lease liability is measured by adding in the interest expense on the lease liability and reducing it by the lease payments made. The amount of the lease liability must be remeasured if there are changes in future lease payments as a result of, for example, index changes, a reassessment of the exercise of options included in the contract or other lease changes.

Right-of-use assets are measured at cost, which is determined as the sum of the initial lease liability, rents paid in advance, initial direct costs and restoration costs. Depreciation of right-of-use assets is made on a straight-line basis over the asset's useful life or the lease term depending of which is shorter. If the Group is reasonably certain that the purchase option included in the contract will be exercised and the exercise amount of the purchase option is included in the valuation of the lease liability, the asset's useful life must be used as the depreciation period.

The Group recognises in the income statement the interest expense on the lease liability and depreciation on right-of-use assets. In the cash flow statement, the Group presents the portion of interest of the lease payments as cash flows from operating activities. The principal payment portion of lease payments are presented as cash flows from financing activities. Payments related to short-term and low-value leases as well as variable lease payments that are not considered in the measurement of the lease liability are presented in cash flows from operating activities.

The Group does not have significant activities as a lessor.

### Key estimates and judgments

**Applied exemptions**

The Group has applied the exemptions provided by IFRS 16, according to which it is not mandatory to recognise short-term and low-value leases in the balance sheet. The rental period of a short-term lease is 12 months or less. Lease payments associated with such leases are recognised as an expense on a straight-line basis in other costs. In addition, the Group does not apply IFRS 16 to intangible assets.

**Lease term determination**
The lease term is the period of time during which the lease cannot be terminated, including the periods covered by any extension option, if the Group is reasonably certain that the option will be exercised. The periods covered by a termination option are also included if the Group is reasonably certain that the option in question will not be exercised. The Group will take into account all factors and circumstances that create a financial incentive to exercise the extension option and not to exercise the termination option. Management re-evaluates the lease period if any significant events occur or circumstances change. Also, the lease term of leases valid until further notice is determined according to the principles described above. The lease term of each such lease is based on the management assessment of the circumstances and the existence of any economic incentives.

**Incremental borrowing rate determination**
The internal interest rate of the Group's leases is not easily determined, which is why the Group uses the incremental borrowing rate to discount the lease payments. The incremental borrowing rate may have a very significant impact on the valuation of lease liabilities. As basis for determining the incremental borrowing rate, the Group uses the loan interests agreed with financial institutions and following the requirements of IFRS 16 it is ensured that the rate used reflects the lease commencement date, lease term, leased assets and operating environment.

**Right of Use-Asset**

Set out below are the carrying amounts of right-of-use asset and the movements during the period.

| 2021<br>EUR thousand | Buildings and structures | Machinery and equipment | Total right-of-use assets |
|---|---|---|---|
| **Acquisition cost 1.1.** | **-** | **2,046** | **2,046** |
| Business combinations | - | - | - |
| Additions | - | 978 | 978 |
| Disposals | - | (518) | (518) |
| Translation differences | - | (14) | (14) |
| **Acquisition cost 31.12.** | **-** | **2,492** | **2,492** |
| | | | |
| **Accrued depreciation and impairment 1.1.** | **-** | **(557)** | **(557)** |
| Depreciation for the period | - | (420) | (420) |
| Accrued depreciation on disposals | - | 14 | 14 |
| **Accrued depreciation and impairment 31.12.** | **-** | **(963)** | **(963)** |
| | | | |
| **Carrying amount 31.12.** | **-** | **1,528** | **1,528** |

| 2022<br>EUR thousand | Buildings and structures | Machinery and equipment | Total right-of-use assets |
|---|---|---|---|
| **Acquisition cost 1.1.** | **-** | **2,492** | **2,492** |
| Business combinations | 740 | 418 | 1,158 |
| Additions | 600 | 1,225 | 1,826 |
| Disposals | - | - | - |
| Translation differences | - | (115) | (115) |
| **Acquisition cost 31.12.** | **1,340** | **4,019** | **5,360** |
| | | | |
| **Accrued depreciation and impairment 1.1.** | **-** | **(963)** | **(963)** |
| Depreciation for the period | (119) | (900) | (1,019) |
| Accrued depreciation on disposals | - | - | - |
| **Accrued depreciation and impairment 31.12.** | **(119)** | **(1,863)** | **(1,982)** |
| | | | |
| **Carrying amount 31.12.** | **1,221** | **2,156** | **3,377** |

### Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period.

| EUR thousand | 2022 | 2021 |
|---|---|---|
| **1.1.** | **1,432** | **1,978** |
| Business combinations | 1,158 | - |
| Additions | 1,826 | 978 |
| Translation differences | (115) | (186) |
| Lease payments | (1,077) | (1,367) |
| Interest expenses | 68 | 30 |
| **31.12.** | **3,291** | **1,432** |

| EUR thousand | 31.12.2022 | 31.12.2021 | 1.1.2021 |
|---|---|---|---|
| Non-current lease liabilities | 2,277 | 895 | 1,034 |
| Current lease liabilities | 1,014 | 537 | 944 |
| **Total** | **3,291** | **1,432** | **1,978** |
| | | | |
| Total outgoing cash flow due to leases* | 1,304 | 1,368 | |

* Includes lease payments on short-term leases and leases where the underlying administrative asset has a low value

Lease expenses from short-term leases and from leases of low-value assets are included in other operating expenses and the total amount in 2022 was about 227 thousand euros (2021 it was 1 thousand euros).

The maturity analysis of lease liabilities is disclosed under note 6.4.3 Liquidity and refinancing risk. Lease interest expenses are presented under note 6.2.

## 4.2. Inventories

### Accounting policy

Inventories are stated at the lower of cost and net realisable value being the estimated selling price for the end product, less applicable variable selling expenses and other production costs. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of raw materials are generally determined using the weighted average cost method. Cost of inventories are determined through application of the FIFO method (first in, first out).

Cost assigned for the inventories for the group is the purchase cost including the transport cost to the construction site or raw material supply depot. There are no warehouses or procurement facilities or other fixed overheads to be allocated to the cost of the inventories.

| EUR thousand | 31.12.2022 | 31.12.2021 | 1.1.2021 |
|---|---|---|---|
| Raw materials and consumables | 2,303 | 729 | 705 |
| **Total** | **2,303** | **729** | **705** |

Raw materials and consumables consist mainly of asphalt and supplies and parts purchased for projects. Other inventories mainly consist of work in progress.

## 4.3. Trade and other receivables

### Accounting policy

NYAB's trade receivables are from invoicing of specialty construction contracts, major infrastructure projects, and maintenance contracts. The group's largest clients are government agencies, municipalities, municipality-owned business institutions or other public entities (state-owned and other publicly owned organizations). Further information in note 3.1 Revenue.

NYAB's financial assets consist of cash equivalents, trade receivables and other receivables that are measured at measured at amortized cost using the effective interest method. Financial assets at amortized cost are assets held to collect contractual cash flows and those cash flows are solely payments of equity and interest.

Loan receivables and other than trade receivables are initially measured at fair value. The carrying values of loan receivables and other receivables correspond to their fair value according to NYAB's management, because they are short-term, and their interest rate is substantially equivalent to the market rate.

Other receivables consist mainly of receivables from customer contracts, prepaid expenses and accrued income and other receivables.

### Key estimates and judgments

**Impairment of trade and other receivables**
NYAB records the expected credit losses related to trade receivables and other receivables based on an estimate proactively. NYAB applies a simplified method for the measuring trade receivables and assets from customer contracts. Impairments on trade receivables and assets based on customer contracts are calculated according to the Expected Credit Losses (ECL) model. Estimates on expected credit losses and credit loss provisions to be recognized in trade receivables are based on the amount corresponding credit losses during the entire asset life cycle, whereby a credit loss is recognized on the basis of credit losses expected over the entire life cycle of trade receivables or an asset based on customer contracts.

A provision will be recorded in the balance sheet for expected future credit losses and it will remain on the balance sheet until it is recognized in the income statement or is reversed. Due to the nature of NYAB's business, provisions may remain on the balance sheet for several years if the receivable involves, for example, the outcome of a lawsuit.

The expected credit losses related to trade receivables is calculated by customer portfolio based on portfolio risks. The judgment is based on experience with past years' credit losses and earlier payment behavior, as well as publicly available future information. NYAB's management has calculated credit loss rates based on the ageing category of trade receivables, taking into account the specifics and risks associated with the receivables.

For large individual trade receivables or customers, the credit loss provisions are calculated based on estimates of the probability that the customer will become insolvent. These estimates are from available market information, the customers' credit ratings and the customer-specific experience of NYAB's project management. Adjustments are made if there are indications of a decrease of customers' credit ratings, for example, on the basis of payment behavior.

According to NYAB's management's judgement, expected credit losses related to trade receivables and assets based on customer contracts are not material and therefore not recorded in the financial statement of 31 December 2022. The expected credit loss based on NYAB's provision matrix is 75 thousand euros in the reporting period ended 31.12.2022 (31.12.2021: EUR 17 thousand and 1.1.2021: EUR 32 thousand).

## Trade receivables and contract assets

| EUR thousand | 31.12.2022 | 31.12.2021 | 1.1.2021 |
|---|---|---|---|
| Trade receivables (Gross) | 50,618 | 22,014 | 18,086 |
| Contract assets | 22,841 | 12,707 | 8,979 |
| Less: Allowances for Expected credit losses | - | - | (1,106) |
| **Trade receivables and contract assets (Net)** | **73,459** | **34,722** | **25,959** |

## Ageing analysis of trade receivables

| | Unmatured | 1–30 days | 31–90 days | More than 90 days | Total | Expected Credit Loss | Carrying Amount |
|---|---|---|---|---|---|---|---|
| 31 Dec 2022 | 30,600 | 5,618 | 6,627 | 7,772 | 50,618 | - | 50,618 |
| 31 Dec 2021 | 18,588 | 498 | 856 | 2,072 | 22,014 | - | 22,014 |
| 1 Jan 2021 | 11,669 | 802 | 1,578 | 4,037 | 18,086 | (1,106) | 16,980 |

See note 6.4 for additional information on the credit risks related to trade receivables.
See note 3.1. for additional information on the recognition of contract assets.

## Other receivables

| EUR thousand | 31.12.2022 | 31.12.2021 | 1.1.2021 |
|---|---|---|---|
| Contingent considerations | 3,618 | - | - |
| Prepaid expenses | 3,787 | 248 | - |
| Other receivables | 2,131 | 189 | 83 |
| **Total Other receivables** | **9,536** | **437** | **83** |

The contingent consideration is measured at fair value through profit and loss, and it is related to the sale of Skarta Energy Oy, additional information is presented in note 6.3.

Prepaid expenses consist of advances paid related to electricity network business projects and other project accruals.

### 4.4. Cash and cash equivalents

#### Accounting policy

Cash and cash equivalents, in both the balance sheet and the cash flow statement, include bank balances and other current investments with a due date within three months of the acquisition date.

| EUR thousand | 31.12.2022 | 31.12.2021 | 1.1.2021 |
|---|---|---|---|
| Cash in hand and at bank | 13,827 | 9,369 | 14,925 |
| **Total Cash and cash equivalents** | **13,827** | **9,369** | **14,925** |

## 4.5. Trade and other payables

### Accounting policy

Trade payables and other financial liabilities included in the item are classified as financial liabilities measured at amortised cost. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. The book values of trade and other payables are considered to correspond to their fair value because of their short maturity. The liabilities are unsecured and are normally settled within 30 days of their initial recognition. The book value of trade payables and other financial liabilities included in this balance sheet item is presented in Note 6.4 Financial Risk Management.

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

| EUR thousand | 31.12.2022 | 31.12.2021 | 1.1.2021 |
|---|---|---|---|
| Trade payables | 24,428 | 10,559 | 7,084 |
| Contract liabilities | 11,647 | 3,584 | 4,212 |
| Accrued expenses and deferred income | 3,693 | 2,041 | 1,383 |
| Accrued personnel expenses | 3,014 | 1,881 | 1,380 |
| Accrued interest expenses | 204 | - | 61 |
| Other liabilities | 8,470 | 1,284 | 1,360 |
| Current tax liability | 1,812 | 1,732 | 1,137 |
| **Total** | **53,268** | **21,082** | **16,617** |

Further information on trade payables and other payables is available in note 4.5.
See note 3.1. for additional information on the recognition of contract liabilities.

## 4.6. Provisions

### Accounting policy

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expenses relating to a provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**Warranty provision**
The Group provides warranties for contractors work performance and for the materials and goods supplied. The group does not sell warranties or extended warranties/guarantees that fall within the scope of IFRS 15. Initial recognition is based on historical experience. The estimate of warranty-related costs is revised annually.

**Onerous contracts**
An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract. The project managers regularly update the project revenues and cost estimates in order to identify any loss making contracts where losses cannot be avoided.

Onerous contracts are accounted for and reviewed quarterly. If significant onerous contracts occur, the total forecasted loss is recognised.

### Key estimates and judgements

Provisions for present obligations require management judgment in determining whether it is probable that an outflow of economic benefits will be required to settle the obligation. Estimation is required in determining the value of the obligation as the amount recognised as a provision is based on the best estimate of unavoidable costs required to settle the obligation at the end of the reporting period.

The assessment of provisions for existing obligations requires management's judgment to determine whether a legal or other constructive obligation has arisen that makes it probable that resources will be transferred to settle the obligation. If the the obligation is estimated to have arisen, NYAB's management will form an estimate of the probable amount of the obligation and when it will be fulfilled.

Estimates are necessary because the values recognised in provisions are based on the best available estimates, at the time of recognition, of the unavoidable costs needed to settle the obligation at the end of the reporting period. When estimating necessary costs, management must consider several possible outcomes and the probabilities of them happening, risks and uncertainties surrounding the events and circumstances, and also make assumptions about the timing of payments. Evaluation is also needed when determining the discount rate. Changes in timing or cost estimates may become necessary over time and/or as more detailed information becomes available.

| | 2022 | | | |
|---|---|---|---|---|
| **EUR thousand** | **Warranty provisions** | **Project risk provisions** | **Others** | **Total** |
| **At 1 Jan** | **-** | **-** | **-** | **-** |
| Business combinations | 81 | - | - | **81** |
| Additional provisions | - | 2 | - | **2** |
| **Total (31 Dec)** | **81** | **2** | **-** | **83** |
| | | | | |
| Non-current | 81 | 2 | | **83** |
| **Total** | **81** | **2** | **-** | **83** |

During the reporting period 1.1.-31.12.2021, no provisions were recognised in the Group.

# 5. Acquisitions and capital expenditure

## 5.1 Business combinations

### Accounting policy

The Group applies the acquisition method in accounting for business combinations. The total consideration payable for the acquisition of the subsidiary shall be determined as the fair value of assets to be disposed of, liabilities to be absorbed and equity instruments issued by NYAB. The total consideration includes the fair value of the asset or liability incurred from the conditional consideration. Acquisition-related expenditure, such as professional fees, are recognised as expenses when realised. Identifiable acquired assets, and liabilities and contingent liabilities admitted are measured at the fair values at the date of acquisition. A subsidiary is consolidated from the moment the group acquires control and the transferred subsidiaries are consolidated until control ceases. For more information on accounting principles related to group companies see notes 7.1. and 7.2.

The non-controlling interest in the subject of the acquisition shall be recorded at fair value per acquisition or at an amount equal to the proportionate share of the non-controlling interest in the net assets of the acquisition subject.

### Key estimates and judgments

Accounting for business combinations requires significant judgment and the use of estimates. The fair values of acquired assets and liabilities are, where possible, determined based on available market values. If no market values are available, the valuation is based on the asset's estimated ability to generate income. Consideration transferred in business combinations is measured at the fair value on the acquisition date.

No business combinations during 1.1.-31.12.2021.

**5.1.1. Acquisitions in 2022**

*5.1.1.1. Merger of Skarta Group Plc and NYAB Sverige AB*

On 16 December 2021, NYAB Plc (previously, Skarta Group Plc) informed that it has signed a share exchange agreement under which it will acquire the entire common stock of NYAB Sverige AB (100%). NYAB Sverige Group operates nationwide in Sweden and its core business consists of land construction and infrastructure and specialty construction. Its clients include both private and public sector operators.

The method of execution of the business combination was specified as set out in the Company Bulletin in February 21, 2022. On 31 March 2022 the Board of Directors of NYAB Plc (previously, Skarta Group Plc) made the decision on the directed share issue to the shareholders of NYAB Sverige AB and approved the subscriptions made therein. As part of the business combination, a directed share issue was arranged to the previous shareholders of NYAB Sverige AB in which 414,244,098 new shares of NYAB Plc were issued. With the directed share issue, the number of shares in NYAB Plc increased to 702,641,888 shares. The directed share issue had no effect on NYAB Plc's share capital, which amounts to EUR 80 thousand. In the arrangement, Skarta Group Plc also transferred a cash consideration of EUR 2.5 million.

The new shares issued in the directed share issue have been registered in the Trade Register and trading on them has started on Nasdaq First North Growth Market Finland on 5 April 2022.

On 31 March 2022, Skarta Group Plc and NYAB Sverige AB merged to form a new entity, NYAB Plc (previously, Skarta Group Plc). The companies operate in the same industry. With the business combination, NYAB's resources grew substantially and its expertise increased, particularly in the Norrbotten area, a major market for both parties to the business combination. Planned investments in carbon-free industry and infrastructure in the region for the coming decades will amount to more than EUR 100 billion. Strategic, economic and commercial benefits are expected from the merger.

From the perspective of IFRS financial reporting, the merger of Skarta Group Plc and NYAB Sverige AB is treated as a reverse acquisition. NYAB applies the acquisition method in which NYAB Sverige AB is defined as the accounting acquirer and Skarta Group Plc as the accounting acquiree.

The comparative period presented in NYAB's financial statements for the reporting period ended December 31, 2022 and the opening balance sheet on January 1, 2021 include only companies of NYAB Sverige AB and companies belonging to Skarta Group Plc have been consolidated for the first time on 31 March 2022 and their turnover in the NYAB Group for the period from 1 April to 31 December 2022 amounted to EUR 59.3 million.

**Determination of the consideration transferred in the reverse acquisition**

In the reverse acquisition, NYAB Sverige AB did not dispose any consideration of the accounting acquiree. Instead the accounting acquiree Skarta Group Plc issued its own shares to the shareholders of the accounting acquirer and transferred a cash consideration of EUR 2.5 million.

In accordance with IFRS 3.B20, in a reverse acquisition the consideration transferred is based on the number of equity interests the legal subsidiary NYAB Sverige AB would have had to issue to give the owners of the legal parent Skarta Group Plc the same percentage equity interest in the combined entity that results from the reverse acquisition. The fair value of the transferred consideration was EUR 139,250,000, which corresponds to 1,114 shares with a value of 125,000 that NYAB Sverige AB would have issued in accordance with the above. The value per share is derived from NYAB Sverige AB's value, which is based on one hand on the value agreed in the share swap agreement and the valuation of the company prepared in March 2022 on the other. This valuation has been prepared externally primarily on the  basis of a discounted future cash flow model and on the other hand on the basis of a benchmark analysis. The future cash flows used in the valuation are based on the estimates and forecasts of the company's management and include significant management judgement. Cash consideration has been deducted from retained earnings from previous years as a distribution to owners.

*5.1.1.2. Acquisition of Power Forze AB*

On August 31, 2022, NYAB acquired the all the shares of Power Forze AB (100%) through a share swap agreement. Power Forze AB is a company operating specifically in northern Sweden and providing services for electrical installation of industrial and wind turbines, as well as the construction and maintenance of power grids. With the acquisition of Power Forze AB, NYAB strengthens its position in the energy construction value chain in a growing market, seeking revenue synergies, among other things.

In the directed share issue 4,006,400 new shares of SkartaNYAB Plc were issued to the shareholders of Power Forze AB. The subscription price per share was EUR 0.72 and it was paid as an apport asset with shares of Power Forze AB. With the directed share issue, the number of shares of SkartaNYAB Plc increased to 706,658,238 shares. The directed share issue had no effect on NYAB's share capital, which amounts to EUR 80 thousand. NYAB recorded EUR 27 thoudand euros acquistion related costs.

The new shares issued in the directed share issue have been registered in the Trade Register and trading on them has started on Nasdaq First North Growth Market Finland on 5 September 2022.

Power Forze Ab was consolidated for the first time on 31 August 2022 and its net sales in the NYAB Group for the period 1 September to 31 December 2022 is moderate.

**Fair value of consideration transferred in the acquisition**

The purchase price payable for the shares of Power Forze AB was SEK 38.5 million, of which SEK 8.5 million was paid by cash consideration and the final part by directed share issue.

The fair value of the transferred consideration in the directed share issue was calculated at the rate on 31 August 2022 at the date of transfer of control (EUR 0.78 per share), resulting in a total of EUR 3,124,992. The total fair value of the transferred consideration was EUR 3,931,161.

**Assets acquired and liabilities assumed in the Business Combinations**

The fair values of the identifiable assets and liabilities of Skarta Group Plc and Power Forze AB as at the date of acquisition were:

## Assets

| EUR thousand | Skarta Group Plc | Power Forze AB | Total |
|---|---|---|---|
| Other intangible assets | 65 | - | 65 |
| Non-competition agreements | 1,892 | - | 1,892 |
| Order backlog | 3,015 | 390 | 3,405 |
| R&D project portfolio | 5,397 | - | 5,397 |
| Land areas | 234 | - | 234 |
| Property, plant and equipment | 5,847 | 45 | 5,892 |
| Right-of-use-asset | 863 | 208 | 1,071 |
| Investments | 4,507 | - | 4,507 |
| Non-current receivables | 153 | - | 153 |
| Deferred tax assets | 321 | - | 321 |
| **Total Non-Current Assets** | **22,294** | **643** | **22,937** |
| | | | |
| Inventories | 1,088 | - | 1,088 |
| Trade receivables | 6,763 | 713 | 7,476 |
| Other receivables | 163 | 37 | 201 |
| Other accrued receivables | 13,554 | 17 | 13,571 |
| Cash and cash equivalents | 1,716 | 493 | 2,209 |
| **Current assets** | **23,283** | **1,261** | **24,544** |
| **TOTAL ASSETS** | **45,577** | **1,904** | **47,481** |
| | | | |
| Borrowings | (5,745) | (4) | (5,749) |
| Provisions | (19) | (52) | (70) |
| Deferred tax liabilities | (2,201) | (101) | (2,302) |
| Lease liabilities | (763) | (208) | (971) |
| **Non-Current Liabilities** | **(8,728)** | **(365)** | **(9,093)** |

| EUR thousand | Skarta Group Plc | Power Forze AB | Total |
|---|---|---|---|
| Borrowings -Interest bearing | (1,474) | (9) | (1,483) |
| Trade payables | (5,718) | (562) | (6,280) |
| Other current liabilities | (4,592) | (85) | (4,678) |
| Accrued expenses | (3,953) | (117) | (4,070) |
| **Current Liabilities** | **(15,737)** | **(775)** | **(16,512)** |
| **TOTAL LIABILITIES** | **(24,465)** | **(1,140)** | **(25,605)** |
| Total identifiable net assets at fair value | 21,112 | 764 | 21,877 |
| Goodwill arising on acquisition | 118,138 | 3,167 | 121,305 |
| **Purchase consideration transferred** | **139,250** | **3,931** | **143,181** |

The goodwill from the merger of Skarta Group Plc and NYAB Sverige AB is primarily due to the significantly increased market position and, in particular, the increased geographical coverage in the strategically important regions. In addition, synergies are expected in the merger due to the growth in personnel and increased expertise and experience of the staff, which will reflect in, among other things, the capability to respond to larger offers, innovations and future technologies. Goodwill is not deductible for tax purposes.

The goodwill from the acquisition of Power Forze AB is due to the expertise and experience of the staff and the increased market position. Goodwill is not deductible for tax purposes.

| | 2022 | | | 2021 |
|---|---|---|---|---|
| EUR thousand | Skarta Group Plc | Power Forze AB | Total | Total |
| **Cash flow impact** | | | | |
| Cash consideration | - | (806) | (806) | 0 |
| Cash and cash equivalents of the acquired entities | 1,716 | 493 | 2,209 | 0 |
| **Total cash flow impact** | **1,716** | **(313)** | **1,403** | **-** |

**5.1.2. Losing control over a subsidiary during the reporting period**

On 23 December 2022, NYAB sold the entire stock of Skarta Energy Oy to a new company to be incorporated. The total consideration was EUR 18 million while the cash portion of the consideration was EUR 4.8 million. The conditional consideration was EUR 4 million and in the balance sheet it is presented under other current receivables. The net cash inflow from the disposal was EUR 4.6 million. The net assets over which control was lost was EUR 3.2 million. Subsequently, NYAB Finland has formed an affiliated company with CapMan Nordic Infrastructure II fund, which owns the shares of Skarta Energy Oy. NYAB owns 40% of the shares of the affiliated company.

Impact on profit for the financial period 1.1.-31.12.2022 caused by the arrangement concerning Skarta Energy Oy totals EUR 15.7 million. Further information on the total impact is presented in note 3.2. and on treatment of contingent considerations in notes 4.3., 6.3. and 8.3.

## 5.2 Intangible assets

### Accounting policy

**Goodwill**

Goodwill arising from business combinations is recognised at an amount by which the consideration paid, the share of non-controlling interests in the acquisition target and the previously owned portion of the target, summed together, exceed the fair value of the net assets acquired. Goodwill is not amortised but is subject to impairment testing annually or more frequently if there have been changes in circumstances that indicate a possible impairment. Any impairment loss on goodwill is recognised immediately in the income statement. Previously recognised impairment losses on goodwill are never derecognised.

**Other intangible assets**

NYAB recognises intangible assets, other than goodwill, at their original cost less accumulated amortisation and any impairment losses when the cost can be measured reliably and it is probable that the expected economic benefits stemming from the assets will flow to the Group. Intangible assets are depreciated on a straight-line basis over their estimated useful life.

Asset amortisation methods and useful lives are reviewed and, if necessary, adjusted at each balance sheet date or more frequently if circumstances or other events during the reporting period indicate that intangible assets are impaired. Intangible assets with limited useful lives are tested for impairment if there are indications of impairment.

Intangible assets acquired in connection with acquisitions are recognised separately from goodwill if they meet the definition of an intangible asset, are identifiable or are based on contracts or legal rights. Intangible assets acquired in connection with acquisitions are recognised at fair value at the date of acquisition.

‘NYAB’s other intangible assets consist of unfinished development projects, software development costs and land rights. Those intangible assets with a limited useful life are amortised in income statement over their estimated useful life.

The estimated useful lives of intangible assets are:

| | |
|---|---|
| • Land rights: | 10 years |
| • Software: | 5 years |
| • Order backlog & NCAs: | 2-10 years |
| • R&D-projects*: | not defined |

*Amortisation period for Skarta Energy Oy’s R&D-projects (5 397 thousand EUR) is not defined as the projects are not completed and amortisation has not begun at the date of reporting. NYAB has lost control of Skarta Energy as of 23.12.2022 and the R&D-portfolio was in the Group’s balance sheet only during the period 31.3.-23.12.2022.

**Research and development costs**

Research costs are expensed as incurred. Development costs that are directly attributable to the design, testing and implementation of identifiable and unique assets controlled by the Group are recognised as intangible assets in the balance sheet when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale
- the Group intends to complete the intangible asset and use or sell it
- the Group can demonstrate how the intangible asset will generate probable future economic benefits
- the Group has adequate resources available to complete the asset
- the Group is able to measure the expenditure attributable to the development of the intangible asset reliably.

Capitalised development costs include direct employee costs, an appropriate portion of relevant overheads, and direct purchases.

Amortisation is commenced when the asset is ready for use, and it starts to produce economic benefit to the Group. During the period of development, the asset is tested for impairment annually.

### Key estimates and judgments

The value of intangible assets obtained in an acquisition are determined based on fair value and their remaining useful lives are determined as well. Assigned values and useful lives as well as the underlying assumptions are based on management's views. Different assumptions and useful lives could have a significant impact on the reported amounts.

Intangible assets are tested for impairment according to the accounting principles.

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| **EUR Thousand** | **Goodwill** | **Order backlog & NCAs** | **Research & Development projects** | **Land rights** | **Other intangible assets** | **Total** |
| **Cost as at 1.1.2022** | **-** | **-** | **48** | **29** | **77** | **77** |
| Business combinations | 121,305 | 5,296 | 5,397 | 65 | 5,462 | 132,063 |
| Additions | - | - | | | - | - |
| Disposals | - | - | (5,397) | | (5,397) | (5,397) |
| Translation difference | (123) | (88) | | | - | (211) |
| **Cost at 31.12.2022** | **121,182** | **5,208** | **48** | **94** | **142** | **126,532** |
| | | | | | | |
| Accumulated amortisation and impairment as at 1.1.2022 | - | - | (30) | (8) | (38) | (38) |
| Amortisation and impairment losses for the financial year | - | (1,460) | - | (12) | (12) | (1,472) |
| Accumulated amortisation and impairment losses at 31.12.2022 | - | (1,460) | (30) | (21) | (50) | (1,510) |
| | | | | | | |
| **Carrying amount 31.12.22** | **121,182** | **3,748** | **18** | **73** | **92** | **125,021** |
| **Carrying amount 1.1.2022** | **-** | **-** | **18** | **21** | **39** | **39** |

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| **EUR Thousand** | **Goodwill** | **Order backlog & NCAs** | **Research & Development projects** | **Land rights** | **Other intangible assets** | **Total** |
| **Cost at 1.1.21** | **-** | **-** | **49** | **30** | **79** | **79** |
| Translation difference | - | - | (1) | (1) | (2) | (2) |
| **Cost at 31.12.21** | **-** | **-** | **48** | **29** | **77** | **77** |
| | | | | | | |
| Accumulated amortisation and impairment losses at 1.1.2021 | - | - | (21) | (6) | (26) | (26) |
| Amortisation and impairment losses for the financial year | - | - | (10) | (3) | (12) | (12) |
| Translation difference | - | - | 0 | 0 | 1 | 1 |
| Accumulated amortisation and impairment losses at 31.12.2021 | - | - | (30) | (8) | (38) | (38) |
| | | | | | | |
| **Carrying amount 31.12.2021** | **-** | **-** | **18** | **21** | **39** | **39** |
| **Carrying amount 1.1.2021** | **-** | **-** | **28** | **24** | **53** | **53** |

**Impairment testing during the reporting period**

## Accounting policy

During the reporting period, impairment testing is performed only on the group of cash-generating units including goodwill.

No indication of impairment of individual assets or cash-generating units was observed during the reporting period. The Group does not have assets with unlimited useful lives or unfinished development projects that should undergo impairment testing annually.

**Impairment testing**
The carrying values of goodwill, other intangible assets, property, plant and equipment, right-of-use assets, and non-financial investments are reviewed regularly for indication of impairment.

Impairment testing is performed if there is an indication of impairment; and the asset is written down to its recoverable amount if its carrying amount is greater than the estimated recoverable amount.

In addition, goodwill and other intangible assets that have an indefinite useful life, and as such are not subject to amortisation, are tested annually for impairment, even if there is no indication of impairment. Impairment testing is performed and documented annually in connection with the long-term forecasting process.

Annual impairment testing is performed on a cash-generating unit level. NYAB defines cash-generating unit as the smallest group of assets that generate cash flows that are independent of the cash flows generated by other assets. Goodwill is allocated to groups of cash-generating units that benefit from the synergies of the acquired goodwill.

NYAB uses value in use to establish the recoverable amount of cash-generating units. Value in use is determined by discounting future cash flows expected to be derived from a group of assets. The carrying amount of a group of cash generating units comprises net operating assets, including goodwill and fair value adjustments arising from acquisitions.

With the exception of goodwill, all assets are subsequently reassessed for indications an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

## Key estimates and judgments

When determining the level on which goodwill is tested and whether there are signs of its impairment, the management uses significant judgment and estimates.

Impairment testing is forward-looking and requires management to make certain assumptions, as explained below. These assumptions reflect past experience and, when appropriate, external sources of information.

The recoverable amounts of cash-generating units are determined by value in use calculations. These calculations are based on estimated discounted future cash flows  from most recent, long-term forecast, and / or long-term assumptions approved by management.

The period covered by cash flows is related to the useful lives of the assets being reviewed for impairment. The growth rate used to extrapolate the cash flow projections until the end of assets' useful lives is in line with the assumed inflation, taking into consideration market outlook forecast. Cash flows arising from future investments are excluded; unless projects have been started, in which case the cash outflow needed to complete the started projects is included.

The discount rates reflect current assessments of the time value of money and relevant market risk premiums specific to each cash generating unit, reflecting risks and uncertainties for which the future cashflow estimates have not been adjusted.

Preparation of these cash flow estimates requires management to make assumptions relating to future expectations. Assumptions vary depending on the business and the market conditions the tested assets are in.

The Group had no goodwill during the financial period 1.1.-31.12.2021. Goodwill was generated in the Skarta-NYAB merger on 31.3.2022 and in the acquisition of Power Forze AB on 31.8.2022. On the reporting dates of 1.1.2021-31.12.2022, the Group did not have any intangible assets with an unlimited useful life or other items that would require annual impairment testing.

## Changes in goodwill

| EUR thousand | 2022 | 2021 |
|---|---|---|
| **Value as at 1.1.** | **-** | **-** |
| Business combinations | 121,182 | - |
| Impairment | - | - |
| **Value as at 31.12.** | **121,182** | **-** |

**Identification of cash-generating units, goodwill allocation and impairment testing**
Cash-generating units are determined based on how NYAB Plc's management monitors and manages the business. In operational reporting, the two specified cash-generating units are defined to be the operation in Sweden and the operation in Finland. NYAB's management monitors goodwill at the level of the business segment defined in Note 3.1.

The two CGU's of NYAB Plc benefit from the synergies of the Skarta-NYAB business combination as one group. In regard to impairment testing, the goodwill of NYAB Plc is not divisible between the two recognized CGUs separately. Therefore, the two CGU's form a group to which the goodwill is allocated as a whole for the purposes of the impairment testing.

## Key assumptions used in goodwill testing at:

| | 30.9.2022 |
|---|---|
| Length of period to be tested | 5 years |
| Terminal growth | 1.5% |
| Terminal profitability (EBITDA %) | 8.5% |
| Discount rate (Pre-tax WACC) | 11.2% |
| Discount rate (Post-tax WACC) | 9.2% |

Consolidated goodwill and intangible assets with an indefinite useful life are tested annually during Q4 based on the 30 September balance sheet. The recoverable amount of the group of cash-generating units as of 30.9.2022 based on the performed impairment testing exceeded the carrying amount.

NYAB Plc did not identify any indications that assets would be impaired 1.1.2021 or 31.12.2021 and the IFRS balance sheets did not include goodwill or other assets that would require annual testing.

Based on the impairment testing performed, no impairment losses have been recognised on the income statement. The recoverable amount of the group of cash generating units significantly exceeds the carrying value of the group of cash generating units.

**Sensitivity analysis**
The Group has considered the sensitivity of key assumptions as part of the impairment testing. When doing this, any consequential effect of the change on the other variables has also been considered. The calculations are most sensitive to changes in estimated future EBITDA levels and to changes in the discount rate. Management estimates that no reasonably possible change in the discount rate used or in future earnings would cause the carrying amount to exceed its recoverable amount in any cash generating unit or group of cash generating units.

## 5.3 Property, plant and equipment

### Accounting policy

NYAB's tangible fixed assets are comprised mainly of buildings, land improvements, other structures, machinery and equipment (such as excavators, pile driving engines etc.), vehicles and computers. Tangible assets are carried at acquisition cost less depreciation and impairment. Acquisition cost includes all expenses arising directly from the acquisition of an asset, including reliably verifiable installation and transportation costs. Government grants related to the fixed assets are deducted from the acquisition cost of the asset. There are no borrowing costs that would be directly attributable to the acquisition, construction or production of a qualifying asset.

Additional expenses are included in the asset's reported value, or are reported as a separate asset, depending on the more appropriate alternative. Additional expenses are recognised on the balance sheet only when it is likely that the future economic benefits associated with the will accrue to the Group and when the acquisition cost of the asset can be measured reliably. The reported value of a replaced part is derecognised. All other forms of repairs and maintenance are recognised as an expense during the period in which they arise.

Capital gains and losses arising from the disposal of tangible assets are determined by comparing sales proceeds with carrying amount and recognised in other operating income or other operating expenses.

Depreciation of property, plant and equipment commences when the asset is available for use to NYAB. Depreciation is reported on a straight-line basis over the asset's estimated useful life and is recognised as an expense in the income statement.

The estimated useful lives of tangible assets by asset type are the following:

| | |
|---|---|
| • Buildings: | 50 years |
| • Other structures: | 10 years |
| • Land improvements: | 20 years |
| • Machinery and equipment: | 3-5 years |
| • Vehicles: | 3-5 years |
| • Computers: | 3-5 years |

Land is not depreciated.

When recognizing straight-line depreciation, a temporary difference arises between the carrying amount and depreciation in taxation; a deferred tax item is presented in Note 8.2.

The assets' residual values and useful lives are reviewed at the end of every reporting period and are adjusted if necessary. In the event that the reported value of an asset exceeds its estimated recoverable amount, the asset is immediately written down to its recoverable amount.

| EUR thousand | 2022 Land and Buildings | Machinery and Equipment | Other tangible assets | Total |
|---|---|---|---|---|
| **Acquisition cost as at 1.1.2022** | **4,504** | **3,763** | **-** | **8,267** |
| Business combinations | 234 | 5,884 | 8 | 6,126 |
| Disposal of subsidiary | (184) | (15) | (8) | (206) |
| Additions | 106 | 3,128 | - | 3,235 |
| Disposals | - | (229) | - | (229) |
| Work in progress | - | - | 865 | 865 |
| **Acquisition cost as at 31.12.2022** | **4,661** | **12,532** | **865** | **18,058** |
| | | | | |
| Accumulated depreciation and impairment losses as at 1.1.2022 | (243) | (1,310) | - | (1,552) |
| Depreciation and impairment losses for the financial year | (6) | (2,147) | - | (2,154) |
| Disposal of subsidiary | - | 8 | - | 8 |
| **Accumulated depreciation and impairment losses as at 31.12.2022** | **(249)** | **(3,449)** | **-** | **(3,698)** |
| **Carrying amount 31.12.2022** | **4,411** | **9,084** | **865** | **14,360** |
| **Carrying amount 1.1.2022** | **4,261** | **2,453** | **0** | **6,715** |

| EUR thousand | 2021 Land and Buildings | Machinery and Equipment | Other tangible assets | Total |
|---|---|---|---|---|
| **Acquisition cost as at 1.1.2021** | **3,089** | **2,734** | **-** | **5,823** |
| Additions | 1,875 | 1,110 | - | 2,985 |
| Disposals | - | (23) | - | (23) |
| Work in progress | (394) | - | - | (394) |
| Translation difference | (65) | (58) | - | (123) |
| **Acquisition cost at 31.12.2021** | **4,504** | **3,763** | **-** | **8,267** |
| | | | | |
| **Accumulated depreciation and impairment losses as at 1.1.2021** | **(162)** | **(730)** | **-** | **(892)** |
| Depreciation and impairment losses for the financial year | (85) | (624) | - | (709) |
| Accumulated depreciation on disposals and transfers between items | - | 22 | - | 22 |
| Translation difference | 3 | 23 | - | 26 |
| **Accumulated depreciation and impairment losses as at 31.12.2021** | **(243)** | **(1,310)** | **-** | **(1,552)** |
| **Carrying amount 31.12.21** | **4,261** | **2,453** | **-** | **6,715** |
| **Carrying amount 1.1.2021** | **2,927** | **2,004** | **-** | **4,930** |

# 6. Capital structure

## 6.1. Equity

### Accounting policy

**Equity**
The Group's equity consists of share capital, currency translation differences, accumulated profits and the share of non-controlling interests. NYAB Plc has one class of shares, and all shares have an equal right to dividends. Shares of NYAB Plc have no nominal value. The transaction costs arising from the share issue or the subscription of options are presented as a deduction on equity.

**Dividends**
Dividends are recognised as debt after the Annual General Meeting has approved the amount of dividend to be distributed.

**Reserve for invested non-restricted equity**
The portion of the subscription prices of the share issues that is not recognised in share capital, is recognised in the reserve for invested non-restricted equity. The repurchase price of the company's own shares has been entered in the reserve for invested non-restricted equity. The accounting principles of share-based payments made by NYAB are set out in Note 3.4.3.

**Translation differences**
The income statements of Group companies, which functional currencies are different than the presentation currency of the Group, are translated into euros using the average exchange rate for the period and balance sheets are translated using the exchange rate of the balance sheet date. All the exchange rate differences arising from these translations are recognised in other comprehensive income. Exchange rate differences arising from net investments in foreign subsidiaries are recognised in other comprehensive income when preparing the consolidated financial statements. When a foreign operation is sold wholly or partially, the related exchange rate differences are transferred to profit or loss.

### 6.1.1. Share capital and number of shares

NYAB's Board of Directors has made decisions on the directed share issue to the shareholders of NYAB Sverige AB and approved the subscriptions made therein on 31.3.2022. As part of the transaction, a directed share issue was arranged to the previous shareholders of NYAB Sverige AB, in which 414,244,098 new shares in NYAB Plc were issued. As a result of the share issue, the number of shares in NYAB Plc increased to 702,641,888 shares. The share issue had no effect on NYAB's share capital, which is 80 thousand euros.

The new shares issued in the directed share issue have been registered with the Trade Register and trading in them has commenced on Nasdaq First North Growth Market Finland on 5.4.2022.

On 31.8.2022, NYAB acquired the entire share capital of Power Forze AB (100%) through a share swap. In a directed share issue to the shareholders of Power Forze AB, 4,006,400 new shares in NYAB Plc were issued. As a result of the share issue, the number of shares in NYAB Plc increased to 706,658,238 shares. The share issue had no effect on the share capital, which is 80 thousand euros.

The new shares issued in the directed share issue have been registered with the Trade Register and trading in them has commenced on Nasdaq First North Growth Market Finland on 5.9.2022.

## Number of shares (pcs)

| | 2022 | 2021 |
|---|---|---|
| **1 Jan** | **288,397,790** | **288,397,790** |
| Reverse acquisition impact 31 Mar 2022 | 414,244,098 | 0 |
| Share issue | 9,950 | 0 |
| Power Forze AB acquisition | 4,006,400 | 0 |
| **31 Dec** | **706,658,238** | **288,397,790** |

On 31 December 2022 the number of NYAB shares outstanding was 706,658,238 and the share capital amounted to 80 thousand euros. NYAB Plc has no treasury shares as of 31.12.2022.

## Share capital

| | 2022 | 2021 |
|---|---|---|
| **1 Jan** | **16** | **16** |
| Reverse acquisition share issue impact | 65 | - |
| **31 Dec** | **80** | **16** |

The changes in the share capital are presented for 2021 based on the information of the acquisition target NYAB Sverige AB. The changes for 2022 are based on the information of the acquirer NYAB Plc (formerly Skarta Group Plc).

### 6.1.2. Distribution of funds

NYAB Plc's Annual General Meeting on 26 April 2023 resolved to pay shareholders a capital repayment of EUR 0.007 per share, totalling EUR 4,946,607.67. The capital repayment was made from the company's invested non-restricted equity reserve and its payment date was 8 May2023. No dividend was paid from the financial year that ended on 31 December 2022.

### 6.1.3. Reserve for invested non-restricted equity

| | 2022 | 2021 |
|---|---|---|
| **1 Jan** | **-** | **-** |
| Reverse acquisition share issue impact | 139,250 | - |
| Power Forze AB acquisition share issue | 3,125 | - |
| **31 Dec** | **142,375** | **-** |

Changes in the reserve for invested non-restricted equity are presented for 2021 based on the information of the acquisition target NYAB Sverige AB, while the changes for 2022 are based on the information of the NYAB Group.

## 6.2. Financial income and expenses

| | 2022 | 2021 |
|---|---|---|
| **Financial income** | | |
| Interest income on instruments valued at amortized cost | 48 | 14 |
| Dividend income | 7 | 2 |
| Foreign exchange gain | 506 | - |
| Other financing income | 4 | 28 |
| **Total financial income** | **565** | **44** |
| | | |
| **Finance expenses** | | |
| Interest expenses on debt instruments valued at amortized cost | (829) | (60) |
| Interest expenses on lease liabilities | (68) | (30) |
| Impairment on Investment | 25 | - |
| Foreign exchange losses | (91) | - |
| Other financing expenses | (41) | - |
| **Total financial expenses** | **(1,004)** | **(90)** |
| | | |
| **Finance income and expenses total** | **(440)** | **(47)** |

## 6.3. Financial assets and liabilities

### Accounting policy

**6.3.1. Financial assets**
The Group's financial assets are classified in accordance with IFRS 9 Financial Instruments in the following categories: financial assets recognised at amortised cost, financial assets at fair value through profit or loss, and financial assets recognised at fair value through other comprehensive income. The classification is based on the purpose of the financial assets at the time of the initial acquisition.

Financial assets are recognised on the balance sheet on the trade date on which the Group undertakes to purchase or sell the financial instrument. Financial assets are derecognised when the rights to cash flows have ceased or have been transferred to another party, and the Group has transferred substantially all the risks and rewards of ownership to the other party.

*6.3.1.1. Financial assets measured at amortised cost*
NYAB Plc measures financial assets at amortised cost when the financial asset is included in a business model whose primary purpose is to hold the assets until maturity and the payments are fixed or determinable and consist of principal or interest on capital. They arise when the Group provides money, goods or services directly to a debtor. Financial assets at amortised cost include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial assets at amortised cost are subject to impairment using expected credit loss (ECL) model. Gains and losses from derecognition of the asset are recognised in profit and loss. Refer to the table below for list of financial assets recognised using amortized cost.

*6.3.1.2. Financial assets measured at fair value through profit or loss*
Financial assets at fair value through profit or loss include financial assets held for trading in the short term, financial assets designated upon initial recognition irrevocably as fair value through profit or loss and financial assets mandatorily recognised at fair value through profit or loss according to IFRS 9. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. Gains and losses arising from changes in the fair value are included in the income statement in the period in which they arise.

*6.3.1.3. Financial assets measured at fair value through other comprehensive income*
Financial assets valued at fair value through other comprehensive income are equity instruments, which are held for collection of contractual cash flows or held for selling the assets, and where contractual cash flows are solely payments of principal and/or interest. Change in fair value is recognized in other comprehensive income (OCI). Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment and accumulated reserves are not recycled to profit or loss upon derecognition. Dividends received are recognised in profit and loss.

*6.3.1.4. Derecognition*
NYAB Plc derecognises financial assets when the rights to receive cash flows from the assets have expired or when it has substantially transferred the risks and rewards of the assets outside of the Group.

*6.3.1.5. Impairment*
NYAB Plc recognises an allowance for expected credit losses (ECL) according to IFRS 9 for financial assets measured at amortised cost. See further information on ECL in Note 4.3 Trade and other receivables.

Financial assets measured at fair value through profit or loss are not included in ECL assessment as they are already measured at fair value.
A financial asset is written-off when there is no reasonable expectation of recovering the contractual cash flows.

**6.3.2. Financial liabilities**
The Group's financial liabilities are classified either as financial liabilities recognised at amortised cost or as financial liabilities recognised at fair value through profit or loss or. The Group has no financial liabilities recognised at fair value through comprehensive income.

Financial liabilities are included in long-term and short-term liabilities and may be interest-bearing or interest-free. Financial liabilities are classified as short-term unless the Group has the absolute right to transfer the payment of the liability at least 12 months from the balance sheet date.

A financial liability is derecognised when the group either pays the debt to the lender or is legally exempted from the principal liability obligation as a result of a legal process or by the lender.

The maturity distribution of financial liabilities is presented in Note 6.4.

*6.3.2.1. Financial liabilities measured at amortised cost*
Loans, trade payables and other liabilities meeting the criteria for financial liability are included in the liabilities measured at amortised cost. Drawn-up loans are initially recognised at fair value minus transaction costs. Subsequently, the loans are measured at amortised cost and the difference between the amount of the loan deducted from transaction costs and the amount to be repaid is recognised as a financial expense using the effective interest method over the maturity.

Long-term amortised financial liabilities measured at amortised cost consist of loans from financial institutions and other loans.

Short-term amortised financial liabilities consist of financial institution loans, other loans, payables and other liabilities.

*6.3.2.2. Financial liabilities measured at fair value through profit or loss*
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. The Group has not designated any financial liability as at fair value through profit or loss.

### 6.3.3. Fair value measurement
Fair value measurements are classified using a fair value hierarchy i.e. Level 1, Level 2 and Level 3 that reflects the significance of the inputs used in making the measurements.

*6.3.3.1. Level 1*
The fair value of financial assets and liabilities classified as Level 1 is based on unadjusted quoted prices in active markets at the closing date.

*6.3.3.2. Level 2*
The fair value of financial assets and liabilities classified as Level 2 is based on observable input parameters, which are other than quoted prices.

The fair value of financial instruments traded in active markets in Level 2 is calculated using prices derived from quoted market prices at the closing date. Known calculation techniques, such as estimated discounted cash flows, are used to determine fair value of interest rate and currency financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the closing date. Fair values of options are determined by using option valuation models. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The counterparty credit risk has been taken into account when determining fair value. The credit risk is determined based on a portfolio valuation in a bilateral approach covering both NYAB Plc's own credit risk and the credit risk of the corresponding counterparty.

The Group bases the calculation on existing market conditions at each closing date. Financial instruments used in NYAB Plc are standardised products that are either cleared via exchanges or widely traded in the market. Credit risk from trading commodity derivatives is mitigated by clearing trades through exchanges or by limiting trades to OTC counterparties considered to be creditworthy, or secured by credit worthy guarantees. Financial derivatives are traded with creditworthy counterparts.

*6.3.3.3. Level 3*
The fair value of financial assets and liabilities classified as Level 3 is based on unobservable input parameters.

Level 3 consist mainly investments in unlisted shares and debt instruments classified as other investments for which the fair value can't be reliably measured and derivative financial instrument for which the fair value has been determined using valuation techniques with unobservable inputs. The input parameters of Level 3 of the fair value hierarchy for equity investments are specified taking into account economic developments and available industry and corporate data. The counterparty credit risk has been adjusted when determining the fair value.

## Financial assets by category

| EUR thousand | Note | Fair Value Hierarchy Level | Fair value through profit and loss | Fair value through other comprehensive income | Amortised cost | Balance sheet total | Fair value |
|---|---|---|---|---|---|---|---|
| | | | | 31.12.2022 | | | |
| **Financial assets non-current** | | | | | | | |
| Debt instruments | | Level 3 | 3,019 | | | 3,019 | 3,019 |
| Equity instruments | | Level 3 | | 2,605 | - | 2,605 | 2,605 |
| | | | | | | | |
| **Financial assets current** | | | | | | | |
| Trade receivables | 4.3 | | | - | 50,618 | 50,618 | 50,618 |
| Other Receivables | 4.3 | Level 3 | 3,618 | - | | 3,618 | 3,618 |
| Cash and Cash equivalents | 4.4 | | | - | 13,827 | 13,827 | 13,827 |
| **Total** | | | **6,637** | **2,605** | **64,444** | **73,686** | **73,686** |

Fair values that have been presented only as a disclosure are level 3 fair values.

| EUR thousand | Note | Fair Value Hierarchy Level | Fair value through other comprehensive income | Amortised cost | Balance sheet Total | Fair value |
|---|---|---|---|---|---|---|
| | | | 31.12.2021 | | | |
| **Financial assets non-current** | | | | | | |
| Equity instruments | | Level 3 | 18 | - | 18 | 18 |
| | | | | | | |
| **Financial assets current** | | | | | | |
| Trade receivables | 4.3 | | - | 22,014 | 22,014 | 22,014 |
| Cash and Cash equivalents | 4.4 | | - | 9,369 | 9,369 | 9,369 |
| **Total** | | | **18** | **31,383** | **31,401** | **31,401** |

Fair values that have been presented only as a disclosure are level 3 fair values.

## Financial assets by category

| EUR thousand | Note | Fair Value Hierarchy Level | Fair value through other comprehensive income | Amortised cost | Balance sheet total | Fair value |
|---|---|---|---|---|---|---|
| | | | 1.1.2021 | | | |
| **Financial assets non-current** | | | | | | |
| Equity instruments | | Level 3 | 19 | - | 19 | 19 |
| | | | | | | |
| **Financial assets current** | | | | | | |
| Trade receivables | 4.3 | | - | 16,980 | 16,980 | 16,980 |
| Cash and Cash equivalents | 4.4 | | - | 14,925 | 14,925 | 14,925 |
| **Total** | | | **19** | **31,905** | **31,923** | **31,923** |

Fair values that have been presented only as a disclosure are level 3 fair values.

**Movements in level 3 financial instruments measured at fair value 31.12.2022**

| EUR thousand | 1.1. | Total gains / losses | Purchases | Sales | Transfers | 31.12. |
|---|---|---|---|---|---|---|
| Debt instruments | - | | 6,637 | | | 6,637 |
| Equity instruments | 18 | (499) | 3,086 | | | 2,605 |

**Sensitivity analysis of level 3 financial instruments measured at fair value**

For debt instruments, a 1% increase or decrease in the market rates would impact the fair value, and profit and loss, by around +/- 0.3 M€. The impact on equity would be around +/- 0.24 M€.

For equity instruments, a 10% increase in the fair value would impact other comprehensive income by around +/- 0.26 M€. The impact on equity would be around 0.21 M€.

**Movements in level 3 financial instruments measured at fair value 31.12.2021**

| EUR thousand | 1.1. | Total gains / losses | Purchases | Sales | Transfers | 31.12. |
|---|---|---|---|---|---|---|
| Debt instruments | - | | | | | - |
| Equity instruments | 19 | (0) | | | | 18 |

**Sensitivity analysis of level 3 financial instruments measured at fair value**

The sensitivity for level 3 fair values as of 31.12.2021 were not material for the group financial statements.

## Financial Liabilities by category

| | 31.12.2022 | | | | |
|---|---|---|---|---|---|
| EUR thousand | Note | Fair Value Hierarchy Level | Amortised cost | Balance sheet total | Fair value |
| **Financial liabilities non-current** | | | | | |
| Interest-bearing liabilities | | | 10,367 | 10,367 | 10,367 |
| Other long term liabilities | | | 113 | 113 | 113 |
| | | | | | |
| **Financial liabilities current** | | | | | |
| Interest-bearing liabilities | | | 7,178 | 7,178 | 7,178 |
| Trade and other payables | 4.5 | | 41,621 | 41,621 | 41,621 |
| **Total** | | | **59,279** | **59,279** | **59,279** |

Fair values that have been presented only as a disclosure are level 3 fair values.

| | 31.12.2021 | | | | |
|---|---|---|---|---|---|
| EUR thousand | Note | Fair Value Hierarchy Level | Amortised cost | Balance sheet total | Fair value |
| **Financial liabilities non-current** | | | | | |
| Interest-bearing liabilities | | | 1,840 | 1,840 | 1,840 |
| Other long term liabilities | | | - | - | - |
| | | | | | |
| **Financial liabilities current** | | | | | |
| Interest-bearing liabilities | | | 296 | 296 | 296 |
| Trade and other payables | 4.5 | | 17,498 | 17,498 | 17,498 |
| **Total** | | | **19,633** | **19,633** | **19,633** |

Fair values that have been presented only as a disclosure are level 3 fair values.

## Financial Liabilities by category

| EUR thousand | Note | Fair Value Hierarchy Level | Amortised cost | Balance sheet total | Fair value |
|---|---|---|---|---|---|
| | | | 1.1.2021 | | |
| **Financial liabilities non-current** | | | | | |
| Interest-bearing liabilities | | | 795 | 795 | 795 |
| Other long term liabilities | | | - | - | - |
| | | | | | |
| **Financial liabilities current** | | | | | |
| Interest-bearing liabilities | | | 253 | 253 | 253 |
| Trade and other payables | 4.5 | | 12,406 | 12,406 | 12,406 |
| **Total** | | | **13,453** | **13,453** | **13,453** |

Fair values that have been presented only as a disclosure are level 3 fair values.

## Changes in the interest-bearing liabilities

| EUR thousand | Opening Balance 1.1 | Cash flows | Business combinations | Other changes | Closing balance 31.12. |
|---|---|---|---|---|---|
| | | | 31.12.2022 | | |
| Non-current Interest-bearing loans and borrowings | 1,840 | 2,778 | 5,749 | | 10,367 |
| Current Interest-bearing loans and borrowings | 296 | 5,399 | 1,483 | | 7,178 |
| **Total changes in interest-bearing liabilities** | **2,135** | **8,177** | **7,233** | **-** | **17,546** |

| EUR thousand | Opening Balance 1.1 | Cash flows | Business combinations | Other changes | Closing balance 31.12. |
|---|---|---|---|---|---|
| | | | 31.12.2021 | | |
| Non-current Interest-bearing loans and borrowings | 795 | 1,045 | - | | 1,840 |
| Current Interest-bearing loans and borrowings | 253 | 43 | - | | 296 |
| **Total changes in interest-bearing liabilities** | **1,047** | **1,088** | **-** | **-** | **2,135** |

## 6.4. Financial Risk management

### Accounting policy

The Group's principal financial liabilities, other than derivatives, comprise of loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to liquidity risk, interest rate risk, foreign currency risk and credit risk. The Group's board of directors oversees the management of these risks. The Group's senior management monitors and reports to the board of directors that the Group's financial risk activities are governed by appropriate principles and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Group does not use derivatives in its risk management. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

#### 6.4.1. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk firstly by capital structure management and secondary by having a balanced portfolio of fixed and variable rate loans and borrowings. Changes in interest rates does not have a significant impact on NYAB Group's profit and loss or equity as of 31.12.2022. Due to this, no sensitivity analysis has been presented for interest rate risk.

#### 6.4.2. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established principles, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed each time Group enters into business contract with the customer. Outstanding customer receivables and contract assets are regularly monitored and credit insurances for major customers' receivables are obtained from third parties if deemed necessary.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group does not hold collateral as security.

Refer to note 4.3 for information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix.

## Maturity of trade receivables

| EUR thousand | Unmatured | 0-30 days | 30-90 days | More than 90 days | Total | Expected credit loss | Carrying amount |
|---|---|---|---|---|---|---|---|
| 31.12.2022 | 30,600 | 5,618 | 6,627 | 7,772 | 50,618 | - | 50,618 |
| 31.12.2021 | 18,588 | 498 | 856 | 2,072 | 22,014 | - | 22,014 |
| 1.1.2021 | 11,669 | 802 | 1,578 | 4,037 | 18,086 | (1,106) | 16,980 |

### 6.4.3. Liquidity and refinancing risk

NYAB Plc's solvency risk is divided into refinancing and liquidity risks.

The liquidity risk is related to a circumstance in which the group does not have access to sufficient liquid assets to meet its obligations. To maintain sufficient liquidity, the group prepares short-term and long-term cash forecasts and makes arrangements for additional financing if necessary. Approximately 41% of the Group's debt will mature in less than one year on 31 December 2022 (2021: 14%) based on the carrying value of borrowings reflected in the financial statements.

The Group's loan agreements include certain covenants, such as an equity ratio of over 50% and net debt below 2.0 in relation to rolling 12-month EBITDA. The Group reports loan covenants to its lender every six months.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

| | 31.12.2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| **EUR thousand** | **2023** | **2024** | **2025** | **2026** | **2027** | **2028 -** | **Total** |
| Interest-bearing liabilities | 7,178 | 5,722 | 2,455 | 1,448 | 306 | 437 | **17,546** |
| Lease liabilities | 1,014 | 811 | 525 | 285 | 302 | 354 | **3,291** |
| Other liabilities | - | - | - | - | - | - | **-** |
| Provisions | - | - | - | - | - | - | **-** |
| Trade and other payables | 41,621 | - | - | - | - | - | **41,621** |
| **Total** | **49,813** | **6,532** | **2,980** | **1,733** | **608** | **791** | **62,457** |

| | 31.12.2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| **EUR thousand** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027 -** | **Total** |
| Interest-bearing liabilities | 296 | 813 | 154 | 141 | 135 | 597 | **2,135** |
| Lease liabilities | 537 | 396 | 290 | 191 | 17 | - | **1,432** |
| Other liabilities | - | - | - | - | - | - | **-** |
| Provisions | - | - | - | - | - | - | **-** |
| Trade and other payables | 17,498 | | - | - | - | - | **17,498** |
| **Total** | **18,331** | **1,209** | **444** | **333** | **152** | **597** | **21,065** |

| | 1.1.2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| **EUR thousand** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026 -** | **Total** |
| Interest-bearing liabilities | 253 | 139 | 132 | 124 | 111 | 289 | **1,047** |
| Lease liabilities | 944 | 404 | 336 | 185 | 109 | - | **1,978** |
| Other liabilities | - | - | - | - | - | - | **-** |
| Provisions | - | - | - | - | - | - | **-** |
| Trade and other payables | 12,406 | - | - | - | - | - | **12,406** |
| **Total** | **13,602** | **543** | **468** | **309** | **220** | **289** | **15,431** |

At year-end 2022, the group had the following credit limit agreements with its banks:

## Credit facilities

| **EUR thousand** | **31.12.2022** | **Maturity** |
|---|---|---|
| Credit facilities | 14,836 | Annual renewals |
| **Total committed credit facilities** | **14,836** | |

*6.4.3.2. Refinancing risk*

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

### 6.4.4. Foreign Currency risk

Foreign currency risk is described as the uncertainty in cash flow, profit and loss, and balance sheet that is caused by the fluctuation of foreign currency exchange rates. Direct foreign currency transaction risk, that derives from business or financial transactions, is insignificant for the Group. Indirect foreign currency transaction risk is stemming mainly from commodities' local currency purchase prices that fluctuate based on their foreign currency quotations. Group does not hedge its foreign currency transaction risks. The majority of Group business operations is conducted in Swedish krona, but the reporting currency of the Group is Euro. Hence the Group has significant exposure to translation risk in its EUR-denominated profit and loss statement. Translation risk is mainly managed by keeping operating companies' assets and liabilities in their own functional currencies.

As the Group's exposure to direct foreign currency transaction risk is insignificant, no sensitivity analysis has been presented for foreing currency risk.

### 6.5. Capital Management

Primary objective in Group's capital structure management is to ensure capabilities to acquire financing also in uncertain operating environment to safeguard the continuity of business operations. In addition, by optimizing capital structure, the Group aims to increase efficiency in terms of capital costs and return on capital employed.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. In addition, Group may decide to divest its assets in order to repay debts. Group monitors capital structure by measuring equity ratio which is targeted to exceed 50% and net debt / EBITDA that is targeted not to exceed 2.0x.

## The net debt at year-end has been as follows:

| EUR thousand | 31.12.2022 | 31.12.2021 | 1.1.2021 |
|---|---|---|---|
| Interest-bearing loans and borrowings | 20,837 | 3,568 | 3,025 |
| Less: cash and short-term deposits | (13,827) | (9,369) | (14,925) |
| **Net debt** | **7,010** | **(5,801)** | **(11,900)** |
| Equity | 180,418 | 26,706 | 27,018 |
| **Gearing ratio** | **3.9%** | **-21.7%** | **-44.0%** |

In order to achieve this overall objective, the Group's capital structure management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. There have been no breaches of the financial covenants of any interest-bearing loans and borrowings during the reporting periods 1.1.-31.12.2021 and 1.1.-31.12.2022. The maturity profile of financial liabilities has been presented in note 6.4.3.

## EBITDA

| EUR thousand | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Operating profit | 25,744 | 15,599 |
| Depreciation, amortisation and impairment | 4,645 | 1,142 |
| EBITDA | 30,389 | 16,741 |
| **Net debt-to-EBITDA** | **0.23** | **-0.35** |

# 7. Group structure

## 7.1. Subsidiaries

### Accounting policy

The consolidated financial statements include the parent company NYAB Plc and all its subsidiaries. Subsidiaries are entities in which the Group has more than 50 per cent of the voting rights or otherwise exercises control. A group exercises control when, by being involved in an entity, it is exposed to or entitled to variable returns and is able to influence the amount of revenue it receives by exercising power over the entity.

A subsidiary is consolidated from the moment the group acquires control and the transferred subsidiaries are consolidated until control ceases.

The consideration payable for the acquisition of a subsidiary is determined as the fair value of the assets transferred, liabilities assumed, and equity shares issued by the Group. The identifiable assets acquired in a business combination as well as the liabilities and contingent liabilities assumed are measured at fair values at the acquisition date. The non-controlling interest in the acquiree is recognised on an acquisition-by-acquisition basis either at fair value or at an amount corresponding to the relative share of non-controlling interests in the amounts recognised in the balance sheet of identifiable net assets of the acquiree. If the business combination takes place in stages, the acquirer's previous shareholding in the acquiree of the acquiree is measured at fair value at fair value through profit or loss at the acquisition date.

Acquisition-related costs, excluding those arising from the issue of debt or equity securities, are recognised as an expense. Transactions that are treated separately from the acquisition and are recognised in profit or loss are not included in the consideration transferred. Any additional contingent purchase price has been measured at fair value at the time of acquisition and is classified as either a liability or equity. The additional purchase price classified as a liability is measured at fair value at the end of each period and the resulting gain or loss is recognised in profit or loss. The additional purchase price classified as equity is not revalued.

The distribution of profit or loss for the period to owners and non-controlling interests of the parent is presented in connection with the income statement. The non-controlling interest in equity is presented in equity separately from the equity belonging to the owners of the parent. Changes in investments in subsidiaries that do not result in a loss of control are treated as equity transactions. When a group loses control of a subsidiary, the remaining investment is measured at fair value at the date of loss of control and the resulting difference is recognised in profit or loss.

Intra-group transactions, receivables and liabilities, income and expenses, internal distribution of profits and unrealised gains and losses have been eliminated in the preparation of consolidated financial statements.

The profit and loss accounts of non-euro area group companies have been converted into euro at the average rate of the reporting period and the balance sheets at the exchange rate at the balance sheet date. The exchange difference resulting from the use of the different conversion rates, the translation differences resulting from the elimination of the cost of non-euro area subsidiaries, are recognised in equity and the changes are presented in other comprehensive income. In connection with the sale of a subsidiary, translation differences are recognised in the profit and loss account as part of the capital gain or loss. If necessary, the financial statements of subsidiaries have been amended to reflect the accounting principles of the consolidated financial statements.

### 7.1.1. Group Structure

Set out below are the details of the subsidiaries held by the Group:

| Company | Domicile | 31.12.2022 | 31.12.2021 | 1.1.2021 |
|---|---|---|---|---|
| **NYAB Oyj** | **Oulu, Finland** | **100** | **0** | **0** |
| Sitema Oy | Oulu, Finland | 100 | 0 | 0 |
| NYAB Finland Oy | Kalajoki, Finland | 100 | 0 | 0 |
| Niskasen Maansiirto Oy | Haapajärvi, Finland | 100 | 0 | 0 |
| **NYAB Sverige AB**[1] | **Luleå, Sweden** | **100** | **100** | **100** |
| NYAB Infrastruktur AB | Kalix, Sweden | 100 | 100 | 100 |
| NYAB Mälardalen AB | Hägersten, Sweden | 100 | 100 | 100 |
| Power Forze AB | Jokkmokk, Sweden | 100 | 0 | 0 |
| NYAB Kiruna AB | Kiiruna, Sweden | 100 | 0 | 0 |
| Rollout Holding AB | Kiiruna, Sweden | 100 | 0 | 0 |
| Inframix AB | Kiiruna, Sweden | 100 | 0 | 0 |

[1] NYAB Sverige AB is the accounting parent company of NYAB Group. The reportable Group has comprised of NYAB Sverige AB (parent company), NYAB Infrastruktur AB and NYAB Mälardalen AB during the comparison period 1.1.-31.12.2021. NYAB Plc is the legal parent company of the Group, but the Group's IFRS financial statements are presented as if NYAB Sverige AB were the parent company and NYAB Corporation was a subsidiary.

### 7.1.2. Discontinued companies

Crowhow Oy and Noweco Partners Oy have been dissolved through a voluntary liquidation and have been combined into the Group until the closing date of 27 October 2022.

## 7.2. Associated companies and joint arrangements

### Shares in associated companies

#### Accounting policy

Associated companies are companies in which the Group has significant influence (20–50% of the voting rights as a rule), but not control. Associated companies are consolidated using the equity method. If the Group's share of the associated company's losses exceeds the carrying amount of the investment, losses above carrying amount are not combined unless the Group is committed to fulfilling the obligations of the associated company.

The share of the Group's shareholding in the profit and loss of the associated companies for the financial year has been calculated in accordance with the Group's shareholding and is presented in the Consolidated Income Statement as a separate item below operating profit. The Group's share of changes recognised in the associated company's other comprehensive income has been recognised in the Group's other comprehensive income.

If necessary, the financial statements of associated companies have been amended to reflect the accounting principles of the consolidated financial statements.

#### Key estimates and judgements

Management is required to make significant judgements when assessing the nature of NYAB's interest in its investees and when considering the classification of NYAB's joint arrangements. In the classification, emphasis has been put on decision making, legal structure, financing and risks of the arrangements.

Management judgement is required when testing the carrying amounts for participations in associated companies and joint arrangements for impairment. In the reporting periods 1.1.-31.12.2021 or 1.1.-31.12.2022, no indication was found that the value of associates consolidated using the equity method would be impaired.

NYAB Plc has the following associated companies that are consolidated with equity method.

| | 31.12.2022 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Name of entity EUR thousand** | **Domicile** | **Owner-ship %** | **Non-current Asset** | **Current Asset** | **Equity** | **Non-current liabilities** | **Current liabilities** | **Revenue** | **Profit/(loss) for the financial period** |
| **Associated companies** | | | | | | | | | |
| Before Holding Oy | Finland | 49.63 | - | 1,867 | 1,865 | - | 2 | - | -66 |
| CMNI II Market JV S.à r.l. | Luxembourg | 40 | 2,134 | 1,564 | 3,150 | - | 547 | - | - |

The Group did not include any associated companies during the reporting period 1 January to 31 December 2021.

# 8. Other notes

## 8.1. Income taxes on the income statement

### Accounting policy

The tax expense or income for the period is the tax payable on the taxable profit for the period at the income tax rate in each country, adjusted for changes in deferred tax assets and liabilities arising from temporary differences and unused tax losses. Taxes based on taxable income are calculated based on the prevailing tax rates in the countries in which the Group operates.

Current and deferred taxes are recognised in profit or loss, unless they related to other comprehensive income items or items recognised directly in equity. In this case, the tax is also recorded, respectively, in other comprehensive income items or directly in equity.

Income tax expense in the consolidated income statement on note 8.2:

## Taxes in the statement of income

| EUR thousand | 2022 | 2021 |
|---|---|---|
| Tax based on taxable income for the period | 2,522 | 3,169 |
| Taxes and adjustments in respect of prior years | - | 2 |
| **Total income tax expense** | **2,522** | **3,171** |
| Change in deferred tax assets | 327 | 69 |
| Change in deferred tax liabilities | (236) | 256 |
| **Deferred tax expense** | **(564)** | **187** |
| **Income taxes in the consolidated income statement** | **1,958** | **3,358** |

The reconciliation between the tax expense recognised in the consolidated income statement and the taxes calculated at the Swedish tax rate (20.6 %) is presented in the table below.

| EUR thousand | 2022 | 2021 |
|---|---|---|
| **Profit before tax** | **25,278** | **15,553** |
| Income taxes at Swedish tax rate 20.6% | 5,207 | 3,204 |
| Effect of different tax rates outside Sweden | (71) | - |
| Expenses not deductible for tax purposes | 365 | 97 |
| Income not subject to tax | (3,551) | (6) |
| Tax loss valuation | (2) | - |
| Other items | 10 | 59 |
| Taxes and adjustments in respect of prior years | - | 2 |
| **Income taxes in the consolidated income statement** | **1,958** | **3,356** |
| | | |
| Effective tax rate, % | 7.7% | 21.6% |

### 8.2. Deferred tax assets and liabilities on the balance sheet

#### Accounting policy

A deferred tax liability is recognised for all taxable temporary differences, except where a deferred tax liability arises from the initial recognition of goodwill, the initial recognition of an asset or liability when the transaction in question is not a business combination, and does not affect the accounting result or taxable income at the time of its realisation.

Deferred taxes are determined on the basis of the tax rates that have been approved by the end of the period and are expected to be applied when the deferred tax asset under consideration is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only if it is probable that taxable income will be available against which temporary differences and losses can be utilised. A deferred tax asset that has not previously been recognised is recognised on the basis of probable future taxable profit. Similarly, a deduction is made to the carrying amount of a deferred tax asset if the related tax benefit is no longer considered probable.

The Group deducts tax assets and liabilities based on taxable income for the period from each other when the group has a legally enforceable right to offset recognised items against each other and intends to either execute the payment on a net basis or liquidate the asset and settle the liability at the same time.

#### Key estimates and judgements

NYAB Plc has deferred tax assets and liabilities which are expected to be realised through the income statement over the extended periods of time in the future. In calculating the deferred tax items, NYAB is required to make certain assumptions and estimates regarding the future tax consequences attributable to differences between the carrying amounts of assets and liabilities as recorded in the financial statements and their tax basis.

Management discretion is especially needed when determining how much deferred tax assets can be recognised. Discretion has been used to decide whether to recognise deferred tax assets for unused tax losses or unused tax credits. The amount of recognition depends on the amount of taxable profit that is likely to arise in the future and against which unused tax losses and tax credits can be utilised.

The estimation of future taxable profits is based on NYAB's strategy, forecasts and assessment of uncertainties. NYAB's management monitors the Group's financial position and assesses future development on a monthly basis. The amount of deferred tax assets recognised for tax losses and unused tax credits is estimated at the end of each reporting period.

Assumptions made include the expectation that future operating performance for subsidiaries will be consistent with historical levels of operating results, recoverability periods for tax loss carry-forwards will not change, and that existing tax laws and rates will remain unchanged into foreseeable future. NYAB believes that it has prudent assumptions in developing its deferred tax balances.

NYAB continually evaluates the probability of utilising deferred tax assets and considers various factors that, in addition to the actual and planned earnings of the past, take into account medium-term and long-term planning. The basis for recognising deferred tax assets is an estimate by management of the extent to which it is probable that there will be sufficient taxable profit in the foreseeable future against which the unused tax losses, tax credits and deductible temporary differences can be offset.

Assumptions and estimates regarding main uncertain tax positions are supported by external legal counsel or expert opinion.

| EUR thousand | 2022 1.1. | Recognised in the statement of income | Other changes | Translation differences and other changes | Business combinations | 31.12. |
|---|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | | |
| Leases | 152 | 327 | - | - | - | 480 |
| **Total** | **152** | **327** | **-** | **-** | **-** | **480** |
| | | | | | | |
| Netting of deferred tax assets | - | - | - | - | - | - |
| **Deferred tax asset, net amount** | **152** | **327** | **-** | **-** | **-** | **480** |
| | | | | | | |
| **Deferred tax liabilities** | | | | | | |
| Disposals | - | (987) | - | - | - | (987) |
| Leases | 152 | 322 | - | - | - | 474 |
| Impact of accelerated tax depreciation | 2,201 | 774 | 162 | - | - | 3,138 |
| Other items | - | (346) | 46 | - | 2,054 | 1,754 |
| **Total** | **2,353** | **(236)** | **208** | **-** | **2,054** | **4,379** |
| | | | | | | |
| Netting of deferred tax liabilities | - | - | - | - | - | - |
| **Deferred tax liabilities, net amount** | **2,353** | **(236)** | **208** | **-** | **2,054** | **4,379** |

| EUR thousand | 2021 1.1. | Recognised in the statement of income | Other changes | Translation differences and other changes | Business combinations | 31.12. |
|---|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | | |
| Leases | 84 | 69 | - | - | - | 152 |
| **Total** | **84** | **69** | **-** | **-** | **-** | **152** |
| | | | | | | |
| Netting of deferred tax assets | - | - | - | - | - | - |
| **Deferred tax asset, net amount** | **84** | **69** | **-** | **-** | **-** | **152** |
| | | | | | | |
| **Deferred tax liabilities** | | | | | | |
| Disposals | - | - | - | - | - | - |
| Leases | 84 | 68 | - | - | - | 152 |
| Impact of accelerated tax depreciation | 2,059 | 187 | (45) | - | - | 2,201 |
| Other items | - | - | - | - | - | - |
| **Total** | **2,143** | **256** | **(45)** | **-** | **-** | **2,353** |
| | | | | | | |
| Netting of deferred tax liabilities | - | - | - | - | - | - |
| **Deferred tax liabilities, net amount** | **2,143** | **256** | **(45)** | **-** | **-** | **2,353** |

The Group has not recognised deferred tax on confirmed losses. Group companies had EUR 17.0 million of confirmed tax losses at the end of the financial year. The losses will expire between 2028-2031.

### 8.3. Remuneration of related parties and key management

NYAB Plc's related parties include significant shareholders, the group's parent company, subsidiaries, associated companies, members of the Board of Directors and the Executive Management Team, including the CEO of the parent company, and their close family members and entities where these persons exercise control or joint control. The subsidiaries of NYAB Plc are presented in Note 7.1 and the Associated companies in Note 7.2. Related party transactions with related parties that are not eliminated in the consolidated financial statements are presented as related party transactions. Information on contract guarantees for Group companies is presented in Note 8.4.

#### 8.3.1. Related party transactions

## Transactions with associates and other related parties

| EUR thousand | Associated companies | | Other related parties[1] | | Total | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Purchases | 0 | 0 | 25 | 114 | 25 | 114 |

## Balances with associates other related parties

| EUR thousand | Associated companies | | Other related parties[1] | | Total | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| **Receivables** | | | | | | |
| Long-term receivables | 3,019 | 0 | 0 | 0 | 3,019 | 0 |
| Short-term receivables | 3,618 | 0 | 0 | 0 | 3,618 | 0 |

[1] Other related parties include transactions carried out with the parent company or subsidiaries by the members of the Board of Directors and other key management personnel and their immediate family members or entities controlled by them.

Long-term receivables include convertible loan receivables from associated company CMNI II Market JV S.à r.l. Current receivables from associated companies are related to the additional purchase price for the sale of Skarta Energy Oy.

In the financial year, the group has had very few transactions with other related parties, comprising primarily of the leasing of premises.

No guarantees or other guarantees have been provided on behalf of the group's related parties, excluding subsidiaries.

The related party transactions have been carried out in market terms.

## Employment benefits for key senior management personnel

| 2022<br>EUR thousand | Board of Directors | Group CEO | Executive Management Team | Total |
|---|---|---|---|---|
| Salaries and other short-term employee benefits | 159 | 169 | 710 | 1,037 |
| Share based payments | 0 | 0 | 101 | 101 |
| **TOTAL** | **159** | **169** | **812** | **1,139** |

| 2021<br>EUR thousand | Board of Directors | Group CEO | Executive Management Team | Total |
|---|---|---|---|---|
| Salaries and other short-term employee benefits | 0 | 82 | 565 | 647 |
| Share based payments | 0 | 0 | 0 | 0 |
| **TOTAL** | **0** | **82** | **565** | **647** |

Group's share based payments are presented in Note 3.4.3.

## 8.4. Contingent liabilities and commitments

### Accounting policy

Contingent liabilities are possible obligations resulting from past events whose existence will only be confirmed by uncertain future events that are beyond the Group's control. Existing obligations that the settlement is not probable or the amount cannot be measured reliably, are also considered contingent liabilities. Contingent liabilities are presented in the notes to the consolidated financial statements.

**Legal disputes**

NYAB has historically been subject to a few legal disputes, and some of them are still ongoing. Completed legal proceedings have had a favourable outcome for NYAB. If NYAB considers it unlikely that a dispute or litigation will result in financial costs, no provision is recognised. There were no legal dispute provisions during the period, but they are reviewed regularly and a provision is recorded as needed.

NYAB Plc is also a party to certain litigations regarding transactions between 2015-2017 that relate to the investment service business operations of its former subsidiary company, PCM Holding Oy. The Company has been demanded a compensation of approximately 2.5 million euros with claims that have not been processed in the District Court, as legal disputes between the claimants and PCM Holding have not been resolved. The Company regards the claims unfounded, and according to its legal advisors it is very unlikely for the Company to be held liable for possible damages caused in the operations of PCM Holding. In addition, the Company is a party to two disputes initiated by the bankruptcy administrator of Lapis Rakennus group companies. Monetary interest in these litigations is not significant for the Company, and it has won them in those instances that have so far processed them.

### Key estimates and judgments

Estimates based on management's judgment are mainly related to whether recognition criteria of contingent liabilities are met. These estimates are made at the time of recognition with the best available information. If the recognition criteria for contingent liabilities are met, management must estimate the amount of the obligation. Management's judgment is also needed in assessing the impact of a possible accident on the total cost of the project, as well as the costs associated with repairing said damage.

## Business mortgages and guarantees

| EUR thousand | 2022 | 2021 |
|---|---|---|
| **Guarantees given on behalf of the Company** | | |
| Business mortgages | 18,293 | 7,837 |
| Other guarantees provided | 1,394 | 0 |
| **Contingent liabilities on behalf of other companies belonging to the same group** | | |
| Guarantee liabilities from project contracts | 46,510 | 13,736 |
| **Total** | **66,196** | **21,573** |

Warranty liabilities for construction contracts are liability commitments related to regular project operations and they are given, for example, as collateral for performance in accordance with the contract.

The parent company has provided guarantees to guarantee insurers for the group companies' contract guarantees EUR 36.9 million, of which EUR 28.6 million is in use by Group companies. Group companies have their own guarantees amounting to EUR 2.9 million.

## 8.5. Events after the reporting period

The plan outlines the merger of Andament II Sulautuva Oy into NYAB Plc. In the proposed arrangement, 111,000,000 NYAB shares held by Andament will be cancelled and the equivalent number of new NYAB shares will be issued to Andament shareholders. The number of shares held by Andament corresponds to 15.7% of NYAB's share capital. The transaction aims at clarifying NYAB's ownership structure and expanding its owner base. The arrangement does not have a net impact on the number of shares in NYAB Plc, and its net impact on NYAB's balance sheet position and business operations is neutral. The merger is expected to take place by the end of August 2023.

NYAB and the city of Mikkeli signed a settlement agreement in April 2023. The agreement was signed to settle the dispute between Group company NYAB Finland Oy and Mikkeli Waterworks, a municipal enterprise owned by the City of Mikkeli, that had been subject to legal proceedings. The agreement was executed on 11 May 2023, as the resolution of Mikkeli City Board on the approval of the agreement became final. NYAB reports a positive cash flow impact of approximately EUR 9.2 million and a positive non-recurring result impact of approximately EUR 3.6 million for the second quarter.

# Signatures

29 June 2023

Markku Kankaala
Chairman of the Board

Lars-Eric Aaro
Board member

Anders Berg
Board member

Barbro Frisch
Board member

Johan K Nilsson
Board member

Mikael Ritola
Board member

Jari Suominen
Board member

Jan Öhman
Board member

Johan Larsson
Board member, CEO

### Auditor’s note

A report on the audit carried out has been submitted today.

Helsinki, 29 June 2023

Osmo Valovirta
Authorized Public Accountant

Audit firm Ernst & Young Oy
Anders Forsström
Authorized Public Accountant

NYAB

www.nyabgroup.com