

## Kreate Group Oy Interim Report 1 Jan-30 Sep 2020

## Strong performance in the changed operating environment: competence of the personnel and high order backlog provided resilience

### January–September in brief

- Order backlog was EUR 149 million (204)
- Revenue increased by 16.3 per cent to EUR 173.3 (149.0) million
- EBITDA was EUR 10.9 (9.3) million, or 6.3 (6.3) per cent of revenue
- EBITA was EUR 8.2 (7.1) million, or 4.7 (4.7) per cent of revenue
- Free cash flow from operating activities was EUR 2.4 (2.1) million
- Net debt was EUR 16.5 (25.7) million
- Earnings per share were EUR 0.81 (0.67)

### Key figures

EUR 1,000	1-9/ 2020	1-9/ 2019	1-12/ 2019
<i>Revenue</i>	173,339	149,001	221,097
<i>Change in revenue, %</i>	16.3	8.5	14.9
<i>EBITDA</i>	10,913	9,333	14,900
<i>EBITDA, %</i>	6.3	6.3	6.7
<i>EBITA</i>	8,211	7,058	11,669
<i>EBITA, %</i>	4.7	4.7	5.3
<i>Operating profit</i>	8,069	6,936	11,505
<i>Operating profit, %</i>	4.7	4.7	5.2
<i>Profit for the period</i>	5,933	4,877	8,730
<i>Earnings per share, €</i>	0.81	0.67	1.00
<i>Order backlog</i>	149,032	204,075	177,176
<i>Capital employed</i>	58,800	60,839	53,636
<i>Return on capital employed, %</i>	21.1	16.2	20.7
<i>Return on equity, %</i>	25.3	27.6	26.3
<i>Net investments in operating activities</i>	-2,867	-3,803	-4,963
<i>Free cash flow from operating activities</i>	2,445	2,139	14,518
<i>Net working capital</i>	1,023	3,638	-4,023
<i>Net debt</i>	16,507	25,732	17,277
<i>Net debt/EBITDA</i>	1.0	2.0	1.2
<i>Equity ratio, %</i>	38.7	33.6	34.5
<i>Personnel at the end of the period</i>	404	391	395
<i>Personnel on average</i>	413	371	376

## Outlook

Kreate's full-year revenue for 2020 is estimated to reach approximately EUR 235 million (based on the revenue of EUR 173.3 million for the nine months ended 30 September 2020 and the order backlog of EUR 59 million that is expected to be realised by the end of 2020). Full-year EBITA for 2020 is estimated to amount to EUR 10.0–10.5 million (excluding the expenses related to the Listing). The order backlog at the end of 2020 is estimated to be approximately EUR 110 million for the coming year 2021 (as at 30 September 2020, the order backlog for the year 2021 amounted to EUR 73 million, and Kreate's new orders were on an ordinary level at the end of September 2020).

### CEO Timo Vikström:

"The exceptionally high order backlog accumulated for the year 2020 and the competence of our personnel put our revenue for January-September on a strong growth track. Our revenue for the review period increased by 16.3 percent as compared to the same period of the previous year, amounting to EUR 173.3 million. Our profitability remained on a good level, and we are continuing our efforts to develop efficient management of our working capital.

The general slowdown in construction activity and delays in starting construction projects were reflected, in particular, during the beginning of the second and third quarter in the lower order backlog as compared to the corresponding period of the previous year. The impacts of the COVID-19 pandemic were reflected as a decrease in the number of new orders as of March which in turn impacted the development of our order backlog. In September, the order backlog showed signs of improvement, and it returned to the same level as in 2018 by the end of the review period, amounting to over EUR 140 million.

We continued our investments in the machinery of the strategic businesses over the entire review period. With these investments, we strengthened particularly our capabilities in foundation engineering and special foundation construction, as well as railway construction.

Large and demanding projects speeded up our operations during the review period. We completed the demanding large-scale Tampere Deck project built above a railway, contributed efficiently to the infrastructure project at Terminal 2 of Helsinki-Vantaa airport implemented using an alliance model and speeded up the construction of the Klaukkala by-pass ahead of the original schedule. We also won a design and build contract in Hanko, where we will demolish a bridge in poor condition and build a new overpass connecting the southern and northern parts of Hanko. In Hanko and our other projects we have succeeded in offering clear benefits to our customers in terms of the construction solutions, costs, promotion of the circular economy and schedules. The competence and commitment of our personnel are the keys for success in these development and design assignments.

In order to strengthen our competitiveness, we complemented our competencies in areas with strategic importance, such as competencies related to railways in traffic routes and competencies related to bridges in the structural engineering. As a result of hiring several new experts, the number of our personnel increased on the corresponding period of the previous year. During the review period, we also continued to be committed to the systematic training of our personnel to enhance their competencies. With the stronger skill base, we are more prepared than ever to implement even the most challenging projects.

Our personnel, competence level and processes are strong, which will contribute to winning contracts despite the slowdown in the construction market. The common goal of our motivated team is to keep Kreate strictly on the path of profitable growth.

Kreate Group Oy

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## Operating environment

The first impacts of the COVID-19 pandemic on the operating environment of infrastructure construction were already seen in March. The market slowed down slightly in March-April when the number of tenders both in the public and private sector declined significantly. The downturn manifested itself, in particular, in housing construction, which was reflected in the infrastructure sector as a significant decline in foundation engineering, which is part of structural engineering.

As a result of the escalation of the pandemic situation and the restrictions imposed due to it, the number of tenders remained low despite existing financing decisions. The situation picked up at the end of the third quarter, when both the volume of tenders and activity of the customers started to develop in line with the corresponding periods of the previous years.

The small number of tenders led to a clear tightening of competition in the operating environment. The increase in the number of tenderers in all business areas has lowered the price level of construction projects and created challenges for the players in the industry. The number of tenderers has remained moderate only in projects that are technically challenging and require special competence. As such, Kreate's strategic focus on the implementation of demanding projects has provided a competitive edge in the tightened market conditions.

After the review period, the Confederation of Finnish Construction Industries RT (CFCI) estimated in its economic outlook that in 2020, the construction volume will be close to the level of 2019. CFCI estimates that the construction volume will decline by 1 per cent in 2020 and 4 per cent in 2021. The most significant downturn was estimated to be seen in new construction of housing and business premises, while the volume of land and water construction is expected to increase by 4 per cent in 2020 and decrease by 3 percent in 2021.

The auxiliary budget published by the Finnish Government included over EUR 400 million for the development of the transport infrastructure and investments in the development of public transport, infrastructure and repairs. The company estimates that the amount allocated in the auxiliary budget to infrastructure construction will have a positive impact on, in particular, traffic routes due to the traffic and railway projects in the future.

## Impact of COVID-19 on Kreate's business

In March, the company took swift decisions in order to protect the health of its personnel and prevent the spread of the COVID-19 virus. During the review period, the company was implementing several demanding and critical projects whose progress and completion on schedule it did not want to jeopardise. Visits by external parties at the project sites were restricted, the breaks of the personnel were re-scheduled to avoid overlapping, the cleaning of social and work areas was increased and various tasks were redesigned in order to avoid close contacts. In addition, the company switched to online meetings and remote work in all roles where it was possible, and the wearing of face masks was recommended in all situations requiring close contact.

The impact of the COVID-19 pandemic has remained low at the personnel and project level, and progress or completion on schedule has not been endangered in any project. The impact of the COVID-19 pandemic has been most prominent in Kreate's operating environment, as the number of tenders declined during the second and third quarter and competition intensified. At the end of the review period, the number of tenders picked up and there were signs of the tender activity returning back to normal. If the operating environment continues to recover to a normal level and the number of tenders continues to stabilise, the company estimates that the total impact of the COVID-19 pandemic will be quite limited.

## Order backlog, revenue and performance

### Consolidated revenue by businesses

EUR 1,000	1-9/2020	1-9/2019	1-12/2019
<i>Traffic routes<sup>1)</sup></i>	56,042	45,041	68,410
<i>Structural engineering<sup>2)</sup></i>	117,390	103,440	152,501
<i>Other<sup>3)</sup></i>	-93	520	186
<b>Total</b>	<b>173,339</b>	<b>149,001</b>	<b>221,097</b>

<sup>1)</sup> includes construction of railways, roads and streets, among others

<sup>2)</sup> includes construction of foundations, concrete structures and bridges, among others

<sup>3)</sup> includes intra-group eliminations

### January–September 2020

#### Order backlog and revenue

At the end of September 2020, the order backlog was EUR 149.0 million (204.1). Revenue for January-September was EUR 173.3 (149.0) million. The revenue increased both in structural engineering and traffic routes.

#### Profitability

EBITA for January-September was EUR 8.2 (7.1) million, or 4.7 (4.7) percent of revenue. The increase in EBITA was supported mainly by the growth of revenue on the comparison period, in addition to which Kreate's project management and the accuracy of tender calculation remained on a good level.

Depreciation of tangible assets amounted to EUR 2.7 (2.3) million, and depreciation of intangible assets amounted to EUR 0.1 (0.1) million.

Consolidated operating profit for January-September amounted to EUR 8.1 (6.9) million.

The profit before taxes for January-September was EUR 7.4 (6.0) million, and the profit for the period amounted to EUR 5.9 (4.9) million. Earnings per share were EUR 0.81 (0.67).

## Consolidated balance sheet and financial position

Free cash flow from operating activities was EUR 2.4 (2.1) million for January-September. At the end of September, net working capital was EUR 1.0 (3.6) million.

Net debt excluding lease liabilities amounted to EUR 15.1 (24.4) million, and including lease liabilities, EUR 16.5 (25.7) million.

Interest-bearing debt amounted to EUR 29.4 (31.7) million, including lease liabilities according to IFRS 16 of EUR 1.4 million (1.3 million). Financial income and expenses for the review period amounted to EUR -0.7 (-0.9) million.

At the end of September, the Company's cash and cash equivalents amounted to EUR 12.9 (6.0) million, and the unused credit limits available for the Company amounted to EUR 10.0 (10.0) million..

At the end of the review period, the equity ratio was 38.7 (33.6) per cent, and the return on capital employed was 21.1 (16.2) per cent.

## Investments and R&D activities

Net investments in operating activities were EUR 2.9 (3.8) million for January-September. The investments mainly consisted of increases in special machinery.

## Personnel

At the end of September, the number of Kreate Group's personnel amounted to 404 (391). For January-September, the average number of personnel was 413 (371).

Due to the COVID-19-pandemic, the Company changed its operating methods and guidelines to ensure the well-being and health of its personnel. External visits at the project sites were restricted, the breaks of the personnel were re-scheduled, the cleaning of social and work areas was increased and work tasks were redesigned in order to avoid close contacts. In addition, the company switched to remote meetings and work in all roles where it was possible and offered various alternatives to support coping at work.

At the end of September, we prepared for the second wave of the pandemic by recommending the use of face masks in close contacts. The measures taken proved effective, as by the end of September the COVID-19 virus had not spread at any of project sites of the Company, and the working environment has remained safe for the personnel.

The development and training of the personnel continued during the review period in particular to ensure the competencies required. Recruitment with strategic importance was continued particularly for strengthening competencies in railway and bridge construction.

## The Company's management

At the end of September, the members of the Company's Management Team included Timo Vikström, CEO; Jaakko Kivi, deputy CEO, traffic routes; Tommi Hakanen, Director, engineering office; Antti Heinola, CFO; Tommi Lehtola, Business Director, foundation and concrete construction; Ville Niutanen, CEO, KFS Finland Oy; Katja Pussinen, HR Director; Sami Rantala, Business Director, bridge construction and repair; Juha Salminen, CEO, Kreate Rata Oy, and Petri Uitus, Technical Director.

## Short-term risks and uncertainties

Kreate classifies risks into operational, financial, accident and operating environment risks.

Operational risks are related to the degree of project management. Kreate mitigates these risks with the cornerstones of its strategy, which include employee competence at the project level, in the business area management and in the support functions. During the report period, Kreate continued to improve risk management in projects throughout the production process by, among other things, further centralising tender calculation and developing project management competence.

Financial risks are managed in accordance with the Group's guidelines. The focus is on ensuring liquidity through effective working capital management and ensuring adequate liquidity buffers. Two financial covenants are applied to Kreate's interest-bearing loans from financial institutions, and they are based on the ratio of net interest-bearing debt to adjusted EBITDA and on the cash flow. A breach of these covenants would entitle the lender banks to accelerate the loans. The level of the financial covenants is monitored constantly.

In the management of accident risks, key factors are predictive project management procedures, taking occupational safety seriously and ensuring adequate insurance cover.

The cyclical nature of the construction industry is the most serious of the operating environment risks. The competitive situation is expected to remain tight in all of Kreate's business areas, due to which the importance of increasing specialisation in infrastructure business areas that require in-depth know-how is emphasised. Kreate regularly tracks the trend in input prices and ensures that changing situations are managed in its procurements.

## Shares and share capital

As at the end of September, Kreate Group Oy's share capital was EUR 2,500, and the total number of the shares issued by the Company was 7,454,895. At the end of September, the Company held 90,000 treasury shares.

## Events after the end of reporting period

### Refinancing arrangement

On 15 December 2020, Kreate agreed with its partner banks on the rearrangement of its credit facility. In connection with the rearrangement, on 30 December 2020 Kreate drew down a total of EUR 34.25 million from its credit facility, refinanced the liabilities based on the existing credit facility and repaid the capital loans granted to it and the interest accrued on them, totalling EUR 17.8 million.

In Tuusula, 11 January 2021

Kreate Group Oy

The Board of Directors

### APPENDIX

Calculation formulas for the key figures

Table section for the Interim Report for January–September 2020

## Additional information on alternative performance measures

EUR 1,000	1-9/ 2020	1-9/ 2019	1-12/ 2019
<i>Outstanding shares on average</i>	7,365	7,309	7,312
<i>Amortisation of intangible assets</i>	-143	-122	-164
<i>Impairment</i>	0	0	0
<i>Advance payments received</i>	0	0	0

## Calculation of key figures

Kreate presents alternative performance measures to describe the performance of the operations and the financial position of the Group. Alternative performance measures are not defined in the IFRS, and they should not be considered as separate key figures or substitutes for the key figures defined according to the IFRS. The formulas used for calculating alternative performance measures are presented below.

Performance measure	Formula
<i>EBITDA</i>	Operating profit + depreciation, amortisation and impairment
<i>EBITA</i>	Operating profit + amortisation of intangible assets and impairment
<i>Earnings per share</i>	$\frac{\text{Profit attributable to the owners of the parent – interest and expenses of the capital loan recorded on the period adjusted with tax impact}}{\text{Weighted average number of outstanding shares during the period}}$
<i>Order backlog</i>	Amount of unrecognised revenue from customer contracts at the end of period
<i>Capital employed</i>	Equity + net debt
<i>Return on capital employed</i>	$\frac{\text{Operating profit, rolling 12 months}}{\text{capital employed on average}} * 100$
<i>Return on equity, %</i>	$\frac{\text{Profit for the period, rolling 12 months}}{\text{Equity on average}} * 100$
<i>Net investments in operating activities</i>	Investments in tangible and intangible assets - disposals of tangible and intangible assets
<i>Free cash flow from operating activities</i>	Cash flow from operations before financial items and taxes + net investments in operating activities
<i>Net working capital</i>	Inventories + (current trade and other receivables – loan receivables – interest receivables) – (current trade and other payables – interest liabilities)
<i>Net debt</i>	Interest-bearing debt – cash and cash equivalents
<i>Net debt/EBITDA</i>	$\frac{\text{Net debt}}{\text{EBITDA; rolling 12 months}}$
<i>Equity ratio, %</i>	$\frac{\text{Equity}}{\text{(Balance sheet total – advance payments received)}} * 100$

## Interim report 1-9/2020 Table section

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## Consolidated statement of comprehensive income

EUR 1,000	1-9/2020	1-9/2019	1-12/2019
<i>Revenue</i>	173,339	149,001	221,097
<i>Other operating income</i>	129	139	234
<i>Materials and services</i>	-132,402	-113,993	-168,889
<i>Employee benefit expenses</i>	-24,123	-20,436	-29,013
<i>Other operating expenses</i>	-6,846	-6,303	-9,577
<i>Share of joint venture's profit</i>	817	926	1,049
<i>Depreciation, amortisation and impairment</i>	-2,845	-2,397	-3,396
<b><i>Operating profit</i></b>	<b>8,069</b>	<b>6,936</b>	<b>11,505</b>
<i>Financial income</i>	26	42	43
<i>Financial expenses</i>	-687	-944	-1,225
<i>Financial income and expenses</i>	-661	-902	-1,183
<b><i>Profit before taxes</i></b>	<b>7,408</b>	<b>6,034</b>	<b>10,322</b>
<i>Income taxes</i>	-1,475	-1,157	-1,592
<b><i>Profit for the period</i></b>	<b>5,933</b>	<b>4,877</b>	<b>8,730</b>
<b><i>Comprehensive income for the period</i></b>	<b>5,933</b>	<b>4,877</b>	<b>8,730</b>
<i>Profit attributable to:</i>			
<i>Shareholders of parent</i>	5,933	4,877	8,730
<i>Earnings per share calculated on the profit attributable to owners of the parent</i>			
<i>Basic, €</i>	0.81	0.67	1.00
<i>Diluted, €</i>	0.81	0.67	1.00

## Consolidated balance sheet

EUR 1,000	9/2020	12/2019	9/2019
<b>ASSETS</b>			
<i>Non-current assets</i>			
<i>Intangible assets</i>	956	924	1,074
<i>Goodwill</i>	35,594	35,594	35,594
<i>Tangible assets</i>	14,579	14,117	13,825
<i>Right-of-use assets</i>	1,362	1,588	1,305
<i>Investments in joint ventures</i>	7,957	7,640	7,517
<i>Other receivables</i>	284	317	403
<i>Deferred tax assets</i>	224	223	3
<i>Non-current assets, total</i>	60,954	60,403	59,721
<i>Current assets</i>			
<i>Inventories</i>	0	3	148
<i>Trade and other receivables</i>	34,550	32,107	37,938
<i>Income tax receivables</i>	959	250	716
<i>Cash and cash equivalents</i>	12,897	12,693	5,999
<i>Current assets, total</i>	48,406	45,053	44,801
<i>Total assets</i>	109,360	105,457	104,522
<b>EQUITY</b>			
<i>Share capital</i>	3	3	3
<i>Reserve for invested unrestricted equity</i>	8,280	8,280	8,202
<i>Capital loan</i>	16,209	16,209	17,491
<i>Retained earnings</i>	17,801	11,867	9,411
<i>Total equity</i>	42,292	36,359	35,107
<b>LIABILITIES</b>			
<i>Non-current liabilities</i>			
<i>Interest-bearing debt</i>	22,181	24,512	26,648
<i>Deferred tax liabilities</i>	712	502	697
<i>Non-current liabilities, total</i>	22,894	25,015	27,344
<i>Current liabilities</i>			
<i>Interest-bearing debt</i>	7,223	5,458	5,083
<i>Trade and other payables</i>	33,689	36,177	34,806
<i>Income tax liabilities</i>	1,565	971	1,157
<i>Provisions</i>	1,697	1,477	1,025
<i>Current liabilities, total</i>	44,174	44,083	42,071
<i>Total liabilities</i>	67,068	69,097	69,416
<i>Total equity and liabilities</i>	109,360	105,457	104,522

## Consolidated cash flow statement

EUR 1,000	1-9/2020	1-9/2019	1-12/2019
<i>Profit for the period</i>	5,933	4,877	8,730
<i>Depreciation, amortisation and impairment</i>	2,845	2,397	3,396
<i>Financial income and expenses</i>	661	902	1,183
<i>Income taxes</i>	1,475	1,157	1,592
<i>Interest on lease liabilities, IFRS 16</i>	-22	-6	-27
<i>Other adjustments</i>	-793	-908	-1,034
<i>Total adjustments</i>	4,165	3,542	5,110
<i>Change in trade and other receivables</i>	-2,410	-6,488	-649
<i>Change in inventories</i>	3	-93	52
<i>Change in trade and other payables</i>	-2,600	4,128	5,809
<i>Change in provisions</i>	220	-23	429
<i>Total change in working capital</i>	-4,787	-2,477	5,641
<i>Cash flow from operating activities before financial items and taxes</i>	5,312	5,943	19,481
<i>Interest paid in operating activities</i>	-27	-2	-4
<i>Interest received in operating activities</i>	1	42	121
<i>Other financial items</i>	-137	-242	-316
<i>Dividends received</i>	500		
<i>Taxes paid</i>	-1,383	-788	-1,008
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	4,266	4,953	18,273
<i>Investments in tangible and intangible assets</i>	-3,160	-4,149	-5,311
<i>Disposals of tangible and intangible assets</i>	293	345	348
<i>Repayment of loan receivables</i>		1,300	1,300
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	-2,867	-2,503	-3,663
<i>Equity investments</i>		75	153
<i>Drawdown of capital loan</i>		175	357
<i>Repayment of capital loan</i>		-46	-1,509
<i>Repayment of current loans</i>	-446	-1,900	-3,800
<i>Drawing/repayment of credit facility</i>			
<i>Repayment of lease liabilities, IFRS 16</i>	-496	-494	-658
<i>Interest and other loan expenses</i>	-253	-401	-2,600
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	-1,195	-2,591	-8,058
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>	204	-141	6,553
<i>Cash and cash equivalents on the opening balance sheet</i>	12,693	6,140	6,140
<i>Changes in cash and cash equivalents</i>	204	-141	6,553
<i>Cash and cash equivalents at the end of the period</i>	12,897	5,999	12,693

## Consolidated statement of changes in equity

EUR 1,000	Share capital	Reserve for invested unrestricted equity	Capital loan	Retained earnings	Total equity
<i>Equity as at 1 Jan 2019</i>	3	8,127	17,362	4,534	30,025
<i>Items of comprehensive income</i>					
<i>Profit for the period</i>				4,877	4,877
<i>Total comprehensive income attributable to the owners of the parent</i>				4,877	4,877
<i>Transactions with the owners of the parent</i>					
<i>Equity investments</i>		75			75
<i>Capital loan</i>			130		130
<i>Total transactions with the owners of the parent</i>		75	130		204
<i>Equity as at 30 Sep 2019</i>	3	8,202	17,491	9,411	35,107

  

EUR 1,000	Share capital	Reserve for invested unrestricted equity	Capital loan	Retained earnings	Total equity
<i>Total equity as at 1 Jan 2020</i>	3	8,280	16,209	11,867	36,359
<i>Items of comprehensive income</i>					
<i>Profit for the period</i>				5,933	5,933
<i>Total comprehensive income attributable to the owners of the parent</i>				5,933	5,933
<i>Transactions with the owners of the parent</i>					
<i>Equity investments</i>					
<i>Capital loan</i>					
<i>Total transactions with the owners of the parent</i>					
<i>Equity as at 30 Sep 2020</i>	3	8,280	16,209	17,801	42,292

EUR 1,000	Share capital	Reserve for invested unrestricted equity	Capital loan	Retained earnings	Total equity
<i>Equity as at 1 Jan 2019</i>	3	8,127	17,362	4,534	30,025
<i>Items of comprehensive income</i>					
<i>Profit for the period</i>				8,730	8,730
<i>Total comprehensive income attributable to the owners of the parent</i>				8,730	8,730
<i>Transactions with the owners of the parent</i>					
<i>Equity investments</i>		153			153
<i>Capital loan</i>			-1,152		-1,152
<i>Interest on capital loan</i>				-1,397	-1,397
<i>Total transactions with the owners of the parent</i>	0	153	-1,152	-1,397	-2,396
<i>Equity as at 31 Dec 2019</i>	3	8,280	16,209	11,867	36,359

## Notes

### Key accounting principles and basis for preparation of the interim report

The Group's interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim report should be read together with Kreate Group's consolidated financial statements for the financial year 2019.

The interim report has been prepared in euros and presented in 1,000 euros, unless stated otherwise. The figures have been rounded to the nearest 1,000 euros, and due to this, the sums of individual numbers may differ from the presented total amounts. The information presented in the interim report is unaudited.

The interim report has been prepared in accordance with the key accounting principles presented in Kreate Group's consolidated financial statements for the financial year 2019, except for the revised IFRS standards that came into effect on 1 January 2020. The revised standards did not have an impact on the consolidated financial statements.

The preparation of an interim report according to IFRS requires management make judgements, estimates and assumptions that affect the amount of assets and liabilities, as well as the amount of income and expenses for the reporting period. Such estimates and assumption of the management are based on previous experience and other justified factors.

Kreate Group has used estimates and judgement in determining factors that may lead to a significant risk of changes in the carrying amounts of assets and liabilities:

- Recognition of project revenue: The Group recognises project revenue over time. Revenue recognition is based on the management estimates on the project revenue and expenses, as well as on a comprehensive estimate of the progress and determination of measure of progress of the projects. The management estimates the probability of revenue when determining the revenue. Should the estimates on the project's outcome change, revenue recognition is adjusted during the reporting period when the change becomes known for the first time.
- Recognition of provisions: At the end of the reporting period, the Group estimates if it has a legal or constructive obligation where the realisation of a payment obligation is probable. The Group recognises a provision for warranty upon the delivery of projects including a warranty obligation. The amount of the warranty provision is based on the Group management's historical information on the realised warranty provisions and their timing.
- Recognition of deferred tax assets: Deferred tax assets on the confirmed losses of the previous financial year or on undeducted interest expenses are recognised only if the management estimates that an adequate amount of taxable profit will be generated in the future against which the unused tax losses and undeducted interest expenses can be utilised for taxation purposes.
- Testing of goodwill for impairment: The Group has one cash-generating unit, Kreate Group, and it is the lowest level where goodwill is monitored. The Group did not see any need for carrying out an impairment test for the reporting period, as there were no indications of impairment during the period.

### COVID-19 pandemic

The COVID-19 pandemic has only had a minor impact on the business of Kreate Group.

## Segments

The Company has one operating segment: Infra Construction. The segment's business operations mainly consist of infrastructure construction projects. The Group's management monitors the whole Group and the segment's figures match the consolidated numbers.

### Revenue from customer contracts

A significant part of Kreate Group's revenue from customer contracts originates from infrastructure construction projects. Over 90% of the Group's revenue is generated in Finland.

#### The Group's revenue is allocated between the business areas as follows:

EUR 1,000	1-9/2020	1-9/2019	1-12/2019
<i>Traffic routes<sup>1)</sup></i>	56,042	45,041	68,410
<i>Structural engineering<sup>2)</sup></i>	117,390	103,440	152,501
<i>Other<sup>3)</sup></i>	-93	520	186
<b>Total</b>	<b>173,339</b>	<b>149,001</b>	<b>221,097</b>

<sup>1)</sup> includes construction of railways, road and streets, among others

<sup>2)</sup> includes rock engineering and construction of foundations, concrete structures and bridges, among others

<sup>3)</sup> includes also intra-Group eliminations

#### The Group's revenue is allocated between customer groups as follows:

EUR 1,000	1-9/2020	1-9/2019	1-12/2019
<i>Cities and municipalities</i>	30 %	31%	30 %
<i>State</i>	32 %	28 %	30 %
<i>Private sector</i>	38 %	41 %	40 %

Seasonal nature of the infrastructure projects carried out by the Company has an impact on the Company's profit and timing of the cash flows.

## Working capital

EUR 1,000	9/2020	12/2019	9/2019
<b>Inventories</b>	<b>0</b>	<b>3</b>	<b>148</b>
<i>Trade receivables</i>	21,116	20,777	21,715
<i>Contract assets</i>	13,317	11,263	15,600
<i>Loan receivables</i>	0	0	1
<i>Other receivables</i>	106	33	496
<i>Accrued income</i>	12	35	127
<b>Total trade and other receivables</b>	<b>34,550</b>	<b>32,107</b>	<b>37,938</b>
<i>Accrued personnel costs</i>	0	0	0
<i>Other accrued income</i>	12	35	127
<i>Total accrued income</i>	12	35	127
<i>Trade payables</i>	10,440	10,604	15,494
<i>Contract liabilities</i>	10,205	13,453	9,800
<i>Other liabilities</i>	2,512	2,229	1,759
<i>Accrued liabilities</i>	10,532	9,892	7,753
<b>Total trade and other payables</b>	<b>33,689</b>	<b>36,177</b>	<b>34,806</b>
<i>Interest liabilities</i>	162	47	358
<i>Accrued personnel costs</i>	9,314	8,650	6,926
<i>Other accrued liabilities</i>	1,056	1,194	469
<i>Total accrued liabilities</i>	10,532	9,892	7,753

## Financial assets and liabilities

30 Sep 2020 EUR 1,000	Carrying amount	Fair value
<i>Financial assets measured at amortised cost</i>		
Receivables	284	284
Non-current financial assets	284	284
Trade and other receivables	21,221	21,221
Current financial assets	21,221	21,221
Cash and cash equivalents	12,897	12,897
<b>Total financial assets</b>	<b>34,402</b>	<b>34,402</b>
<i>Financial liabilities measured at amortised cost</i>		
Loans from financial institutions	21,467	21,613
Lease liabilities	714	
Non-current interest-bearing liabilities	22,181	
Loans from financial institutions	6,562	6,562
Lease liabilities	661	
Current interest-bearing liabilities	7,223	
Trade and other payables	12,952	12,952
Other current financial liabilities	12,952	12,952
<b>Total financial liabilities</b>	<b>42,356</b>	

31 Dec 2019 EUR 1,000	Carrying amount	Fair value
<i>Financial assets measured at amortised cost</i>		
Non-current receivables	317	317
Non-current financial assets	317	317
Trade and other receivables	20,810	20,810
Current financial assets	20,810	20,810
Cash and cash equivalents	12,693	12,693
<b>Total financial assets</b>	<b>33,819</b>	<b>33,819</b>
<i>Financial liabilities measured at amortised cost</i>		
Loans from financial institutions	23,509	23,763
Lease liabilities	1,003	
Non-current interest-bearing liabilities	24,512	
Loans from financial institutions	4,858	4,858
Lease liabilities	600	
Current interest-bearing liabilities	5,458	
Trade and other payables	12,833	12,833
Other current financial liabilities	12,833	12,833
<b>Total financial liabilities</b>	<b>42,802</b>	

Loans from financial institutions are classified to hierarchy level 2 of the fair value classification. The carrying amounts of current trade receivables and payables are assumed to equal their fair values due to their nature.

The Group only has financial assets and liabilities measured at amortised cost for the periods of 1 January 2020 to 30 September 2020 and 1 January 2019 to 31 December 2019.

## Changes in tangible assets

	9/2020	12/2019	9/2019
EUR 1,000			
<i>Cost as at 1 Jan</i>	21,038	17,097	17,097
<i>Increases</i>	2,986	4,922	3,837
<i>Decreases</i>	-2,730	-981	-386
<i>Cost at the end of period</i>	21,295	21,038	20,548
<i>Accrued depreciation and impairment as at 1 Jan</i>	-6,921	-4,968	-4,968
<i>Accrued depreciation of the decreases</i>	2,413	617	23
<i>Depreciation for the period</i>	-2,208	-2,570	-1,777
<i>Accrued depreciation and impairment at the end of the period</i>	-6,716	-6,921	-6,723
<i>Book value at the end of period</i>	14,579	14,117	13,825

## Changes in right-of-use assets

	9/2020	12/2019	9/2019
EUR 1,000			
<i>Cost as at 1 Jan</i>	2,480	2,199	2,199
<i>Increases</i>	306	1,116	519
<i>Decreases</i>	-171	-835	-382
<i>Cost at the end of the period</i>	2,615	2,480	2,337
<i>Accrued depreciation and impairment as at 1 Jan</i>	-893	-900	-900
<i>Accrued depreciation of the decreases</i>	134	669	366
<i>Depreciation for the period</i>	-494	-662	-498
<i>Accrued depreciation and impairment at the end of the period</i>	-1,254	-893	-1,032
<i>Carrying amount at the end of the period</i>	1,362	1,588	1,305

## Changes in intangible assets

	9/2020	12/2019	9/2019
EUR 1,000			
<i>Cost as at 1 Jan</i>	5,284	5,198	5,198
<i>Increases</i>	174	86	194
<i>Decreases</i>	-396		
<i>Cost at the end of period</i>	5,062	5,284	5,392
<i>Accrued amortisation and impairment as at 1 Jan</i>	-4,359	-4,195	-4,195
<i>Accrued amortisation of the decreases</i>	396		
<i>Amortisation for the period</i>	-143	-164	-122
<i>Accrued amortisation and impairment at the end of period</i>	-4,106	-4,359	-4,318
<i>Book value at the end of period</i>	956	924	1,074

## Collaterals and commitments

EUR 1,000	9/2020	12/2019
<u>Mortgages and shares given as collaterals for loans from financial institutions</u>		
Book value of pledged shares	52,024	52,024
Given real estate mortgages	5,034	5,392
Floating charges given	75,400	75,400
<u>Other commitments</u>		
Guarantees given on behalf of joint venture	91	145
Other guarantees	68	68
Guarantee obligations from project contracts	38,297	39,920
Unrecognised accrued interest on capital loans <sup>*)</sup>	1,217	
Lease obligations from short-term and low value assets	708	663
VAT obligation	142	167

<sup>\*)</sup> Kreate Group has a capital loan that is accounted for as equity. The Group does not have any payment obligation related to the loan's principal or interests.

## Related-party transactions

The Group's related parties include the parent company, subsidiaries, joint venture KFS Finland Oy and the companies belonging to the group of companies of the controlling shareholder Intera Fund II Ky. In addition, the related parties include key management personnel and their close family members. The key management personnel includes the members of the Board of Directors, the CEO, the Deputy CEO and the members of the Group's Management Team.

EUR 1,000	1-9/2020 Income	Expenses <sup>3)</sup>	9/2020 Receivables	Liabilities <sup>2)</sup>
Intera Fund II Ky				6,785
Joint venture	15,793	-2,191	916	42
Other related parties <sup>1)</sup>	56	-321		3,445

EUR 1,000	1-12/2019 Income	Expenses	12/2019 Receivables	Liabilities <sup>2)</sup>
Intera Fund II Ky		-754		6,785
Joint venture	16,184	-6,475	3,907	166
Other related parties <sup>1)</sup>		-582		3,464

EUR 1,000	1-9/2019 Income	Expenses <sup>3)</sup>	9/2019 Receivables	Liabilities <sup>2)</sup>
Intera Fund II Ky				7,538
Joint venture	9,994	-4,329	2,777	828
Other related parties <sup>1)</sup>		-228		3,722

<sup>1)</sup> Other related parties include transactions carried out with the parent company or subsidiaries by the members of the Board and other key management personnel and their close family members or entities controlled by them.

<sup>2)</sup> Liabilities to Intera Fund II Ky and other related parties include the capital loan converted to equity.

<sup>3)</sup> The expenses do not include the Group's unrecognised accrued interest on the capital loans amounting to EUR 0.8 million for the reporting period 1-9/2020 (1-9/2019: EUR 0.9 million).

## Events after the end of reporting period

### Refinancing arrangement

On 15 December 2020, Kreate agreed with its partner banks on the rearrangement of its credit facility. In connection with the rearrangement, on 30 December 2020 Kreate drew down a total of EUR 34.25 million from its credit facility, refinanced the liabilities based on the existing credit facility and repaid the capital loans granted to it and the interest accrued on them, totalling EUR 17.8 million.