



# Interim report January– September 2022

Kreate Group Plc

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THE FUTURE IS BUILT TODAY

## KREATE'S INTERIM REPORT: REVENUE AND ORDER BACKLOG GREW TO RECORD LEVELS – COST INFLATION BROUGHT DOWN OPERATING PROFIT

Kreate Group Plc, interim report for January–September 2022, 26 October 2022 at 8:30 a.m.

### July–September in brief

- Order backlog amounted to EUR 284.2 (202.8) million
- Revenue grew compared to the reference period, amounting to EUR 73.3 (70.6) million
- Year-on-year change in revenue was 3,9% (8,0%)
- EBITDA was EUR 4.2 (5.1) million, amounting to 5.7 (7.2) per cent of revenue
- EBITA was EUR 3.0 (4.1) million, amounting to 4.1 (5.8) per cent of revenue
- Earnings per share were EUR 0.23 (0.34)
- Free cash flow from operating activities was EUR -10.1 (-0.2) million
- Interest-bearing net debt was EUR 46.8 (28.1) million
- Guidance updated 30<sup>th</sup> of September: Revenue will grow and amount to EUR 250–260 million. EBITA will decrease to a level of EUR 8.5–9.5 million.

### January–September in brief

- Revenue grew compared to the reference period, amounting to EUR 190.8 (161.8) million
- Year-on-year change in revenue was 17,9% (-6,6%)
- EBITDA was EUR 9.8 (10.1) million, amounting to 5.2 (6.3) per cent of revenue
- EBITA was EUR 6.5 (7.5) million, amounting to 3.4 (4.6) per cent of revenue
- Earnings per share were EUR 0.49 (0.52)
- Free cash flow from operating activities was EUR -11.7 (-3.8) million

### Development of the operating environment

In its October assessment, the Confederation of Finnish Construction Industries repeated its earlier estimate of 2% growth in construction for 2022. The growth forecast for this year is supported by the construction industry's good existing work backlog that resulted from the large number of projects started in late 2021 and early 2022. Starting from the second quarter, the impacts of Russia's attack on Ukraine and the high level of inflation, rise of interest rates and financial imbalance which accelerated during the latter half of the year have also affected the construction industry's operating environment.

With the changes in the operating environment and the degraded outlook, construction is expected to decline by two per cent in 2023. The slowing down of multi-storey construction, delays in infrastructure investments and the downturn in the economy of the government and municipalities will, in particular, contribute to the decline. However, Finland has been at a higher level than the rest of Europe in terms of construction investments for a long time, and an estimated decrease of 10% in housing construction in 2023, for example, will bring it closer to the longer-term normal level. As regards infrastructure construction, the Confederation of Finnish Construction Industries lowered its earlier estimate and predicted that earth and water construction will take a turn towards a 2% decline in 2022 and to contract by 2% next year due to rapid cost increases, a reduction of the government's transport infrastructure investments and the municipalities' weak capabilities for investment. As other areas of construction decline, repair projects are estimated to keep growing. The outlook may change rapidly, and the estimate of a moderate decline for next year contains the

assumption that cost inflation stabilises and that the financial markets continue to operate normally. According to the forecast of the Confederation of Finnish Construction Industries, construction will return to growth in 2024.

In January–September, the construction industry and project profitability were affected by availability constraints and price challenges in terms of materials as well as the growing energy, fuel and raw material costs. On the other hand, towards the end of H1, there were clear positive signals of the material price levels stabilising. Even though the prices remain at a high level, the development and cyclicity of costs continued to stabilise during the third quarter, while also increasing predictability in tendering.

Early in the year, the government and largest cities continued to launch projects as in previous years, but the cuts made in the Ministry of Transport and Communications' budget have already affected investments in major transport projects already during the current year. Furthermore, scheduling challenges in projects led by the government have created pressure in the activity planning of construction companies. The cuts will have a limited impact on the total market, since government projects amount to about 20% of the entire infrastructure construction market. At the same time, the progress with repair projects and investments in trade and industry will balance any government cuts in the infrastructure market. Railway construction also seems to remain at a good level for the time being.

Despite the weaker government economy and outlook of infrastructure construction, the National Transport System Plan is expected to continue bring long-term developments exceeding individual governments' terms in office to the development of the transport network. However, the municipalities' growing share of construction costs remains problematic; this may mean that projects are not executed and the condition of the road and street network and railways as well as the light rail network will continue to deteriorate. At the moment, the market outlook is that only the largest cities will continue their investments in construction. An economic downturn does not support the rapid increase of construction needs or the reduction of the maintenance backlog. The construction industry remains ready to drive economic growth, but the demand for construction is also largely affected by the stakeholders' ability to renew themselves and the tolerance of the government's economy.

Any possible stimulus activities from the public sector and the transition away from fossil fuels towards renewable energy alternatives will also create markets and opportunities for infrastructure actors. The infrastructure projects subjected to cuts in the near future are likely to start in the longer term, as the maintenance backlog keeps growing. Urbanisation, the infrastructure maintenance backlog and public sector projects are expected to continue to drive growth.

In its strategy, Kreate has chosen its business functions according to areas of structural engineering and transport infrastructure construction that will grow in the long term in line with the megatrends. Specialisation in demanding and versatile infrastructure is significantly more sustainable across business cycles and downturns than focusing on basic infrastructure construction. The regularly starting projects in the private sector, especially in the fields of industry and trade, create demand for an actor like Kreate. Furthermore, Kreate's expansion into Sweden, which has an infrastructure market twice the size of Finland's, offers opportunities for growth in the technically demanding infrastructure construction projects in the Greater Stockholm area, for example.

Despite the slowdown in public sector tendering during the third quarter, Kreate estimates that the overall market for suitable structural construction and transport infrastructure construction in 2022 will remain around the level of the previous year.

## Key figures

EUR million	7–9/2022	7–9/2021	1–9/2022	1–9/2021	1–12/2021
Order backlog			284.2	202.8	202.8
Revenue	73.3	70.6	190.8	161.8	237.6
Year-on-year change in revenue, %	3.9	8.0	17.9	-6.6	1.0
EBITDA	4.2	5.1	9.8	10.1	14.2
EBITDA, %	5.7	7.2	5.2	6.3	6.0
EBITA	3.0	4.1	6.5	7.5	10.5
EBITA, %	4.1	5.8	3.4	4.6	4.4
Operating profit	2.9	4.1	6.3	7.3	10.4
Operating profit, %	4.0	5.8	3.3	4.5	4.4
Result for the period	2.1	3.1	4.4	4.5	6.9
Capital employed			88.0	66.7	62.0
Return on capital employed, %			12.1	15.3	17.8
Return on equity, %			17.0	15.6	20.4
Net investments in operating activities	-0.8	-0.6	-3.7	-3.5	-4.9
Free cash flow from operating activities	-10.1	-0.2	-11.7	-3.8	4.0
Net working capital			17.0	3.8	-0.0
Net debt			46.8	28.1	20.9
Net debt/EBITDA, rolling 12 months			3.4	2.1	1.5
Net debt/EBITDA, rolling 12 months pro forma			3.1		
Equity ratio, %			29.7	32.3	38.6
Earnings per share, €	0.23	0.34	0.49	0.52	0.80
Personnel at the end of the period			450	392	385
Personnel on average	428	398	403	392	392

## President & CEO Timo Vikström:

“In the third quarter, we took systematic and efficient steps on our strategic path to growth. In September, we both executed a business acquisition and extended our expertise in railway construction with electric railway and safety device business areas. The business acquisition reinforces our foothold in Sweden and adds opportunities for building profitable business on the Swedish infrastructure market, which is twice the size of Finland’s. Our expansion into electric railways and safety devices, for its part, reinforces our expertise in railway construction. Projects are becoming more multifaceted, as the green transition and digitalisation are being accelerated and both people and goods are more and more moving onto rails and around them. Strengthening our position and expertise as the infrastructure builder for technically demanding locations further reinforces our competitiveness, and both our investments will support revenue growth and profitability going forward.

At the end of the reporting period, we reported that we are lowering our EBITA guidance for the current financial year and specifying our revenue growth forecast. Even though our strong order backlog, specialisation in demanding construction and the stable infrastructure construction market have supported the company’s revenue and order backlog as expected, the impacts of cost inflation within our operating environment are partially unavoidable. Long-term projects started in earlier years that are not bound to an index and, in particular, the increase in fuel costs and energy prices will impact the development of EBITA and relative profitability more than estimated during the current financial year. However, for the projects started this year, we have been able to account for changes in the cost level better than earlier, and cost inflation is not expected to affect the next year’s results in the long-term projects.

Kreate’s net sales of the third quarter rose to a higher level compared to the comparison period, and the operating result decreased. Revenue for the January–September was EUR 190.8 (161.8) million and operating profit was EUR 6.3 (7.3) million. In addition to seasonal variation that is typical to the industry, net working capital and cash flow were negatively impacted by ongoing large projects, some of which will enter the handover stage during the rest of the year. Furthermore, front-end-weighted acquisitions made in order to improve profitability will continue to have a positive impact on net working capital. In addition to the increase in net working capital, net debt was increased by the loan taken out for the corporate acquisition.

Our order backlog grew by EUR 120 million due to the alliance project for renovating the Kirjalansalmi and Hessundinsalmi bridges along Highway 180, which entered the execution stage at the end of the reporting period. The largest bridge project in Kreate’s history, which is also technically challenging, is an excellent example of our strong competence and competitiveness. Furthermore, we grew our order backlog by EUR 11 million by winning transport infrastructure construction projects, the largest of which is the pre-construction of Haakoninlahti and Koirasaari in Helsinki that will start during the last quarter of 2022. This brought our order backlog to a record level of EUR 284.2 (202.8) million, which also brings added predictability to future years.

At the moment, the impact of external factors on the development of the construction market is stronger than it has been in decades. The increase of interest rates, high level of inflation, an imbalance in the public finances and many other factors have made Finland’s position more difficult in the international competition for investments and slowed down public sector tendering activities domestically. For years, the construction industry has been the driver of growth in the Finnish economy, and it continues to hold the keys to continuing the positive development in the future. In order to ensure this, however, all stakeholders in the construction cluster need to make an effort.

Where there is a will, there is also a way to improve the situation. Fluent zoning, functional legislation and an enabling financial market can keep housing costs in check even in a declining

housing market. A sufficient level of housing production would also reflect positively on the foundation and special foundation construction markets. Finland's logistics capabilities, safety and competitiveness, for their part, can be ensured by creating functional financing models for large traffic investments and ensuring a sufficient level of investment for basic transport infrastructure maintenance. The increase in energy efficiency and reduction in emissions required by the green transition are popular topics, and in construction, they can be achieved by means of the circular economy, smart land use and investments in energy-efficient repair construction.

With the right mindset and genuine cooperation, construction can continue to act as a growth driver in the Finnish economy. Despite the uncertainty on the global stage, our outlook on the future is positive: The projects regularly starting on the private sector provide opportunities for a company like us that specialises in demanding infrastructure construction, and our strong expertise gives us fairly good prerequisites for succeeding even on a more challenging market.”

### Result guidance for 2022 (published on 30 September 2022)

Kreate estimates that the company's revenue (2021: EUR 237.6 million) will grow compared to 2021 and will be approximately EUR 250–260 million. EBITA (2021: EUR 10.5 million) will decrease to a level of EUR 8.5–9.5 million.

#### Justifications:

Kreate's strong order backlog and specialisation in demanding construction as well as the stable infrastructure construction market have supported the company's revenue and order backlog as expected. The Highway 180 Kirjalansalmi and Hessundinsalmi bridge renovation project, which will launch in Q4, is already increasing the revenue for 2022 and is an excellent example of Kreate's strong expertise and competitiveness.

The changes in the operating environment due to cost inflation, which are particularly reflected in increased fuel costs and energy prices, as well as the earlier long-term projects that are not bound to an index will impact the development of EBITA and relative profitability more than estimated during the 2022 financial year. Long-term projects or general cost inflation are not expected to impact the result in 2023. In the contracts signed in 2022, attempts have been made to take the changes in the cost level into account better than before through contractual means.

Furthermore, the company's accelerated strategic expansion to the electric railway and safety device business, which was announced in September, will result in one-time costs in 2022. However, the investments made at this time will enable the more effective implementation of growth plans in railway construction in the coming years.

### Previous result guidance for 2022 (published on 26 January 2022)

Kreate estimates that its revenue (2021: EUR 237.6 million) and EBITA (2021: EUR 10.5 million) will grow compared to 2021.

#### Justifications:

Kreate's strong order backlog and specialisation in demanding construction as well as the stable infrastructure construction market support the company's strategic growth forecast.

## Kreate Group's financial reporting

The planned publication date for Kreate Group Plc's financial statements bulletin in 2023

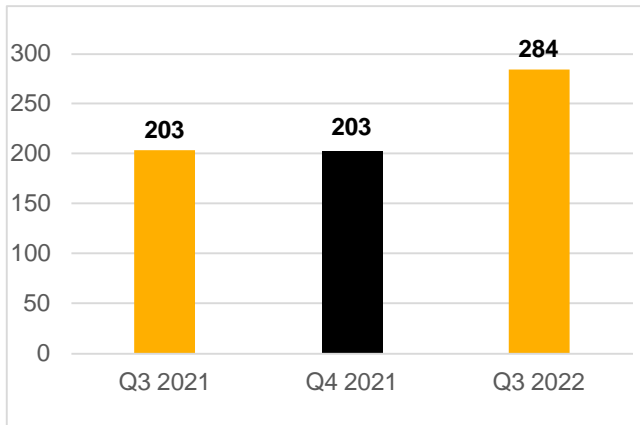
- Financial statement bulletin for 2022: 31 January 2023

## Webcast event for analysts and media

A live webcast for analysts and media will be held today, 26 October 2022, at 11:00 a.m. The event will be in Finnish. President & CEO Timo Vikström and Chief Financial Officer Mikko Laine will be presenting at the event. The webcast can be followed live in Finnish at <https://kreate.videosync.fi/2022-q3-tulosjulkistus>. A recording of the webcast will be made available later at <https://kreate.fi/sijoittajille/tiedotteet-ja-raportit/raportit-ja-esitykset/> and a summary in English will become available at <https://kreate.fi/en/investor/releases-and-reports/reports/>.

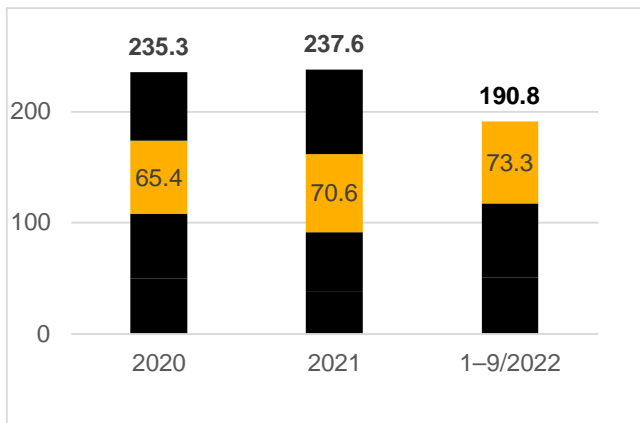
## Key figures

### Order backlog, EUR million



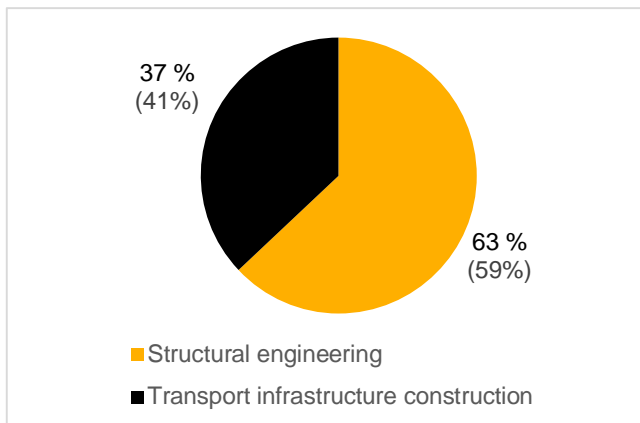
- **At the end of September 2022**, the order backlog clearly grew compared to the reference period, amounting to EUR 284.2 (202.8) million.
- The contract for renovating the Kirjalansalmi and Hessundinsalmi bridges along Highway 180, with a value of approximately EUR 120 million, moved into the execution stage and entered the order backlog

### Revenue, EUR million

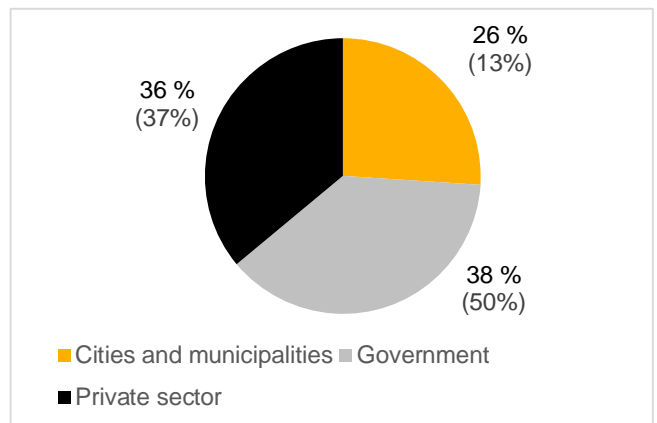


- **In July–September 2022**, revenue grew compared to the reference period, amounting to EUR 73.3 (70.6) million
- Project progress according to plan, especially in large structural engineering projects, grew the revenue
- **In January–September**, revenue was EUR 190.8 (161.8) million

### Revenue by customer group 1–9/2022 (1–9/2021)



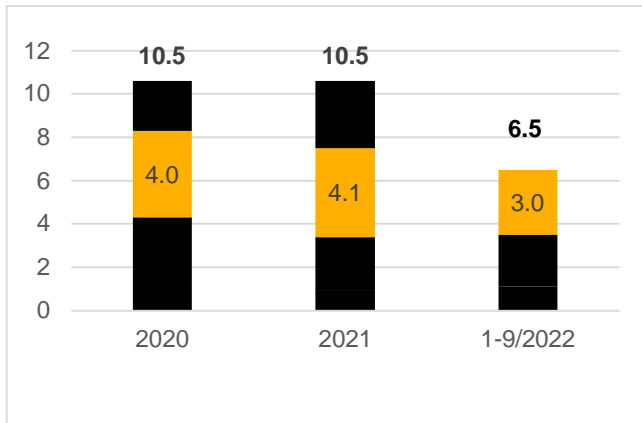
### Revenue by business function 1–9/2022 (1–9/2021)



Transport infrastructure construction comprises Railway construction and Road and street construction. Structural engineering comprises Bridge construction and repair and Foundation, concrete and rock engineering.

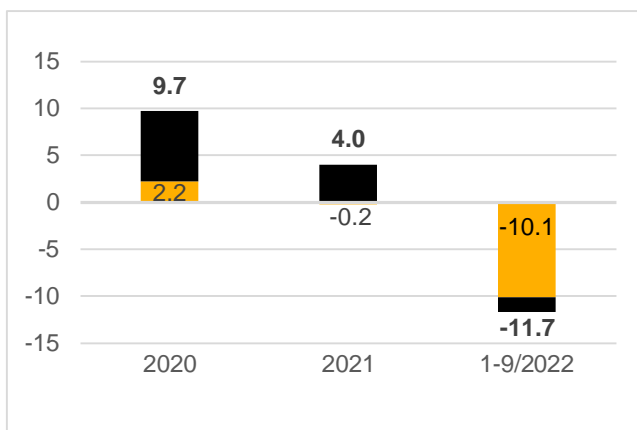


**EBITA, EUR million**



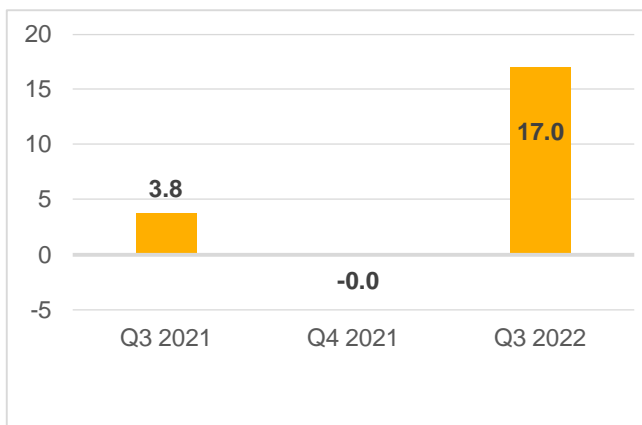
- **In July–September 2022**, EBITA decreased compared to the reference period, amounting to EUR 3.0 (4.1) million
- **In January–September 2022**, EBITA decreased to EUR 6.5 (7.5) million
- The increase in the cost level has had a negative effect especially on long projects in the final stages
- The flexible cost structure and measures for preventing impacts from increased costs supported profitability during the challenging early part of the year

**Free cash flow from operating activities, EUR million**



- **In July–September 2022**, free cash flow from operating activities was EUR -10.1 (-0.2) million, of which net investments amounted to EUR 0.8 (0.6) million
- **In January–September 2022**, free cash flow from operating activities was EUR -11.7 (-3.8) million, of which net investments amounted to EUR 3.7 (3.5) million
- The commitment of working capital is the biggest single factor in the negative cash flow at the beginning of the year

**Net working capital, EUR million**



- **At the end of September 2022**, the company's net working capital was EUR 17.0 (3.8) million
- Large projects were at the handover stage at the end of the reporting period which, together with seasonal variation, tied up an exceptionally large amount of working capital
- Changes in the prices of materials, as well as the purchases at the beginning of the year related to preventing the effects of it, will continue to keep net working capital levels high even in the coming months

## Kreate's interim report for January–September

### Operating environment in January–September 2022

In construction, the year 2022 started on a positive note, and companies' order backlogs rose to a good level following an uptick in tendering and increased demand. In March, however, the effects of Russia's offensive war in Ukraine started to show in the construction industry's operating environment. While at the beginning of this year public and private sector projects were still being launched as usual, the effects of the war started to reflect on the decisions to start some investments from the third quarter onwards.

Necessary projects continued to be launched in the public sector, but the cuts made in the government's budget targeted investments for major traffic infrastructure projects. A high level of inflation, increase in interest rates and a financial imbalance reduced the outlook in the construction industry while also slowing down investment decisions in the public sector. Furthermore, delays in the project schedules have created pressure on activity planning by the contractors.

In the fields of industry and trade, however, willingness to invest remained at a good level in January–September, which especially reflected on Kreate's foundation, special foundation and transport infrastructure construction business areas. The reduction in new housing construction projects and permit volumes, as such, did not have a significant impact on Kreate's operations. The more demanding housing construction projects which emphasise Kreate's leading position in foundation construction were started normally in January–September.

Tendering remained at a good level in both the railway construction and bridge construction market, which can be seen as a positive impact in the number of Kreate's railway and bridge projects. The high number of projects launched early in the year, before the war, maintained growth in construction volume during H1, but the uncertain global situation slowed it down in the third quarter.

The unforeseen increase in construction material prices, which caused uncertainty during H1, showed clear signs of stabilising during Q3 and has provided much-needed relief in tender calculations for future projects. The lack of predictability has been countered by analysing the risks and opportunities even more precisely than before, for both tendering and project execution. The aim is to keep profitability at a good level also during challenging times. The stabilisation of the market situation during Q3 has been particularly affected by the other countries' increased production of construction materials that have previously come from Russia and the development of their distribution networks. However, changes in the operating environment caused by cost inflation are particularly visible as increases in fuel and energy costs, which will also reflect on the development of Kreate's profitability during the reporting period.

Kreate's strategic specialisation in executing demanding infrastructure projects continued to support the company's competitiveness in technically challenging projects that require special expertise, where the competitive situation has remained moderate for longer.

## Order backlog

The order backlog grew compared to the reference year and amounted to EUR 284.2 (202.8) million at the end of September 2022. The profitability of the order backlog remained at a expected level. The most significant addition to the order backlog during the reporting period was the alliance project for the renovation of the Kirjalansalmi and Hessundinsalmi bridges along Highway 180, worth EUR 120 million. Furthermore, the order backlog grew by EUR 11 million due to transport infrastructure construction projects won during the reporting period, the largest of which were the pre-construction of Haakoninlahti and Koirasaari in Helsinki and the construction of streets and water supply and sewerage for Tahkokangas in Oulu.

## Revenue

The Group's revenue by business function

EUR million	1–9/2022	1–9/2021	1–12/2021
Structural engineering <sup>1)</sup>	120.8	94.5	137.5
Transport infrastructure construction <sup>2)</sup>	67.8	64.9	98.2
Other <sup>3)</sup>	2.3	2.4	1.9
Total	190.8	161.8	237.6

<sup>1)</sup> Includes, among others, foundation, concrete and bridge construction as well as rock engineering

<sup>2)</sup> Includes, among others, railway, road and street construction

<sup>3)</sup> Includes intra-Group eliminations

### July–September 2022

In July–September, the Group's revenue grew compared to the reference period, amounting to EUR 73.3 (70.6) million. Year-on-year, revenue grew in Structural engineering to EUR 47.7 (39.1) million and decreased in Transport infrastructure construction to EUR 25.3 (31.2) million. The revenue from Sweden is included in the Structural engineering business area, and it was EUR 1.0 million during the reporting period.

### January–September 2022

The Group's revenue in January–September increased to EUR 190.8 (161.8) million. Year-on-year, revenue grew in Structural engineering to EUR 120.8 (94.5) million and in Transport infrastructure construction to EUR 67.8 (64.9) million.

In January–September, 36 (37) per cent of the Group's total revenue came from the private sector, 26 (13) per cent from cities and municipalities and 38 (50) per cent from the government.

## Profitability

EUR million	7–9/2022	7–9/2021	1–9/2022	1–9/2021	1–12/2021
EBITDA	4.2	5.1	9.8	10.1	14.2
EBITDA, %	5.7	7.2	5.2	6.3	6.0
EBITA	3.0	4.1	6.5	7.5	10.5
EBITA, %	4.1	5.8	3.4	4.6	4.4
Operating profit	2.9	4.1	6.3	7.3	10.4
Operating profit, %	4.0	5.8	3.3	4.5	4.4
Result for the period	2.1	3.1	4.4	4.5	6.9
Earnings per share, €	0.23	0.34	0.49	0.52	0.80

### July–September 2022

In July–September, the Group's EBITDA was EUR 4.2 (5.1) million, amounting to 5.7 (7.2) per cent of revenue. EBITA was EUR 3.0 (4.1) million, amounting to 4.1 (5.8) per cent of revenue. The Group's operating profit was EUR 2.9 (4.1) million, amounting to 4.0 (5.8) per cent of revenue.

The Group's result before tax was EUR 2.5 (3.8) million. Tax for the reporting period amounted to EUR 0.4 (0.7) million. Result for the reporting period was EUR 2.1 (3.1) million. Earnings per share were EUR 0.23 (0.34).

### January–September 2022

In January–September, the Group's EBITDA was EUR 9.8 (10.1) million, amounting to 5.2 (6.3) per cent of revenue. EBITA was EUR 6.5 (7.5) million, amounting to 3.4 (4.6) per cent of revenue. The Group's operating profit was EUR 6.3 (7.3) million, amounting to 3.3 (4.5) per cent of revenue.

The Group's result before tax was EUR 5.3 (5.5) million. The result before tax for the reference period is encumbered by EUR 0.9 million of IPO expenses that are recorded under finance costs. Tax for the reporting period amounted to EUR 0.9 (1.1) million with the effective tax rate being 17.4 (19.2) per cent. Result for the reporting period was EUR 4.4 (4.5) million. Earnings per share were EUR 0.49 (0.52).

## The Group's cash flow, balance sheet and financial standing

EUR million	7–9/2022	7–9/2021	1–9/2022	1–9/2021	1–12/2021
Free cash flow from operating activities	-10.1	-0.2	-11.7	-3.8	4.0
Net working capital			17.0	3.8	-0.0

Free cash flow from operating activities in July–September was EUR -10.1 (-0.2) million. In January–September, free cash flow from operating activities was EUR -11.7 (-3.8) million. During the reporting period, net working capital increased to EUR 17.0 million from EUR -0.0 million at the end of the 2021 financial year. Large projects were at the handover stage at the end of the reporting period which, together with seasonal variation, tied up an exceptionally large amount of working capital.

EUR million	9/2022	9/2021	12/2021
Interest-bearing debt	50.6	35.0	27.2
Cash and cash equivalents	3.8	6.9	6.3
Net debt	46.8	28.1	20.9
Equity	41.2	38.7	41.1
Equity ratio, %	29.7	32.3	38.6
Return on capital employed, %	12.1	15.3	17.8

At the end of September 2022, interest-bearing debt amounted to EUR 50.6 million (31 Dec 2021: EUR 27.2 million), of which EUR 2.3 million (31 Dec 2020: EUR 1.1 million) constituted lease liabilities under IFRS 16. The company's cash and cash equivalents amounted to EUR 3.8 million (31 Dec 2021: EUR 6.3 million). In addition, the company had revolving overdraft and credit limits of EUR 20.0 million (31 Dec 2021: EUR 15.0 million), of which EUR 9.4 million (31 Dec 2021: EUR 3.0 million) were drawn. At the end of September, interest-bearing net debt was EUR 46.8 million (31 Dec 2021: EUR 20.9 million).

On 8 March 2022, Kreate signed an agreement for a domestic commercial paper programme worth EUR 50 million. Within the framework of this programme, the company may issue commercial papers with a maturity of less than one year. On 30 September 2022, the company had issued commercial papers to the value of EUR 6.0 million.

The company has, on 6 July 2022, signed a new credit and credit limit agreement which replaced Kreate Group's earlier credit limit and loan agreements that would have been due in 2023. The new financing arrangement has a duration of four years, and it contains one financial covenant measuring the ratio between Kreate Group's net debt and operating profit.

The average interest of interest-bearing debt, excluding lease liabilities recognised on the balance sheet, was 2.8 (2.8) per cent in the reporting period of January–September. The average interest for the reporting period was increased by approximately 0.6 percentage points by the impact of the repayment of the loan arrangements. The average interest for the reference period was increased by approximately 0.4 percentage points by the impact of effective interest that was transferred to the result in connection with the repayment in full of a loan in 2021.

At the end of the reporting period, the consolidated balance sheet total was EUR 138.7 million (31 Dec 2021: EUR 106.6 million) and equity was EUR 41.2 million (31 Dec 2021: EUR 41.1 million). At the end of the reporting period, equity ratio was 29.7 per cent (31 Dec 2021: 38.6%) and the company's return on capital employed was 12.1 per cent (31 Dec 2021: 17.8%).

## Investments

During 2022, the company continued investing in equipment and the further improvement of equipment management.

Net investment cash flow was EUR 0.8 (0.6) million in July–September and EUR 3.7 (3.5) million in January–September. Early in the year, front-end-weighted investments were made in order to ensure the progress of projects, but the number of investments evened out towards the end of the reporting period. The most significant part of the investments was made up by tangible assets, which mainly comprise machinery and equipment.

Kreate's gross investments in tangible and intangible assets amounted to EUR 4.0 (4.5) million in the reporting period.

## Business acquisitions

Kreate Group Plc's Swedish subsidiary Kreate Infrastructure Sverige AB purchased all the shares in the Swedish Bror Bergentreprenad AB, which specialises in demanding underground infrastructure construction, including BBEAB's subsidiaries. On 2 September 2022, Kreate Infra Sverige AB and Maria Håller Bror AB signed a contract on the acquisition and the transaction was executed concurrently. The sale price for all shares in BBEAB was SEK 70 million and 25% of the shares in Kreate Infra Sverige AB, which were transferred to the seller.

## Personnel

At the end of September, Kreate Group employed 450 (392) persons. The average number of personnel in January–September was 403 (392).

During Q3, strategically important recruitments and the career path advancement of in-house personnel were continued. The expansion of Railway construction into electric railways and safety devices was seen, in particular, in the recruiting of railway construction experts. In order to enable the growth of the Railway construction business area, a comprehensive recruiting campaign was launched at the end of the reporting period that will result in the railway construction organisation being reinforced with several experts assuming various positions.

Kreate wants to make the career and development wishes of its in-house personnel come true and to reinforce the company's overall competences. During the reporting period, the company offered its personnel new career opportunities that support knowledge development inside the company alongside their personal goals. The organisation changes communicated in July gave interesting, new tasks to experts in bridge construction and repair as well as foundation and concrete construction. Strategically important recruitments were also continued during the reporting period, which will improve Kreate's competitiveness and support the execution of track and railway projects as well as technically challenging projects, whose number will grow in the future.

During the reporting period, systematic activities to support the development and well-being of personnel were also continued in accordance with well-being at the work programmes started earlier. The goal for the programmes is improving overall well-being and stress management and offering a low threshold means of employee participation. The competence development of the personnel was further advanced by means of the versatile online and contact training available via KreateAkademia. Although most of professional development comes through on-the-job learning at projects, comprehensive and well-designed training content keep qualifications up to date and provides employees with a wider range of opportunities for development.

In January–September 2022, Kreate Group had a total of 4 accidents affecting the lost-time injury frequency, and the 12-month average lost-time injury frequency proportional to the number of personnel was 5.9 during the reporting period. Kreate's lost-time injury frequency remains better than the construction industry average.

In September, Kreate participated in the Confederation of Finnish Construction Industries' joint "Siisti raksa" (Clean construction site) campaign that aims to keep the environment clean and worksites safe. Kreate's own campaign to increase the number of safety observations that started in April has been fruitful, and recording observations is now even more clearly a part of the personnel's everyday routine. Increasing the number of high-quality safety observations supports reaching Kreate's goal of zero accidents.

Kreate is doing systematic work towards better occupational safety by encouraging the continuous improvement of safety among supervisors and employees. In addition to continuing the safety observation campaign and performing regular safety rounds, efforts during the reporting period

included long-term development of the safety culture. Communicating openly on safety observations and near misses supports the development of even safer work and working methods.

## Company management

As of 30 September 2022, Kreate's Management Team included the following people: Timo Vikström, President & CEO; Tommi Hakanen, Vice President, Special Foundation Construction; Jaakko Kivi, Vice President, Technical Office; Sami Laakso, Vice President, Transport Infrastructure Construction; Mikko Laine, Chief Financial Officer; Timo Leppänen, Vice President, Railway Construction; Katja Pussinen, Vice President, HR, and Sami Rantala, Vice President, Bridge Construction and Repair.

Tommi Lehtola, Vice President of Foundation and Concrete Construction, left his position in Kreate Group's management team starting on August 1, 2022. Lehtola's tasks have been divided and reorganized within the organization.

## Short-term risks and risk management

Kreate Group's risk management aims at continuous and systematic identification of the most significant risk factors and their optimal management such that the company's strategic and financial targets are reached. Kreate employs a risk management policy that guides the management of the overall risk exposure. Risk management is integrated into the Group's management, monitoring and reporting systems. Risk management covers the identification and assessment of risks as well as contingency plans for all the main risk categories.

The company classifies risks into strategic, operational, accident risks and financial risks.

### Strategic risks

Global epidemics, pandemics and conflicts may have a material adverse effect on Kreate's business, the global economy and financial markets. Economic uncertainty will also affect Kreate's private sector customers. The impacts of pandemics, including COVID-19, on the public economy may also be reflected in the reduction or postponement of planned investments.

Unfavourable economic development in Finland could impact Kreate's business in many ways, including the income, assets, liquidity, business operations and/or financial standing of Kreate as well as its customers and subcontractors. Moreover, Kreate may not necessarily be able to take advantage of the business opportunities arising from economic fluctuations or adapt its operations to a long-term economic downturn.

Kreate's business performance is partly dependent on the overall development of the public economy and the political decision-making that guides it, as the majority of Kreate's revenue comes from public sector customers.

Kreate operates in a competitive industry, and increased competition in the infrastructure construction market could have an adverse effect on Kreate's business. Kreate finds that increased competition could lead to tougher price competition as well as competition for available employees.

Kreate's limited control in the KFS Finland joint venture could hamper Kreate's ability to get the joint venture to act in favour of Kreate and to refrain from acting against Kreate's interests.

### **Operational and accident risks**

Kreate may fail in executing on its strategy or adapting it to changes in the operating environment, or the strategy itself may be unsuccessful. Kreate may not necessarily be able to define, execute or, if necessary, adjust its business strategy successfully.

Failure to hire qualified personnel, losing key persons or the company's execution partners or subcontractors experiencing problems with resources may have an adverse effect on Kreate's ability to conduct business.

Kreate's business is highly project-based. Successful project management has a considerable impact on the profitability of Kreate's business. Unsuccessful projects and project management may, for instance, impact future project availability and, thereby, have a material adverse effect on Kreate's business.

Kreate's key information systems are related to tender calculation, project monitoring, data modelling, measurements, payroll calculation and the management of monetary transactions. Problems in the operation of the information systems that Kreate uses could have a material adverse effect on Kreate's business.

Accidents and occupational injuries are more frequent on construction sites than in many other industrial sectors. Any health and safety risk that materialises could have a material adverse effect on Kreate's business, financial standing, business result and future prospects.

Mistakes by Kreate's own employees or subcontractors could cause unexpected and unforeseen personal injuries or material damage to third parties, for example due to fires or soil compaction and the possible resulting damage to buildings. Such mistakes can result in unexpected, unforeseen and very significant additional expenses for Kreate.

Kreate is exposed to environmental risks in its operations. The most significant environmental risks are related to noise and dust nuisance and the potential release of environmentally harmful substances, especially fuels from machinery. Any risk of compensation claims or sanctions related to environmental damage that materialises could have a material adverse effect on Kreate's business, financial standing and business result.

### **Economic and financing risks**

In its business operations, Kreate is exposed to interest rate, credit, financing, counterparty and liquidity risks that may have an adverse effect on Kreate's business and financial standing. The company strives to protect itself against liquidity and financing risks through various contractual arrangements.

On each closing date, the Group considers whether there is evidence of impairment of financial assets or financial asset groups. The need for asset impairment is assessed both individually and at the asset group level.

Possible impairments of Kreate's property, plant and equipment as well as intangible assets could have an adverse effect on Kreate's financial standing and business result.

More information on Kreate's risks and preparation for them is available in the company's offering circular published in February 2021, which is available at: <https://kreate.fi/en/ipo/>. More information on the company's financing risks is also available in note 3.4 to the company's Financial statements for 2021.



## Resolutions of the Annual General Meeting

Kreate Group Plc's Annual General Meeting was held on 29 March 2022. The Annual General Meeting adopted the financial statements for the financial year 2021 and granted the members of the Board of Directors and the President & CEO release from liability for the financial year 2021.

The Annual General Meeting decided that, based on the balance sheet verified for the financial year ending on 31 Dec 2021, a dividend of EUR 0.45 is issued per share for shares held outside the company. The dividend was paid to shareholders who were recorded on the company's list of shareholders maintained by Euroclear Finland Oy on the date of record for dividend payment which was 31 March 2022. The dividends were paid on 11 April 2022.

The Annual General Meeting approved the remuneration policy and remuneration report of the governing bodies. The decision is advisory.

The Annual General Meeting decided that the following fees are to be paid to the members of the Board of Directors: the Chair of the Board is to be paid a monthly fee of EUR 4,750 and other members of the Board are to be paid a monthly fee of EUR 2,000. In addition, the Annual General Meeting decided that an additional yearly fee of EUR 1,500 is paid to each member of the Board of Directors elected as the Chair or Member of the Audit Committee or Remuneration and Nomination Committee and that reasonable travel expenses are reimbursed according to invoices.

The Annual General Meeting re-elected authorised public accountants KPMG Oy Ab as the Auditor of the company, with Authorised Public Accountant Turo Koila as the responsible auditor. The Auditor shall be paid a reasonable fee in accordance with an invoice approved by the Board of Directors.

The Annual General Meeting authorised the Board of Directors to decide on a share issue as well as the issuance of option rights and other special rights entitling to shares pursuant to Chapter 10 of the Finnish Limited Liability Companies Act. Under the authorisation, a maximum of 898,000 shares can be issued, which corresponds to approximately 10 per cent of Kreate's total shares at the time of the decision. The shares or special rights entitling to shares can be issued in one or more tranches, either against or without payment. The shares issued under the authorisation can be new shares or shares held by Kreate. This authorisation is valid until the end of Kreate's next Annual General Meeting, but no later than 30 June 2023. The authorisation revokes any previous unused share issue authorisations.

The Annual General Meeting authorised the Board of Directors to decide on the repurchase and acceptance as pledge of Kreate's own shares. The total maximum number of own shares to be repurchased or accepted as a pledge is 898,000 shares. Kreate, together with its subsidiaries, may not own and/or hold as pledge more than 10 per cent of Kreate's all shares at any given moment. Pursuant to the authorisation, the company's own shares can only be repurchased with Kreate's unrestricted equity. This authorisation is valid until the end of Kreate's next Annual General Meeting, but no later than 30 June 2023. The authorisation revokes any previous unused authorisations for the repurchase and acceptance as a pledge of the company's own shares.

On 29 March 2022, Kreate Group issued a stock exchange release with the decisions taken by the Annual General Meeting and Board of Directors, which is available at:

<https://kreate.fi/en/stockrelease/decisions-taken-by-kreate-group-plcs-annual-general-meeting-and-board-of-directors-2/>.

## Organisation of the Board of Directors

The Annual General Meeting on 29 March 2022 confirmed that the Board of Directors shall have six (6) members. Petri Rignell, Timo Kohtamäki, Elina Pienimäki, Timo Pekkarinen and Jussi Aine

were re-elected as members of the Board. Petra Thorén was elected as a new member of the board. The term of office of all members of the Board shall end at the end of the 2023 Annual General Meeting.

In its constituent meeting held after the Annual General Meeting, the Board of Directors elected Petri Rignell as the Chair from the Members of the Board. Furthermore, the Board of Directors elected the following members of the Audit Committee from the members of the Board: Elina Pienimäki (Chair), Jussi Aine and Petra Thorén. The following Members of the Remuneration and Nomination Committee were elected: Petri Rignell (Chair), Timo Pekkarinen and Timo Kohtamäki.

## Shares and trading

### Treasury shares

Kreate did not purchase any treasury shares in the reporting period. On 30 September 2022, Kreate Group Plc held 90,000 shares as treasury shares.

The company has signed a contract with an external service provider on the management of the performance share plan and share bonus plan aimed at key persons. On 30 September 2022, the number of these shares reported on the consolidated balance sheet as treasury shares was 53,506 pieces, and all of these shares were purchased during the reporting period. This number of shares represented 0.60 per cent of all the shares and voting rights in the company. These shares are the property of EAI Kreate Holding Oy until the shares are transferred to the participants according to the incentive plans. EAI Kreate Holding Oy is legally owned by an external service provided but, based on a contract, Kreate exercises actual control in the arrangement and, therefore, the holding company is consolidated into the IFRS consolidated financial statement as a structured entity.

### Trading in the company's shares

Kreate Group Plc's share capital at the end of September was EUR 80,000. The total number of outstanding shares in the company on 30 September 2022 was 8,984,772 shares.

In January–September, 1,348,486 of Kreate's shares were traded on the Helsinki Stock Exchange. The highest trading price was EUR 11.95 and the lowest price was EUR 7.43. The volume weighted average price of Kreate's shares during the reporting period was EUR 9.6.

The share's closing price on the last trading day of the reporting period, 30 September 2022, was EUR 7.65. Based on the closing price of the reporting period, the market value of the company's shares, excluding the treasury shares held by the company (90,000), was EUR 68.0 million.

## Events after the reporting period

### Changes in the company's management

In accordance with the company's stock exchange release published on July 20, 2022 Accounting Manager, Bachelor of Engineering Antti Kakko has been appointed Vice President, Bridge Construction and Repair and a member of Kreate Group's Management Team as of 1 November 2022. Antti has strong experience in infrastructure construction, particularly in the bridge construction business at Kreate as well as previously at YIT and Destia.

Vice President, Bridge Construction and Repair Sami Rantala shall leave his position in Kreate Group's Management Team according to plan as of 1 November 2022 and continue to serve in the company as a technical adviser.

Tuusula, 26 October 2022

Kreate Group Plc  
Board of Directors

NOTES

Calculation formulas for key figures

Tables for the January–September 2022 Interim Report

## Key figures by quarter

EUR million	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20
Order backlog	284.2	204.4	208.8	202.8	202.8	157.5	158.3	134.9	149.0
Revenue	73.3	67.0	50.4	75.8	70.6	52.9	38.3	62.0	65.4
Change in revenue, %	9.5	32.8	-33.4	7.4	33.4	38.0	-38.1	-5.2	12.7
EBITDA	4.2	3.5	2.1	4.1	5.1	3.4	1.7	3.1	4.9
EBITDA, %	5.7	5.3	4.2	5.4	7.2	6.3	4.4	5.0	7.5
EBITA	3.0	2.4	1.1	3.1	4.1	2.5	0.9	2.3	4.0
EBITA, %	4.1	3.6	2.2	4.1	5.8	4.7	2.3	3.8	6.1
Operating profit	2.9	2.4	1.0	3.0	4.1	2.4	0.8	2.3	3.9
Operating profit, %	4.0	3.5	2.1	4.0	5.8	4.6	2.2	3.7	6.0
Result for the period	2.1	1.6	0.6	2.4	3.1	1.8	-0.3	1.8	3.0
Capital employed	88.0	68.5	64.9	62.0	66.7	63.0	56.3	54.5	58.8
Return on capital employed, %	12.1	16.0	17.4	17.8	15.3	15.7	17.4	19.2	21.1
Return on equity, %	17.0	20.9	19.9	20.4	15.6	16.6	17.6	24.7	25.3
Net investments in operating activities	-0.8	-1.0	-1.8	-1.5	-0.6	-2.1	-0.8	-1.7	-0.8
Free cash flow from operating activities	-10.1	-0.4	-1.2	7.7	-0.2	-3.7	0.1	7.2	2.2
Net working capital	17.0	3.6	0.5	-0.0	3.8	-0.3	-4.6	-5.4	1.0
Net debt	46.8	29.4	23.1	20.9	28.1	27.4	18.8	27.9	16.5
Net debt/EBITDA, rolling 12 months	3.4	2.0	1.6	1.5	2.1	2.1	1.4	2.0	1.0
Equity ratio, %	29.7	31.6	38.2	38.6	32.3	33.4	38.2	26.3	38.7
Earnings per share, €	0.23	0.19	0.07	0.28	0.34	0.20	-0.04	0.07	0.41
Personnel at the end of the period	450	424	379	385	392	412	385	383	404
Personnel on average	428	407	378	389	398	396	382	390	414

## Additional information on alternative performance measures

EUR million	7–9/2022	7–9/2021	1–9/2022	1–9/2021	1–12/2021
Outstanding shares on average (1,000 pcs)	8 895	8 895	8 895	8 620	8 689
Amortisations from intangible assets	-0.1	0.0	-0.1	-0.1	-0.2
Depreciations	-	-	-	-	-
Prepayments received	-	-	-	-	-
IPO expenses included in financial expenses		0.0	0.9	0.9	0.9

EUR million	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20
Outstanding shares on average (1,000 pcs)	8 895	8895	8895	8895	8895	8895	8062	7365	7365
Amortisations from intangible assets	-0.1	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0
Depreciations	-	-	-	-	-	-	-	-	-
Prepayments received	-	-	-	-	-	-	-	-	-

## Calculation formulas for key figures

Kreate publishes alternative performance measures to describe the profitability of its business and the financial standing of the Group. The alternative performance measures are not defined or specified in IFRS and they should not be viewed in isolation or as a substitute to the IFRS-compliant key figures. The calculation formulas for the alternative performance measures are presented below.

PERFORMANCE MEASURE	CALCULATION FORMULA
<b>IFRS-compliant key figures</b>	
Earnings per share	$\frac{\text{Result for the period attributable to the owners of the parent – interest and expenses of the equity loan recorded on the period adjusted with a tax impact}}{\text{Weighted average number of outstanding shares during the period}}$
<b>Alternative performance measures</b>	
EBITDA	Operating profit + depreciation, amortisation and impairment
EBITA	Operating profit + amortisation of intangible assets + impairments
Order backlog	Amount of unrecognised revenue from customer contracts at the end of period
Capital employed	Equity + net debt
Return on capital employed, %	$\frac{\text{Operating profit, rolling 12 months}}{\text{Average capital employed}} \times 100$
Return on equity, %	$\frac{\text{Result for the period, rolling 12 months}}{\text{Average equity}} \times 100$
Net investments in operating activities	Investments in tangible and intangible assets – disposals of tangible and intangible assets
Free cash flow from operating activities	Cash flow from operations before financial items and taxes + net investments in operating activities
Net working capital	Inventories + (current trade and other receivables – loan receivables – interest receivables) – (current trade and other payables – interest liabilities)
Net debt	Interest-bearing debt – cash and cash equivalents
Net debt/EBITDA	$\frac{\text{Net debt}}{\text{EBITDA, rolling 12 months}}$
Equity ratio, %	$\frac{\text{Equity}}{\text{(Balance sheet total – prepayments received)}} \times 100$

## Interim report for January–September 2022: Table section

## Consolidated statement of income

EUR million	7–9/2022	7–9/2021	1–9/2022	1–9/2021	1–12/2021
Revenue	73.3	70.6	190.8	161.8	237.6
Other operating income	0.3	0.1	0.9	0.4	0.5
Materials and services	-59.5	-55.5	-150.2	-123.5	-181.9
Employee benefit expenses	-7.7	-7.5	-24.2	-21.8	-32.3
Other operating expenses	-2.8	-2.7	-8.3	-7.1	-10.3
Share of associates' and joint ventures' profit or loss	0.5	0.1	0.9	0.3	0.6
Depreciation, amortisation and impairment	-1.3	-1.0	-3.5	-2.8	-3.9
Operating profit	2.9	4.1	6.3	7.3	10.4
Financial income	0.0	0.0	0.0	0.0	0.0
Financial expenses	-0.5	-0.3	-1.1	-1.8	-2.1
Financial income and expenses	-0.5	-0.3	-1.1	-1.8	-2.1
Result before taxes	2.5	3.8	5.3	5.5	8.2
Income taxes	-0.4	-0.7	-0.9	-1.1	-1.3
<b>Result for the period</b>	<b>2.1</b>	<b>3.1</b>	<b>4.4</b>	<b>4.5</b>	<b>6.9</b>
Profit attributable to:					
Shareholders of parent	2.1	3.1	4.4	4.5	6.9
Non-controlling interest	0.0				
Earnings per share calculated from the income attributable to shareholders of the parent					
Undiluted, €	0.23	0.34	0.49	0.52	0.80
Diluted, €	0.23	0.34	0.49	0.52	0.80
<b>Consolidated statement of comprehensive income</b>					
Result for the period	2.1	3.1	4.4	4.5	6.9
Items that may be reclassified subsequently to the statement of income:					
Foreign exchange rate differences	0.0		0.0		
<b>Total comprehensive income for the period</b>	<b>2.1</b>	<b>3.1</b>	<b>4.4</b>	<b>4.5</b>	<b>6.9</b>
Comprehensive income attributable to:					
Shareholders of parent	2.1	3.1	4.4	4.5	6.9
Non-controlling interest	0.0				

## Consolidated balance sheet

EUR million	9/2022	12/2021	9/2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	0.7	0.9	0.9
Goodwill	39.7	35.6	35.6
Tangible assets	20.4	17.9	18.1
Right-of-use assets	2.2	1.1	1.2
Investments in joint ventures	10.2	8.9	8.7
Other receivables	0.3	0.4	0.5
Deferred tax assets	0.6	0.7	0.6
<b>Total non-current assets</b>	<b>74.3</b>	<b>65.5</b>	<b>65.6</b>
<b>Current assets</b>			
Inventory	0.3		
Trade and other receivables	60.1	34.2	45.5
Income tax receivables	0.3	0.6	1.5
Cash and cash equivalents	3.8	6.3	6.9
<b>Total current assets</b>	<b>64.5</b>	<b>41.1</b>	<b>53.9</b>
<b>Total assets</b>	<b>138.7</b>	<b>106.6</b>	<b>119.5</b>
<b>EQUITY</b>			
<b>Equity attributable to the owners of the parent company</b>			
Share capital	0.1	0.1	0.1
Reserve for invested unrestricted equity	19.7	19.7	19.7
Treasury shares	-0.5		
Foreign exchange rate differences	0.0		
Retained earnings	21.9	21.3	18.9
<b>Total equity attributable to the owners of the parent company</b>	<b>41.2</b>	<b>41.1</b>	<b>38.7</b>
Non-controlling interest	0.0		
<b>TOTAL EQUITY</b>	<b>41.2</b>	<b>41.1</b>	<b>38.7</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing debt	31.8	22.6	23.2
Deferred tax liabilities	1.3	1.1	1.0
<b>Total non-current liabilities</b>	<b>33.2</b>	<b>23.8</b>	<b>24.1</b>
<b>Current liabilities</b>			
Interest-bearing debt	18.8	4.6	11.8
Trade payables and other liabilities	43.4	34.5	41.8
Income tax liabilities	0.1	0.0	1.2
Provisions	2.1	2.6	2.0
<b>Total current liabilities</b>	<b>64.4</b>	<b>41.7</b>	<b>56.7</b>
<b>Total liabilities</b>	<b>97.5</b>	<b>65.5</b>	<b>80.8</b>
<b>Total equity and liabilities</b>	<b>138.7</b>	<b>106.6</b>	<b>119.5</b>

## Consolidated cash flow statement

EUR million	7–9/2022	7–9/2021	1–9/2022	1–9/2021	1–12/2021
Result for the period	2.1	3.1	4.4	4.5	6.9
Depreciation, amortisation and impairment	1.3	1.0	3.5	2.8	3.9
Financial income and expenses	0.5	0.3	1.1	1.8	2.1
Income taxes	0.4	0.7	0.9	1.1	1.3
Other adjustments	-0.5	-0.1	-0.9	-0.5	-0.8
Total adjustments	1.6	1.9	4.6	5.1	6.5
Change in trade and other receivables	-10.9	-6.8	-23.7	-15.4	-4.1
Change in inventories	0.0		0.0		
Change in trade payables and other liabilities	-2.0	1.9	7.4	5.1	-1.5
Change in provisions	-0.1	0.4	-0.6	0.5	1.2
Total change in working capital	-13.0	-4.5	-17.0	-9.9	-4.5
Cash flow from operations before financial items and taxes	-9.3	0.5	-8.1	-0.3	8.9
Interest paid in operating activities	-0.1	0.0	-0.2	0.0	-0.1
Interest received in operating activities	0.0	0.0	0.0	0.0	0.0
Other financial items	-0.3	-0.1	-0.6	-1.2	-1.3
Dividends received			0.0		
Taxes paid	-0.3	-0.4	-0.4	-1.8	-2.1
<b>CASH FLOW FROM OPERATIONS</b>	<b>-10.0</b>	<b>0.0</b>	<b>-9.1</b>	<b>-3.3</b>	<b>5.4</b>
Investments in tangible and intangible assets	-0.9	-0.7	-4.0	-3.7	-5.6
Disposals of tangible and intangible assets	0.1	0.0	0.3	0.2	0.6
Purchases of shares in subsidiaries	-5.7		-5.7		
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-6.5</b>	<b>-0.6</b>	<b>-9.3</b>	<b>-3.5</b>	<b>-4.9</b>
Share issue				11.2	11.2
Acquisition of treasury shares			-0.5		
Repayment of non-current loans	-21.3		-21.3	-6.3	-6.3
Drawdown of current loans	23.6	6.0	36.6	10.0	10.0
Repayment of current loans	-22.5	-0.1	-26.0	-4.6	-12.3
Repayment of lease liabilities	-0.2	-0.2	-0.6	-0.5	-0.7
Interest and other loan expenses	0.0		-0.5	-0.3	-0.3
Dividends paid			-4.0	-3.9	-3.9
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>11.9</b>	<b>5.8</b>	<b>16.0</b>	<b>5.6</b>	<b>-2.3</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>-4.5</b>	<b>5.1</b>	<b>-2.5</b>	<b>-1.2</b>	<b>-1.8</b>
Cash and cash equivalents on the opening balance sheet	8.4	1.8	6.3	8.1	8.1
Change in cash and cash equivalents	-4.6	5.1	-2.5	-1.2	-1.8
Impact of the changes in foreign exchange rates	0.0		0.0		
Cash and cash equivalents at the end of the period	3.8	6.9	3.8	6.9	6.3



Consolidated statement of changes in equity

EUR million	Share capital	Reserve for invested unrestricted	Treasury shares	Foreign exchange rate differences	Retained earnings	Total	Non-controlling interest	Total equity
Equity as at 1 January 2021	0.0	8.3			18.3	26.6		2.6
Increase in share capital	0.1	-0.1						
Items of comprehensive income								
Result for the period					4.5	4.5		4.5
Total comprehensive income					4.5	4.5		4.5
Transactions with the owners								
Increase in share capital								
Share issue <sup>*</sup>		11.5				11.5		11.5
Dividend					-3.9	-3.9		-3.9
Total transactions with the owners	0.0	11.5			-3.9	7.6		7.6
Equity as at 30 September 2021	0.1	19.7			18.9	38.7		38.7

<sup>\*)</sup> The gross proceeds from the share issue amounted to EUR 12.5 million. EUR 1.3 million in IPO fees have been recognised in the reserve for invested unrestricted equity, less the tax impact.

EUR million	Share capital	Reserve for invested unrestricted	Treasury shares	Foreign exchange rate differences	Retained earnings	Total	Non-controlling interest	Total equity
Equity as at 1 January 2022	0.1	19.7			21.3	41.1		41.1
Items of comprehensive income								
Result for the period					4.4	4.4	0.0	4.4
Foreign exchange rate differences				0.0		0.0	0.0	0.0
Total comprehensive income				0.0	4.4	4.4	0.0	4.4
Transactions with the owners								
Acquisition of treasury shares			-0.5			-0.5		-0.5
Dividend					-4.0	-4.0		-4.0
Share-based awards					0.2	0.2		0.2
Total transactions with the owners	0.0	0.0	-0.5	0.0	-4.0	-4.5		-4.5
Equity as at 30 September 2022	0.1	19.7	-0.5	0.0	21.9	41.2		41.2

EUR million	Share capital	Reserve for invested unrestricted	Treasury shares	Foreign exchange rate differences	Retained earnings	Total	Non-controlling interest	Total equity
Equity as at 1 January 2021	0.0	8.3			18.3	26.6		26.6
Items of comprehensive income								
Result for the period					6.9	6.9		6.9
Total comprehensive income					6.9	6.9		6.9
Transactions with the owners								
Increase in share capital	0.1	-0.1						
Share issue *)		11.5				11.5		11.5
Dividend					-3.9	-3.9		-3.9
Share-based awards					0.0	0.0		0.0
Total transactions with the owners	0.1	11.4			-3.9	7.6		7.6
Equity as at 31 December 2021	0.1	19.7			21.3	41.1		41.1

\*) The gross proceeds from the share issue amounted to EUR 12.5 million. EUR 1.3 million in IPO fees have been recognised in the reserve for invested unrestricted equity, less the tax impact.

## Notes

### Key accounting principles and basis for preparation

The Group's Interim Report has been prepared in accordance with the IAS 34 Interim Reports standard. The Interim Report should be read together with Kreate Group's consolidated financial statements for the financial year 2021.

The information presented in the Interim Report is unaudited.

The Interim Report has been prepared in euros and presented in millions of euros unless stated otherwise. The figures have been rounded to the nearest million with one decimal place and, therefore, the sums of individual figures may differ from the presented total amounts.

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 2021, except for the revised IFRS standards that came into effect on 1 January 2022. The revised standards did not have an impact on the consolidated financial statements.

In June 2021, the Board of Directors of Kreate Group Plc decided to launch two new long-term share-based incentive plans for the key persons of the Group and the Group's joint venture. Evli Alexander Incentives Oy ("EAI") is responsible for the procurement and management of the shares. To this end, EAI Kreate Holding Oy was established during financial period 2022; funded by Kreate, it will acquire shares pursuant to the agreement and in accordance with the provisions in the Limited Liability Companies Act concerning the funding of purchase of the company's own shares. These shares will be exclusively used as part of Kreate's share-based incentive plan in accordance with its terms. The holding company is legally owned by EAI but, based on the agreement, Kreate exercises actual controlling interest in the arrangement and acts as the principal, whereas EAI acts as an agent through the holding company. This control that results from contractual factors means that the holding company is consolidated into the IFRS consolidated financial statement as a structured entity.

During the spring, Kreate Group Plc set up a subsidiary in Sweden called Kreate Infra Sverige Ab which on September 2, 2022 bought 100% of the shares of the Swedish company Bror Bergentreprenad AB. The balance sheets of the foreign subsidiaries has been converted into euros by using the exchange rates issued by the European Central Bank on the last date of the reporting period, and the income statements has been converted by using the average exchange rates for the reporting period. The foreign exchange rate difference resulting from the conversion of the subsidiaries balance sheets and income statements are recognised under foreign exchange rate differences in equity and the change is recognised under other items of comprehensive income.

The foreign exchange rate differences resulting from the elimination of foreign companies' acquisition cost and the conversion of profit and loss following the acquisition are presented under foreign exchange rate differences in equity. If a subsidiary or a part thereof is sold, the relating accumulated foreign exchange rate differences are recognised from equity in the income statement as part of sales profit or loss.

The preparation of a financial statement bulletin according to the IFRS requires the management's discretion as well as using estimates and assumptions that affect the amount of assets and liabilities and the amount of income and expenses reported for the reporting period. Such estimates and assumptions by the management are based on previous experience and other justified factors.

Kreate Group has applied estimates and discretion in factors that create a significant risk of changes in the carrying amounts of assets and liabilities:

- Recognition of income from projects: The Group recognises sales income from project contracts over time. Recognition of sales income is based on the management's estimates on the sales income and expenses of projects as well as a comprehensive estimate of the progress and degree of completion of projects. The management estimates the probability of the income when determining the sales proceeds. Should estimates on a project's outcome change, the revenue recognition is adjusted in the reporting period when the change first became known.
- Recognition of provisions: At the end of the reporting period, the Group estimates if it has a probable payment obligation, whether legal or constructive, in the future. The Group recognises a provision for warranty upon the delivery of projects including a warranty obligation. The amount of the provision for a warranty is based on the Group management's historical information on the number of realised warranty provisions and their timing.
- 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 carries out an impairment test annually, or if signs of impairment are detected. The group has not detected signs of impairment in the reporting period.
- Leases: The management assesses the use of extension, termination or purchase options related to leases and the lease term of leases valid until further notice. In addition, the management estimates the amount of discount rate for each right-of-use asset.
- Recognition of deferred tax assets: Deferred tax assets from the confirmed losses of the previous financial periods or undeducted interest liabilities of associated companies are recognised only if the management estimates that a sufficient amount of taxable income can be generated in the future against which the unused taxation losses and undeducted interest liabilities of associated companies can be utilised.
- Share awards: Share awards are measured at fair value at the time of their issue and recognised on the income statement as expenses in equal tranches for the vesting period. The expense determined at the time of issue is based on the management's estimate of the number of shares, and the related vesting is assumed to occur at the end of the vesting period. The Group shall update the assumption on the final amount on each balance sheet date.

## Segments

The company has one operating segment: Infrastructure Construction. The segment's business operations mainly consist of infrastructure construction projects. The Group's highest decision-makers, i.e. the Board of Directors and the President & CEO, monitor the entire Group together and verify that the figures for the segment match the Group's figures.

## Revenue from customer contracts

Infrastructure construction projects make up a significant part of Kreate Group's revenue from contracts with customers. More than 90% of the Group's revenue is generated in Finland.

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

EUR million	1–9/2022	1–9/2021	1–12/2021
Structural engineering <sup>1)</sup>	120.8	94.5	137.5
Transport infrastructure construction <sup>2)</sup>	67.8	64.9	98.2
Other <sup>3)</sup>	2.3	2.4	1.9
<b>Total</b>	<b>190.8</b>	<b>161.8</b>	<b>237.6</b>

<sup>1)</sup> Includes, among others, rock engineering, foundation, concrete and bridge construction

<sup>2)</sup> Includes, among others, railway, road and street construction

<sup>3)</sup> Includes intra-Group eliminations

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

	1–9/2022	1–9/2021	1–12/2021
Cities and municipalities	26%	13%	16%
Government	38%	50%	47%
Private sector	36%	37%	37%

The seasonality of the infrastructure projects delivered by the company has an impact on the timing of the company's result and cash flows.

Working capital

EUR million	9/2022	12/2021	9/2021
Materials and supplies	0.3		
<b>Inventories, total</b>	<b>0.3</b>		
Trade receivables	30.2	17.3	26.3
Assets based on contracts with customers	28.0	15.7	19.1
Loan receivables	0.0		0.0
Other receivables	0.8	1.1	0.1
Accrued income	1.0	0.0	0.0
<b>Total trade and other receivables</b>	<b>60.1</b>	<b>34.2</b>	<b>45.5</b>
Accrued personnel costs	0.0	0.0	0.0
Other accrued income	1.0	0.0	0.0
<b>Total accrued income</b>	<b>1.0</b>	<b>0.0</b>	<b>0.0</b>
Trade payables	15.6	12.4	18.4
Liabilities based on contracts with customers	12.7	4.8	8.1
Other liabilities	5.1	5.6	5.1
Accrued liabilities	10.0	11.7	10.3
<b>Total trade payables and other liabilities</b>	<b>43.4</b>	<b>34.5</b>	<b>41.8</b>
Interest liabilities	0.1	0.3	0.1
Accrued personnel costs	8.2	10.9	8.7
Other accrued liabilities	1.7	0.5	1.5
<b>Total accrued liabilities</b>	<b>10.0</b>	<b>11.7</b>	<b>10.3</b>

## Financial assets and liabilities

EUR million	30 September 2022	Carrying amount	Fair value
Financial assets measured at amortised cost			
Non-current receivables		0.3	0.3
Non-current financial assets		0.3	0.3
Trade and other receivables		31.0	31.0
Current financial assets		31.0	31.0
Cash and cash equivalents		3.8	3.8
Total financial assets		35.2	35.2
Financial liabilities measured at amortised cost			
Loans from financial institutions		29.7	29.9
Instalment credit		0.7	
Lease liabilities		1.5	
Non-current interest-bearing liabilities		31.8	
Loans from financial institutions		12.0	12.0
Commercial papers		6.0	6.0
Lease liabilities		0.8	
Current interest-bearing liabilities		18.8	
Trade payables and other liabilities		20.7	20.7
Other current financial liabilities		20.7	20.7
Total financial liabilities		71.3	

EUR million	31 December 2021	Carrying amount	Fair value
Financial assets measured at amortised cost			
Non-current receivables		0.4	0.4
Non-current financial assets		0.4	0.4
Trade and other receivables		18.4	18.4
Current financial assets		18.4	18.4
Cash and cash equivalents		6.3	6.3
Total financial assets		25.2	25.2
Financial liabilities measured at amortised cost			
Loans from financial institutions		22.1	22.3
Lease liabilities		0.6	
Non-current interest-bearing liabilities		22.6	
Loans from financial institutions		4.0	4.0
Commercial papers		-	
Lease liabilities		0.6	
Current interest-bearing liabilities		4.6	
Trade payables and other liabilities		18.0	18.0
Other current financial liabilities		18.0	18.0
Total financial liabilities		45.2	

Loans from financial institutions are classified to hierarchy level 2 of the fair value classification. The carrying amount of short-term trade receivables and liabilities is assumed to be the same as their fair value due to their nature.

The Group has only had financial assets and liabilities measured at amortised cost for the financial years 2021 and 2020.

On 8 March 2022, Kreate signed an agreement for a domestic commercial paper programme worth EUR 50 million. Within the framework of this programme, the company may issue commercial papers with a maturity of less than one year.

## Changes in tangible assets

EUR million	9/2022	12/2021	9/2021
Acquisition cost as of 1 January	28.1	23.2	23.2
Foreign exchange rate differences	-0.1		
Increases	4.0	5.5	4.4
Acquisitions	2.1		
Decreases	-0.2	-0.6	0.0
Acquisition cost at the end of the period	33.9	28.1	27.6
Accrued depreciation, amortisation and impairment as of 1 January	-10.2	-7.5	-7.5
Foreign exchange rate differences	0.0		
Accrued amortisation on the decreases	0.1	0.2	0.0
Acquisitions	-0.8		
Amortisation for the period	-2.7	-3.0	-2.1
Accrued depreciation, amortisation and impairment at the end of the period	-13.5	-10.2	-9.6
Carrying amount at the end of the period	20.4	17.9	18.1

## Changes in right-of-use assets

EUR million	9/2022	12/2021	9/2021
Acquisition cost as of 1 January	2.9	2.9	2.9
Foreign exchange rate differences	0.0		
Increases	1.8	0.4	0.3
Acquisitions			
Decreases	-0.4	-0.4	-0.2
Acquisition cost at the end of the period	4.3	2.9	3.0
Accrued depreciation, amortisation and impairment as of 1 January	-1.7	-1.4	-1.4
Foreign exchange rate differences			
Accrued amortisation on the decreases	0.3	0.4	0.2
Acquisitions			
Amortisation for the period	-0.6	-0.7	-0.5
Accrued depreciation, amortisation and impairment at the end of the period	-2.1	-1.7	-1.7
Carrying amount at the end of the period	2.2	1.1	1.2

## Changes in intangible assets

EUR million	9/2022	12/2021	9/2021
Acquisition cost as of 1 January	5.2	5.1	5.1
Foreign exchange rate differences			
Increases	0.0	0.1	0.1
Acquisitions			
Decreases			
Acquisition cost at the end of the period	5.2	5.2	5.2
Accrued depreciation, amortisation and impairment as of 1 January	-4.3	-4.2	-4.2
Foreign exchange rate differences			
Accrued amortisation on the decreases			
Acquisitions			
Amortisation for the period	-0.1	-0.2	-0.2
Accrued depreciation, amortisation and impairment at the end of the period	-4.5	-4.3	-4.3
Carrying amount at the end of the period	0.7	0.9	0.9



## Collateral and contingent liabilities

EUR million	9/2022	12/2021
Collateral given on behalf of the joint venture	0.0	0.0
Collateral given on behalf of joint project ventures	10.6	6.3
Other collateral	0.0	0.0
Guarantee liabilities from project contracts	39.2	35.2
Lease liabilities from short-term assets with a low value	0.4	0.5
VAT liability	0.3	0.3

## Related-party transactions

The Group's related parties include the parent company, subsidiaries, the joint venture KFS Finland Oy and the associated company Karell Schakt AB. Related parties also include key management personnel, their close family members and communities where these persons exercise direct or indirect control. Key management personnel include the members of the Board of Directors, President & CEO, Senior Vice President and the members of the Group's Management Team.

EUR million	1–9/2022 Income	Expenses	9/2022 Receivables	Liabilities
Joint ventures and associated companies	1.8	-7.9	0.1	1.9
Other related parties <sup>1)</sup>		-0.0		

EUR million	1–12/2021 Income	Expenses	12/2021 Receivables	Liabilities
Joint ventures and associated companies	6.7	-6.8	0.0	0.4
Other related parties <sup>1)</sup>		-0.2		

EUR million	1–9/2021 Income	Expenses	9/2021 Receivables	Liabilities
Joint ventures and associated companies	4.6	-4.7	0.2	0.9
Other related parties <sup>1)</sup>		-0.2		0.1

<sup>1)</sup> 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.

## Summary of subsidiary acquisitions

On 2 September 2022, the Swedish subsidiary Kreate Infra Sverige AB, 100% owned by the parent company Kreate Group Plc, purchased 100% of the shares in the Swedish Bror Bergentreprenad AB. Bror Bergentreprenad owns 100% of the shares in Estrock AB and 34% of the shares in Karell Schakt AB. The business acquisition supports Kreate's strategic growth target in Sweden, and the acquisition gives Kreate an expert organisation in rock engineering and underground construction comprising some 50 people as well as equipment related to these activities in Sweden. Prior to this transaction, Kreate had no operative organisation in Sweden.

The sale price was SEK 70 million and 25% of the shares in Kreate Infra Sverige AB, which were transferred to the seller. Following the transaction, Kreate Group Plc owns 75% of the shares in Kreate Infra Sverige AB. On 6 July 2022, Kreate Group Plc signed a new credit agreement, and the acquisition was financed within this agreement. As the purchase price the seller was paid SEK 70,025,000 in cash, of which the seller used SEK 25,000 to purchase shares in Kreate Infra Sverige AB at the time of closing.

Assets and liabilities recorded for the purchase as well as goodwill and net assets

EUR million	Total
<b>Purchase price</b>	<b>6.5</b>
Fixed assets	1.6
Shares in associated companies	0.5
Receivables	2.1
Bank receivables	1.0
<b>Total assets</b>	<b>5.2</b>
Non-current liabilities	0.7
Current liabilities	2.0
Deferred tax liabilities	0.1
<b>Total liabilities</b>	<b>2.7</b>
<b>Acquired identifiable net assets</b>	<b>2.4</b>
<b>Goodwill</b>	<b>4.1</b>

The figures have been converted according to the exchange rate at the time of purchase on September 2, 2022

The table includes the assets and liabilities for the activities acquired. The consolidation is preliminary and, therefore, the definition of the fair values of the acquired assets and liabilities may be specified further during the 12-month valuation period.

Revenue and profit/loss for the financial period for the acquired company

Starting from the date of acquisition (2 September 2022), the acquisition has impacted the Group's revenue by EUR 1.0 million and the Group's operating profit by EUR 0.1 million. If the business acquisition had been consolidated into the Group's financial statements from the start of the financial year, its impact on the Group's revenue would have been EUR 8.6 million and its impact on operating profit would have been EUR 0.3 million.

Events after the reporting period

Changes in the company's management

In accordance with the company's stock exchange release published on July 20, 2022 Accounting Manager, Bachelor of Engineering Antti Kakko has been appointed Vice President, Bridge Construction and Repair and a member of Kreate Group's Management Team as of 1 November 2022. Antti has strong experience in infrastructure construction, particularly in the bridge construction business at Kreate as well as previously at YIT and Destia.

Vice President, Bridge Construction and Repair Sami Rantala shall leave his position in Kreate Group's Management Team according to plan as of 1 November 2022 and continue to serve in the company as a technical adviser.