

An aerial photograph of a suspension bridge crossing a wide lake. The surrounding landscape is covered in dense forest with trees showing autumn colors in shades of green, yellow, and orange. A road runs alongside the bridge, and a few cars are visible. The sky is overcast.

# REVENUE AND ORDER BACKLOG GREW TO RECORD LEVELS – COST INFLATION BROUGHT DOWN OPERATING PROFIT

TIMO VIKSTRÖM, PRESIDENT & CEO  
MIKKO LAINE, CFO

26 OCTOBER 2022

KREATE GROUP PLC/INTERIM REPORT 1-9/2022

**KREATE**  
THE FUTURE IS BUILT TODAY

# JANUARY–SEPTEMBER 2022 IN BRIEF

1.

Order backlog amounted to EUR  
**284.2** (202.8) million

3.

EBITDA was EUR **9.8** (10.1) million, amounting to **5.2%** (6.3%) of revenue

5.

Free cash flow from operating activities was EUR **-11.7** (-3.8) million

2.

Revenue was EUR  
**190.8** (161.8) million

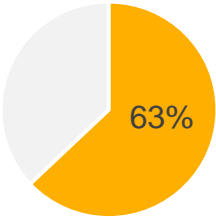
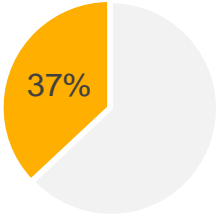
4.

EBITA was EUR **6.5** (7.5) million, amounting to **3.4%** (4.6%) of revenue

6.

Revenue grew higher than the reference period while operating profit decreased as expected. Net working capital and cash flow were negatively impacted by ongoing large projects, some of which will, however, enter the handover stage during the rest of the year. Order backlog is high.

# SPECIALISATION IMPROVES COMPETITIVENESS

BUSINESS FUNCTIONS	MARKET DEVELOPMENT Q3/2022 AND 12- MONTH OUTLOOK*	SHARE OF KREATE'S REVENUE	KREATE'S POSITION AND MEASURES
<b>STRUCTURAL ENGINEERING</b>	<div>→</div> <div>→</div> <div>→</div> <div>→</div>		<p>The Structural engineering revenue was grown particularly by large projects progressing according to plan. In the bridge construction business tendering continued at a good level, which had a positive impact on Kreate's order backlog.</p> <p>Kreate's specialisation in demanding and versatile infrastructure is significantly more sustainable across business cycles and downturns.</p>
<b>TRANSPORT INFRASTRUCTURE CONSTRUCTION</b>	<div>→</div> <div>→</div> <div>→</div>		<p>In the railway construction market, tendering remained unchanged, which could be seen in the number of Kreate's railway projects. Advancement of investments within industry also affected the number of tender requests.</p>
<b>OVERVIEW</b>	<div>→</div>		

- Weaker prospects compared to previous quarter
- Unchanged prospects compared to previous quarter
- Improved prospects compared to previous quarter

\* Source: Kreate Group management estimate

- ↑ Very strong market in the following 12 months
- ↗ Strong market in the following 12 months
- Stable market in the following 12 months
- ↘ Weak market in the following 12 months
- ↓ Very weak market in the following 12 months



# THE OPERATING ENVIRONMENT IS CURRENTLY FILLED WITH INSECURITY – INFRASTRUCTURE HAS GROWTH POTENTIAL IN THE FUTURE

This year, construction will continue to grow due to a good work backlog. A decrease of 2% is estimated for next year, but the economy is anticipated to stay on a growth track. Growth is estimated to accelerate in 2024, which is also good for the growth outlook in construction.



Accelerating inflation, rise of interest rates and decrease in consumer trust will mostly affect the housing construction market.



The increase in construction costs will affect the profitability of companies in the construction industry and the development of their work backlog.



Poor capability for investments within the government and municipalities can also be seen in the number of building projects started.

**For years, the construction industry has been the driver for Finland's economy – this remains possible if all parties cooperate.**



Infrastructure construction has plenty of long-term growth potential – rising maintenance backlog and the green transition will speed it up in the future.



The transition away from fossil fuels towards renewable energy alternatives will create markets and opportunities.



In the private sector, especially in the fields of industry and trade, construction projects are still being started.

Kreate has survived both the COVID-19 crisis and the crisis caused by the war in Ukraine fairly well. Specialisation in demanding and versatile infrastructure is significantly more sustainable across business cycles and downturns than focusing on basic infrastructure construction.

# HIGHLIGHTS OF JULY–SEPTEMBER 2022



Press release: Account Manager Antti Kakko promoted to head of Bridge Construction and Repair unit and will start in this position on 1 November.

7

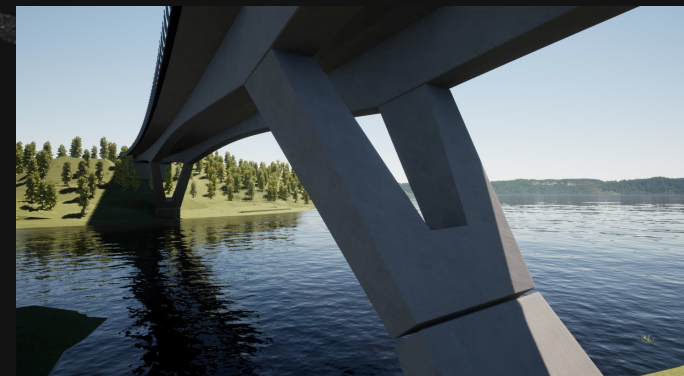
Making the career and development wishes of our in-house personnel come true and reinforcing the company's overall competences is important for us. During the reporting period, the personnel were offered new career opportunities that support knowledge development inside the company alongside their personal goals.



In line with its strategy, Kreate reinforced its railway construction activities by launching electric railway and safety device business areas.

9

Kreate Group's subsidiary acquired the Swedish Bror Bergentreprenad AB, specialising in demanding underground construction. The acquisition supports Kreate's strategic expansion to Sweden.



Largest contract in history, EUR 120 million, as the alliance project for the Kirjalansalmi and Hessundinsalmi bridges moved to the implementation stage.

9

At the end of September, more than EUR 11 million in transport infrastructure construction contracts, the most significant of which being the construction of Haakoninlahti and Koirasaari in Helsinki.



# ON A STRATEGIC PATH TO GROWTH: BUSINESS ACQUISITION IN SWEDEN SUPPORTS FUTURE GROWTH

- In September, Kreate Infra Sverige AB purchased all the shares in the Swedish Bror Bergentreprenad AB which specialises in demanding underground infrastructure construction.
- This strengthens Kreate Group, complements our services in the Nordics and makes it possible to foster profitable business.
- There is demand especially in the demanding infrastructure construction market of the Greater Stockholm region, as a lot of underground construction projects are being requested.
- The Swedish infrastructure market is twice as large as the Finnish one, providing an excellent foundation for our future growth.



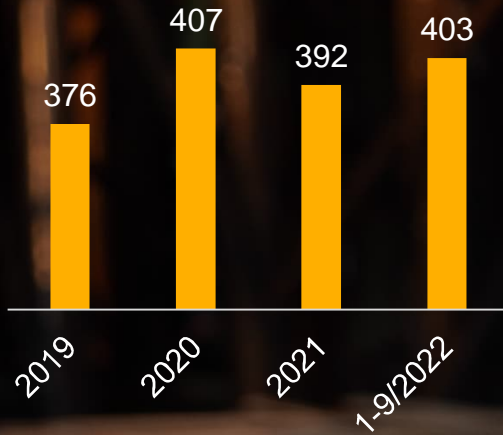


# ON A STRATEGIC PATH TO GROWTH: REINFORCED BY ELECTRIC RAILWAY AND SAFETY DEVICE BUSINESS

- Expansion of the railway business area into electric railways and safety devices was started in September. The functions will be grown in a controlled manner, according to demand.
- Profitable direction for development: The significance of public transport and trams, in particular, will grow. Kreate estimates that railway construction will outgrow the average growth in infrastructure construction.
- The green transition, digitalisation and railway focus of public transport will shape future projects.
- Railway investments will grow in size and the assignments will also include, in addition to the traditional earthmoving and bridge construction, the superstructure work, electric railway work and safety device work.



## PERSONNEL ON AVERAGE



## INJURY FREQUENCY RATE 12 MO ROLLING

5.9

(4 accidents 1-9/2022)

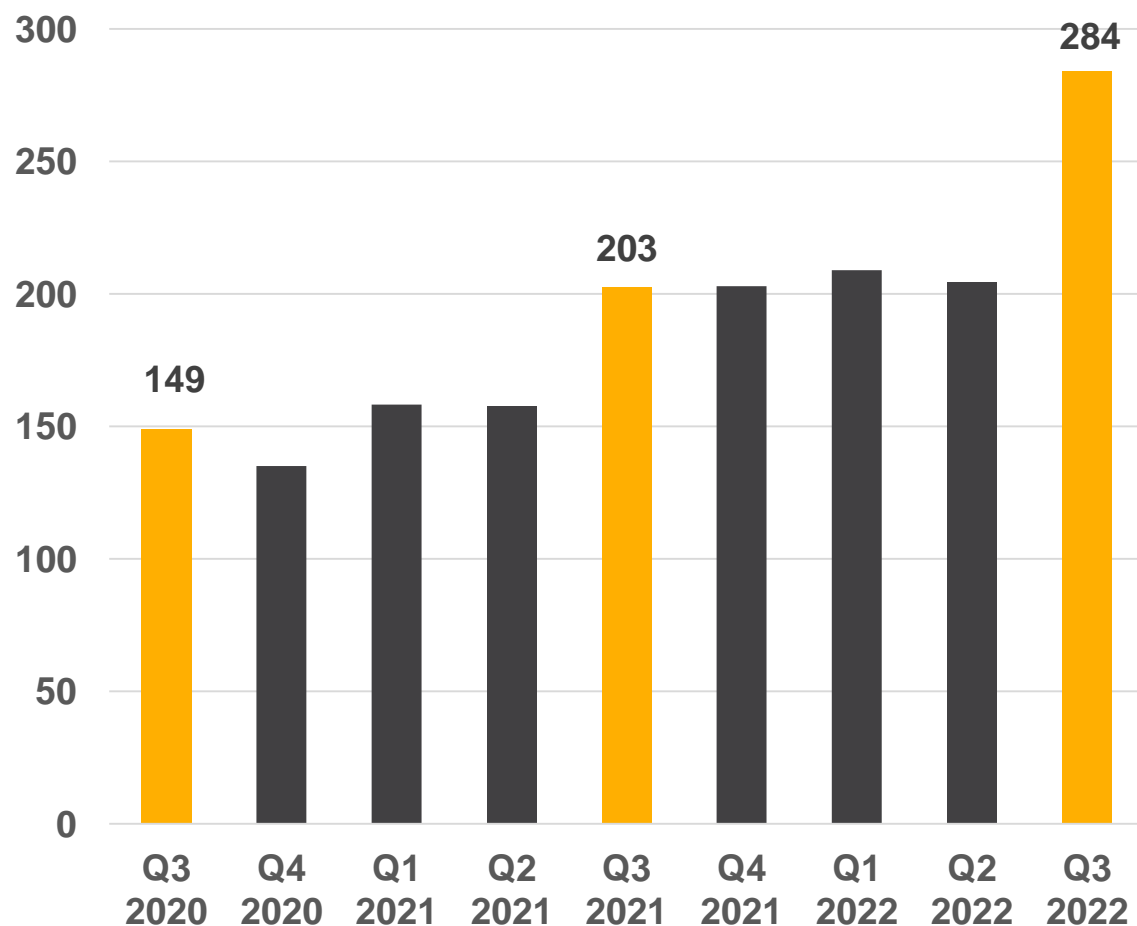
## COMMENTS BY PERSONNEL:

*Kreate has an excellent public image and it feels good to say that I work at Kreate. We have the right tools and the right environment, and we didn't even have to fight for them!"*



# ORDER BACKLOG REACHED A NEW RECORD

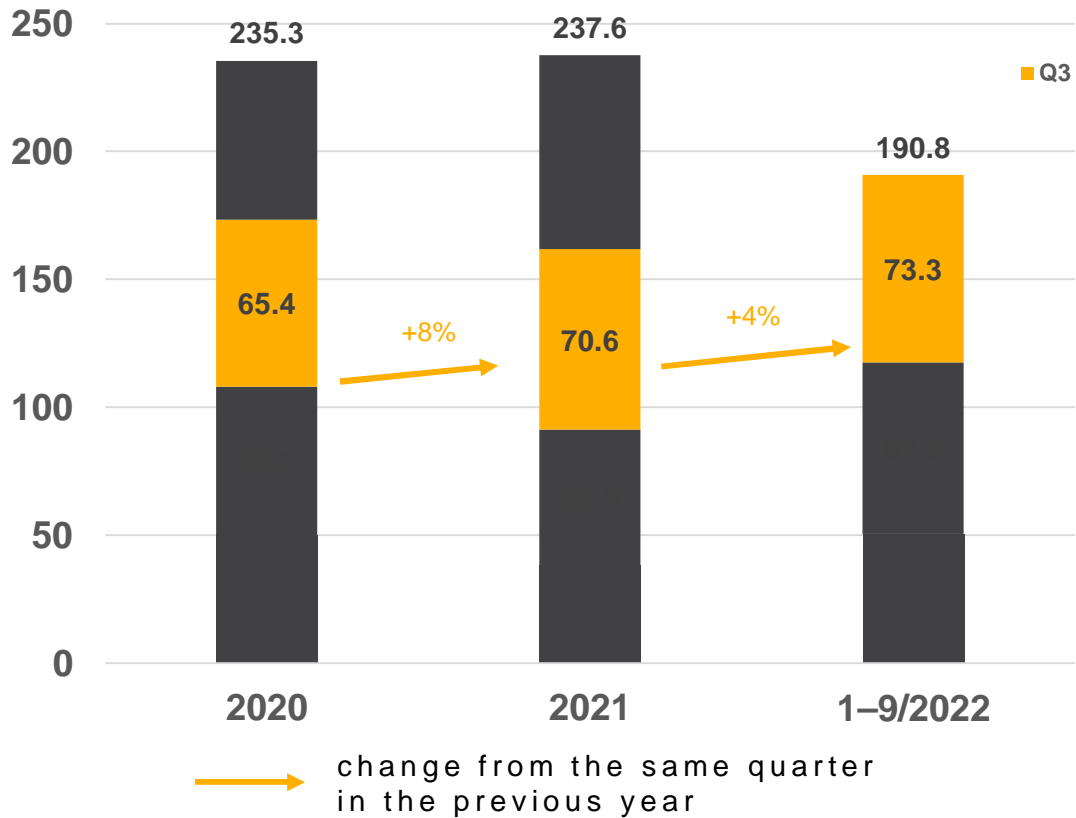
ORDER BACKLOG Q3/2020 – Q3/2022, EUR MILLION



- At the end of September 2022, the order backlog amounted to EUR 284 (203) million and its expected profitability was at a normal level
- The contract for renovating the Kirjalansalmi and Hessundinsalmi bridges, valued at approximately EUR 120 million, has now moved into the execution phase and entered the order backlog.

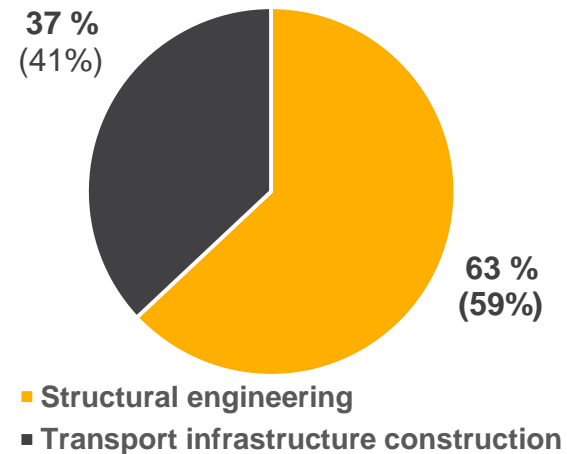
# REVENUE CONTINUED TO GROW IN JULY–SEPTEMBER 2022

REVENUE, EUR MILLION

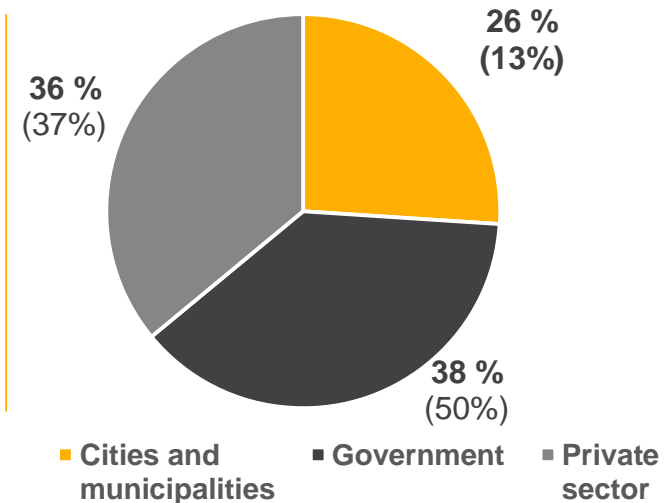


REVENUE DISTRIBUTION 1-9/2022 (1-9/2021)

BY BUSINESS FUNCTION



BY CLIENT GROUP

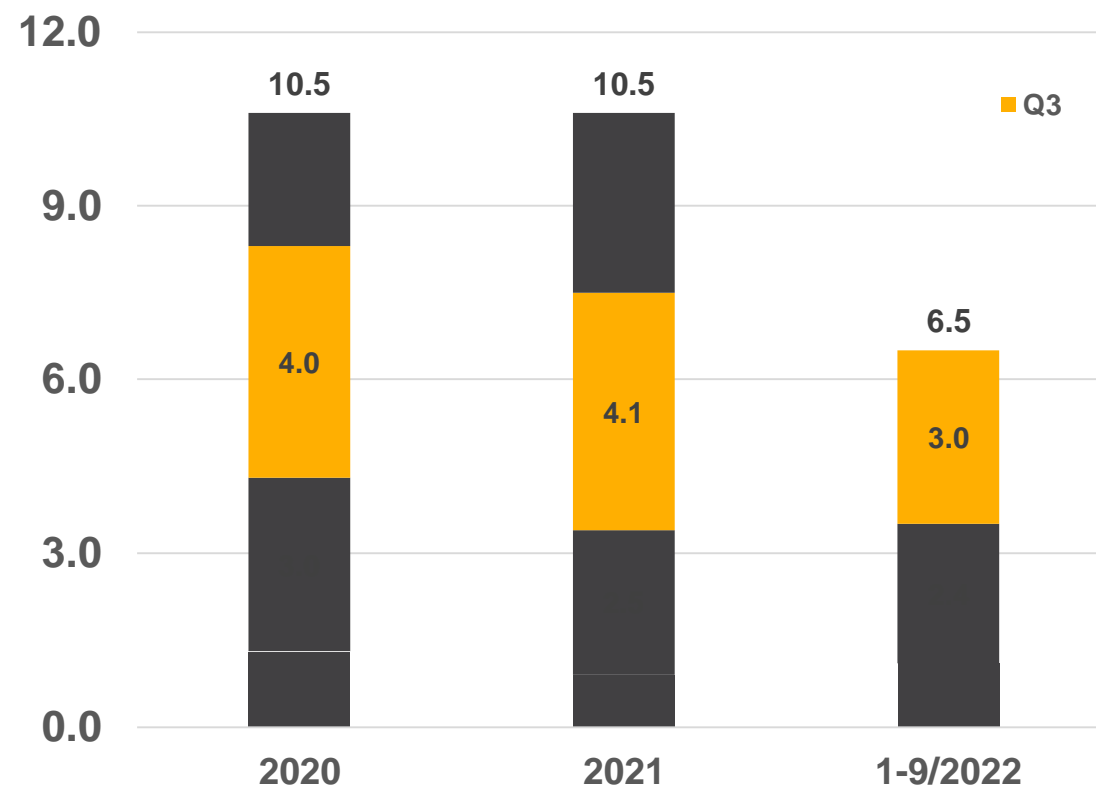




# COST INFLATION REDUCED PROFITABILITY

- In January–September 2022, EBITA decreased compared to the reference period as was expected, amounting to EUR 6.5 (7.5) million
- Kreate's flexible cost structure and measures for preventing impacts from increased costs have supported profitability during the challenging early part of the year
- The increase in cost level has had a negative impact especially on long projects that are in their final stages
- Investments into new business also increased costs in the third quarter

EBITA (EUR MILLION)





# FINANCIAL REPORT

MIKKO LAINE, CFO

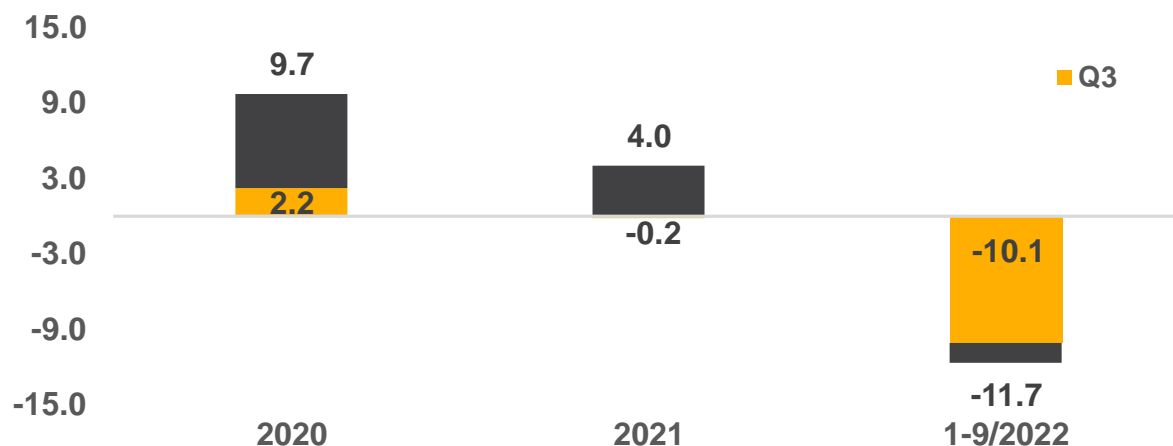


# KEY FIGURES: JANUARY–SEPTEMBER 2022

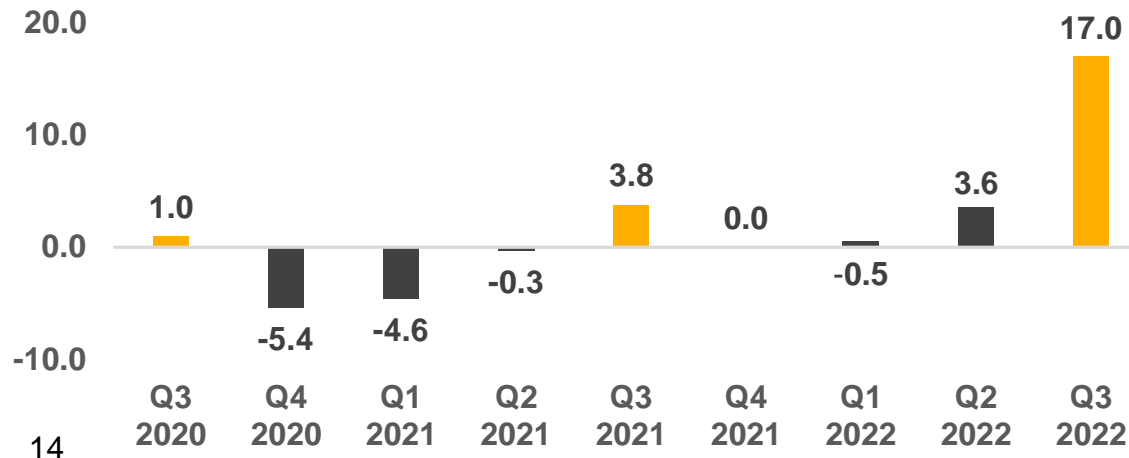
EUR million	7–9/2022	7–9/2021	1–9/2022	1–9/2021	1–12/2021
Order backlog			284.2	202.8	202.8
Revenue	73.3	70.6	190.8	161.8	237.6
EBITDA	4.2	5.1	9.8	10.1	14.2
EBITDA, %	5.7	7.2	5.2	6.3	6.0
EBITA	3.0	4.1	6.5	7.5	10.5
EBITA, %	4.1	5.8	3.4	4.6	4.4
Operating profit	2.9	4.1	6.3	7.3	10.4
Operating profit, %	4.0	5.8	3.3	4.5	4.4
Result for the period	2.1	3.1	4.4	4.5	6.9
Return on capital employed, %			12.1	15.3	17.8
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			3.4	2.1	1.5
Net debt/EBITDA 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

# THE GROWTH OF WORKING CAPITAL IMPACTED THE CASH FLOW EARLY IN THE YEAR

FREE CASH FLOW FROM OPERATING ACTIVITIES, EUR MILLION



NET WORKING CAPITAL, EUR MILLION



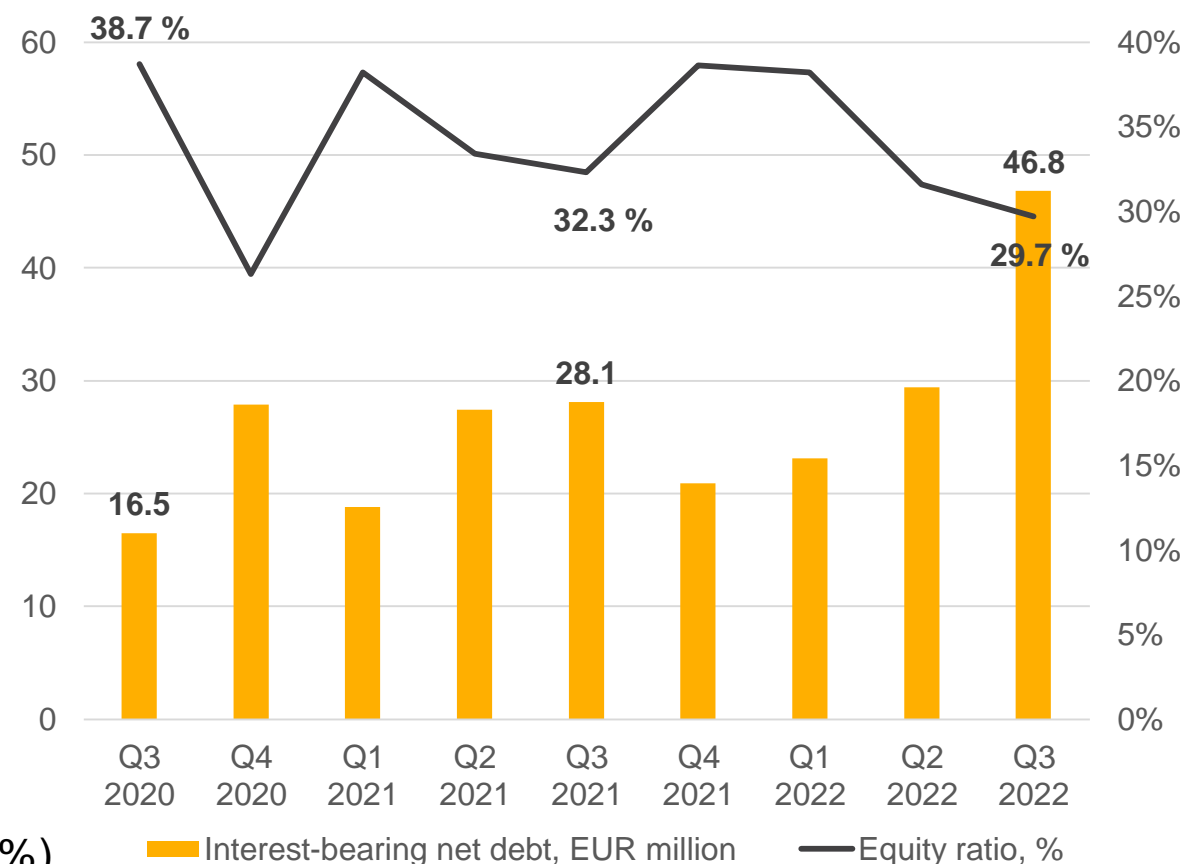
- Free cash flow from operating activities was EUR -11.7 (-3.8) million in January–September 2022
- The company's net investments during the early part of the year were at the previous year's level at EUR -3.7 (-3.5) million
- Large projects were at the final stages at the end of the reporting period which, together with normal seasonal variation, tied up an exceptionally large amount of working capital
- Changes in the prices of materials and the purchases related to preventing the effects of it will continue to keep net working capital level higher than normal also in the coming months



## INTEREST-BEARING NET DEBT AND EQUITY RATIO

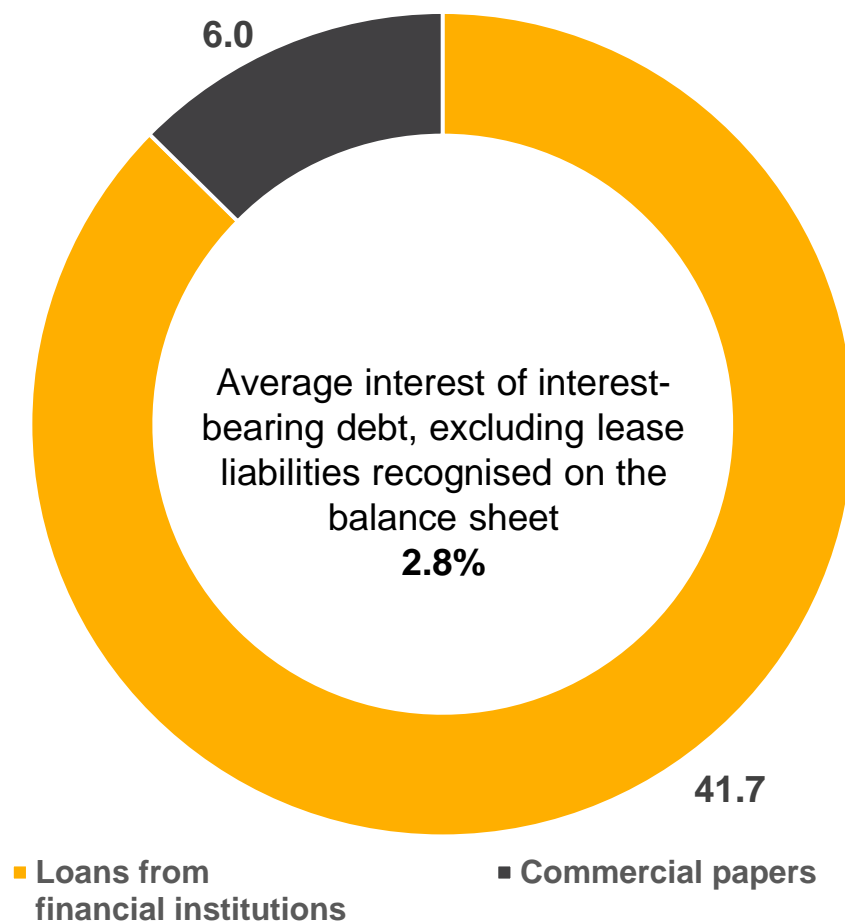
- Kreate's interest-bearing net debt on 30 September 2022 was EUR 46.8 million (30 September 2021: EUR 28.1 million)
- A new financing arrangement was signed in July which replaced the earlier earlier credit limit and loan agreements that would have been due in 2023
- The new financing arrangement supports the management of the working capital changes, allowed for the strategic expansion into Sweden with a business acquisition and extended the maturity of the loans
- The corporate paper programme continues unchanged. On 30 September 2022, the company had issued commercial papers valued at EUR 6.0 million.
- Equity ratio was 29.7% on 30 September 2022 (32.3%)

INTEREST-BEARING NET DEBT (EUR MILLION) AND EQUITY RATIO (%)

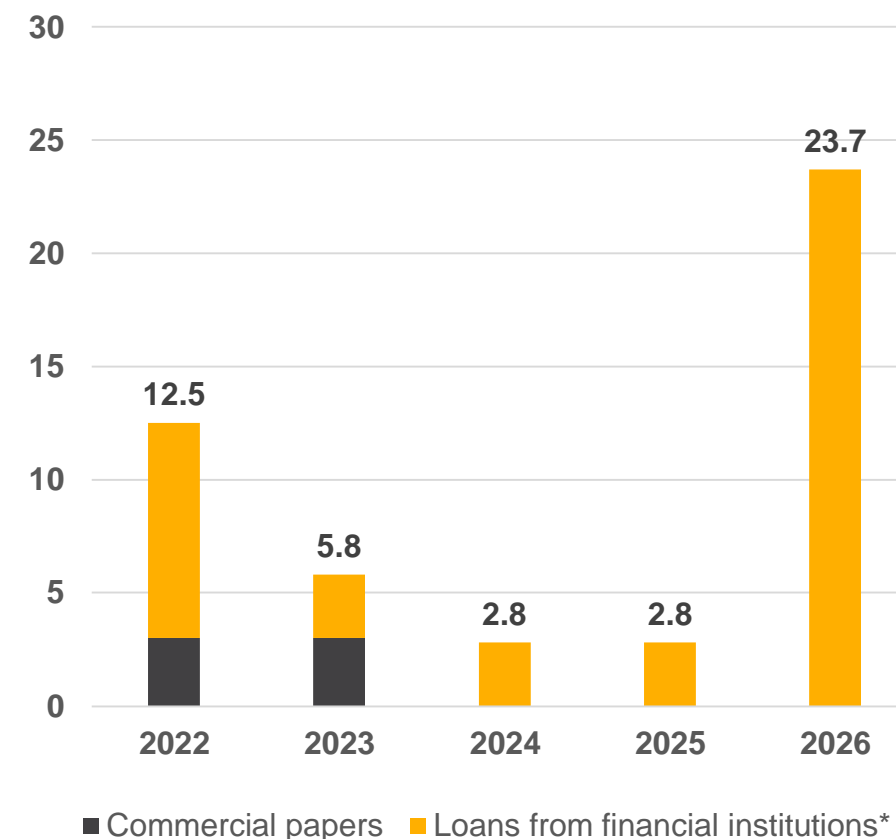


# INTEREST-BEARING DEBT – MATURITY AND AVERAGE INTEREST

LOAN PORTFOLIO ON 30 SEPTEMBER 2022,  
EUR MILLION



REPAYMENT SCHEDULE FOR INTEREST-BEARING  
DEBT ON 30 SEPTEMBER 2022, EUR MILLION



\*) The 2022 repayments of loans from financial institutions were almost entirely repayments of committed revolving overdraft and credit limits

# OUTLOOK 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.



**THE FUTURE IS  
BUILT TODAY**

# A CLEAR STRATEGY WITH A VIEW TO CONTINUED PROFITABLE GROWTH

A PROFITABLE GROWTH COMPANY WITH AN ENTREPRENEURIAL MINDSET EXECUTES THE MOST DEMANDING INFRASTRUCTURE PROJECTS AND OFFERS THE MOST INTERESTING WORKING COMMUNITY IN THE BUSINESS AS WELL AS OPPORTUNITIES FOR DEVELOPMENT.

1

POSITIONING IN  
GROWING MARKET  
SEGMENTS

2

EXPANDING AND  
STRENGTHENING  
CUSTOMER ACCOUNTS  
AND OFFERING

3

SUPPORTING THE  
STRATEGY WITH  
SELECTED  
ACQUISITIONS

4

CONTINUOUS IMPROVEMENT OF OPERATIONAL EFFICIENCY AND PROFITABILITY



# DRIVING FORCES IN THE CONSTRUCTION INDUSTRY'S OPERATING ENVIRONMENT AND KREATE'S STRONGER ABILITY TO OPERATE IN A CHANGING ENVIRONMENT



## SOCIETY

- Labour shortage
- Population structure
- Urbanisation
- Strengthening role of regions

## LEGISLATION

- Zoning and construction legislation
- Financial regulation
- Societal role of infrastructure projects
- Environmental legislation

## POLITICS

- Public sector's capability for investment
- Political pressure to increase regulation
- Increased international tensions

## ECONOMY

- Growing government debt
- Financial growth
- Rising interest rates and inflation
- Growing costs in the construction industry

## THE ENVIRONMENT

- Life-cycle thinking and low-carbon approach
- Circular economy
- Climate change
- Green transition

## TECHNOLOGY

- Production methods
- Data management and leading by data
- Leadership of people

## SUSTAINABILITY

The driving forces still have a significant impact on the entire construction industry, and they guide Kreate's operations as well as the industry overall. Kreate intends to capitalise on the changing market conditions with a clear strategy, competent and strengthening organisation, sustainable operations as well as specialisation in technically challenging projects and demanding conditions.



# KREATE'S LONG-TERM GOALS

## GROWTH

Growing the revenue

**to EUR 300 million**

by 2024  
through a balanced  
combination of organic  
growth and selected  
acquisitions

## PROFITABILITY

EBITA margin

**> 5%**

in the medium term

## DEBT TO EQUITY RATIO

Net debt/EBITDA

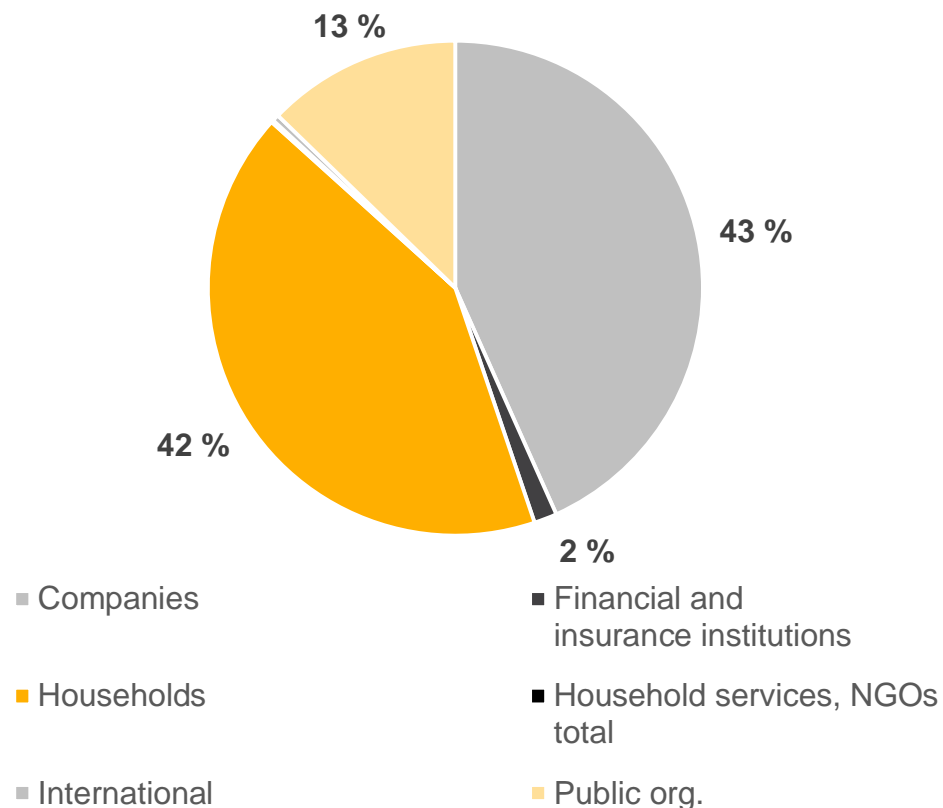
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## KREATE'S DIVIDEND POLICY

The aim is to distribute at least half of Kreate's annual net profit as dividends, considering Kreate's financial standing, cash flows and growth opportunities

# KREATE'S SHAREHOLDERS ON 30 SEPTEMBER 2022

## SHAREHOLDERS BY SECTOR



	Shareholder	Shares	% of shares
1.	Harjavalta Oy	1 783 689	19,9
2.	Tirinom Oy	1 000 000	11,1
3.	Ilmarinen Mutual Pension Insurance Company	425 000	4,7
4.	Valtonen Seppo Timo Johannes	412 101	4,6
5.	Varma Mutual Pension Insurance Company	359 000	4,0
6.	Mutual Fund Säästöpankki pienyhtiöt	350 000	3,9
7.	Rantala Sami Kalle Antero	273 534	3,0
	via Beachfish Invest Oy	55 796	0,6
8.	Inkala Tero Antero	208 396	2,3
9.	Elo Mutual Pension Insurance Company	180 000	2,0
10.	Pensionsförsäkringsaktiebolaget Veritas	175 000	1,9
11.	Salminen Juha Petri	160 512	1,8
12.	Neva-Aho Ronnie Juhani	100 519	1,1
13.	Kreate Group Plc	90 000	1,0
14.	Tradeka-Sijoitus Oy	89 050	1,0
15.	Petri Rignell	2 032	0,0
	via Prirock Oy	69 908	0,8
16.	Hat Invest Oy	71 193	0,8
17.	Kulmala Teuvo Kalle Olavi	67 966	0,8
18.	Karjalainen Jarmo Juhani	65 580	0,7
19.	* Skandinaviska Enskilda Banken Ab (publ)	58 157	0,6
	Helsingin Sivukonttori		
20.	Säästöpankki Kotimaa -Mutual fund	54 924	0,6
<b>TOP 20 TOTAL</b>		<b>6 052 357</b>	<b>67,4</b>
<b>ALL SHARES TOTAL</b>		<b>8 984 772</b>	

\* Nominee registered