

# Financial Statement Bulletin for 2022

Kreate Group Plc

**KREATE**  
THE FUTURE IS BUILT TODAY

## KREATE'S FINANCIAL STATEMENT BULLETIN: A STRONG PERFORMANCE IN A CHALLENGING OPERATING ENVIRONMENT

Kreate Group Plc, financial statement bulletin for January–December 2022, 31 January 2023 at 8:30 a.m.

### October–December in brief

- Order backlog amounted to EUR 306.9 (202.8) million
- Revenue grew compared to the reference period, amounting to EUR 83.1 (75.8) million
- The year-on-year change in revenue was 9.6% (22.3%)
- EBITDA was EUR 3.8 (4.1) million, amounting to 4.5 (5.4) per cent of revenue
- EBITA was EUR 2.3 (3.1) million, amounting to 2.8 (4.1) per cent of revenue
- Earnings per share were EUR 0.14 (0.28)
- Free cash flow from operating activities was EUR 15.2 (7.7) million
- Interest-bearing net debt was EUR 33.4 (20.9) million

### January–December in brief

- Revenue grew significantly compared to the reference period, amounting to EUR 273.9 (237.6) million
- The year-on-year change in revenue was 15.3% (1.0%)
- EBITDA was EUR 13.6 (14.2) million, amounting to 5.0 (6.0) per cent of revenue
- EBITA was EUR 8.8 (10.5) million, amounting to 3.2 (4.4) per cent of revenue
- Earnings per share were EUR 0.64 (0.80)
- Free cash flow from operating activities was EUR 3.5 (4.0) million
- The Board of Directors proposes to the General Meeting on 29 March 2023 that, based on the balance sheet verified for 2022, a dividend of EUR 0.46 be issued per share for shares held outside the company at the time of dividend distribution. The dividend will be paid in two installments of EUR 0.23, the first installment in April 2023 and the second in October 2023.

### Development of the operating environment

Due to the strong start of the year and the strengthening of companies' order backlogs at the end of 2021, the Finnish construction sector grew in 2022, as forecast, by two per cent, with infrastructure construction experiencing a slight decline. Starting from the second quarter, growth was slowed down by the impacts of the Russian invasion of Ukraine, the rapid high inflation and the rise of the interest rates. With the changes in the operating environment and the degraded outlook, construction is expected to decline in 2023. Construction market research company Forecon expects the construction volume to decline by approximately 5 per cent in the current year, whereas the Confederation of Finnish Construction Industries expected a 2 per cent decline in its October economic assessment.

The slowing down of housing construction, delays in infrastructure investments and the downturn in the economy of the government and municipalities will, in particular, contribute to the decline. In Finland and Sweden, construction investments have been at a higher level than the rest of Europe for a long time, and an estimated decrease of 10% in housing construction in 2023, for example, will bring this area closer to the longer-term normal level. Starting from Q2 2022, the number of

building permits, quotation requests and orders has declined, which supports the assessments of construction and, in particular, housing construction, declining in volume in 2023.

Due to the changes in the operating environment that can even occur rapidly, it is challenging to make long-term forecasts concerning infrastructure construction, and the developments may vary from negative to positive between the different infrastructure segments. The decline in housing construction according to the forecasts will be particularly reflected in the foundation construction market. On the other hand, growth is expected in the repair construction sector, which is presumed to boost the foundation and special foundation construction market. The possible start of many industrial investments planned for this year will balance out the infrastructure construction market, where a slight decline is expected. In railway construction, the number of smaller projects has grown in 2022, and the railway construction market which is suitable for Kreate is expected to remain near the reporting period level or even grow in 2023. Despite the decline in infrastructure construction forecast for 2023 by the Confederation of Finnish Construction Industries, there is a strong long-term trend of infrastructure construction in Finland experiencing stable growth and low volatility.

Favourable developments continue in the Swedish infrastructure market in spite of the reductions in total volume; in particular, the rock engineering and concrete construction market, which demands special expertise and suits Kreate, will continue to be very strong in the next few years.

In the public sector, early in the year, the government and largest cities continued to launch projects in the infrastructure construction market as in previous years, but the cuts made in the Ministry of Transport and Communications' budget affected investments in major transport projects already in 2022. 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, however, since government projects amount to about 20% of the entire infrastructure construction market.

Despite the weaker government economy and outlook of infrastructure construction in the short term, the National Transport System Plan is expected to continue bringing long-term developments that exceed 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. 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 their operations and the tolerance of the government's economy.

The industry continued to prepare major future investments, and several significant industrial investments had moved to the implementation stage during the past year, which brought the industrial investments in 2022 to a level 20 per cent higher from the year before. According to the most recent investment survey by the Confederation of Finnish Industries, industrial investments are expected to grow by 7 per cent this year, amounting to EUR 9.6 billion. The forest industry, energy industry, mining industry and various projects related to the green transition will keep the infrastructure construction volume high and bring continuity to the related market.

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. 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.

Overall, Kreate believes that the structural engineering and transport infrastructure construction markets that are relevant for demanding infrastructure construction will decline slightly in 2023 compared to the level in 2022.

## Result guidance for 2023

Kreate estimates that its revenue is at the level of 2022 (2022: EUR 273.9 million) and EBITA (2022: EUR 8.8 million) will grow compared to the year 2022.

### Justifications:

Kreate's high order backlog at the beginning of 2023 supports the positive development of turnover, but the general economic situation may affect the accumulation of new order backlog during the year. In addition to the order backlog, Kreate's specialisation in demanding construction and the stable infrastructure construction market will support EBITA growth in 2023.

## Key figures

EUR million	10–12/2022	10–12/2021	1–12/2022	1–12/2021
Order backlog			306.9	202.8
Revenue	83.1	75.8	273.9	237.6
Year-on-year change in revenue, %	9.6	22.3	15.3	1.0
EBITDA	3.8	4.1	13.6	14.2
EBITDA, %	4.5	5.4	5.0	6.0
EBITA	2.3	3.1	8.8	10.5
EBITA, %	2.8	4.1	3.2	4.4
Operating profit	2.3	3.0	8.6	10.4
Operating profit, %	2.8	4.0	3.2	4.4
Result for the period	1.3	2.4	5.6	6.9
Capital employed			75.9	62.0
Return on capital employed, %			12.5	17.8
Return on equity, %			13.8	20.4
Net investments in operating activities	-0.5	-1.5	-4.2	-4.9
Free cash flow from operating activities	15.2	7.7	3.5	4.0
Net working capital			4.7	-0.0
Net debt			33.4	20.9
Net debt/EBITDA, rolling 12 months			2.5	1.5
Net debt/EBITDA, rolling 12 months pro forma**			2.4	
Equity ratio, %			31.6	38.6
Earnings per share, diluted €	0.14	0.28	0.63	0.80
Earnings per share, undiluted €	0.14	0.28	0.64	0.80
Earnings per share adjusted with IPO expenses, €				0.90
Dividend per share, €			0.46*	0.45
Personnel at the end of the period			447	385
Personnel on average	449	389	416	392

<sup>1)</sup> Board of Directors' proposal to the Annual General Meeting

<sup>2)</sup> The pro forma includes the EBITDA of the acquisition from January 1 to August 31, 2022

## President & CEO Timo Vikström:

“The construction industry is facing the third crisis in two years. The first crisis started in spring 2020 with the COVID-19 pandemic taking its toll on the economy and the operations at construction sites through different restrictions. By reacting quickly and modifying operations, the construction industry managed to deal with the impacts of the pandemic relatively quickly, and it had reached good growth rates by the end of 2021. A new crisis emerged already in February 2022, as the Russian invasion of Ukraine caused the sudden problem concerning the availability of construction materials and the unprecedented growth and fluctuation of construction-related costs. Just as the second half of 2022 started to show signs of the price fluctuations of construction materials evening out, we faced inflation accelerated by the energy shortage and a forecasted economic downturn.

Looking back at the rapid changes in the global situation and the events in the past two years, we can say that Kreate has managed to maintain its performance and focus on strengthening the company strategically. Tendering activity clearly slowed down in late 2022. However, our order backlog for 2022 is historically high at EUR 306.9 million. We are also pleased that we have been able to win more strategically important demanding infrastructure construction contracts for our order backlog. In 2022, we reached a record-high revenue of EUR 273.9 million, slightly above our forecast, with EBITA following our forecast at EUR 8.8 million. Over the course of the year, our profitability was impacted by the cost inflation with unexpected scope and duration as well as the turmoil in the global situation. However, in line with Kreate’s history, the degree of project management remained high in terms of projects’ tendering and execution phases, which limited the impact that the increase in costs had on our performance.

Despite the changes in the operating environment, Kreate had a strong 2022, and we systematically furthered our strategy: We participated in several top infrastructure construction projects, grew our railway construction business in new areas, expanded our operations to Sweden where the infrastructure market is twice as large compared to Finland and strengthened our organisation with new skilled professionals. Over the course of the year, we started and finished several projects demanding special technical expertise. The most unique of these were perhaps the Lillholmen lifting bridge, which we completed on schedule, and the second phase project for improving the E18 Turku Ring Road, which we delivered six months ahead of schedule. The concurrent large-scale projects, such as Crown Bridges, the Sulkavuori central wastewater treatment plant and the construction of the Kirjalansalmi and Hessundinsalmi bridges, will bring continuity for the coming years as well.

In Q4, our order backlog was strengthened by a significant contract that we signed with Kesko concerning the earthmoving and foundation construction work for a logistics centre that will serve Onninen and K-Auto as well as by an 8-million euro tunnel contract in Western Sweden that was awarded to our Swedish subsidiary. Furthermore, at the end of the year, we signed a contract valued at 10 million euros on the construction of the Syrjäsalmi railway bridge, which is part of the Karelian track. The versatile bridge project combines our strategically important expertise as the market leader in bridge and special foundation construction with our strengthened railway project competence.

The most important things for us to remember about 2022, a year of many changes, is how we succeeded in bolstering our technical special expertise as well as our organisation and how we expanded our operations to new business functions and geographical areas. This has required everyone to work hard and give it our all. I am immensely proud of our personnel whose high professional skill and commitment to our mutual success have enabled us to perform well in the currently tighter competitive landscape and the ever changing operating environment.

We are in a good position to start another year despite the weak visibility into the infrastructure market: We have a strong order backlog, we have made strategic choices to secure future growth and our competent, professional organisation is in even better shape than before.”

## Kreate Group’s financial reporting

Kreate Group Plc will publish the financial reports for 2023 as follows:

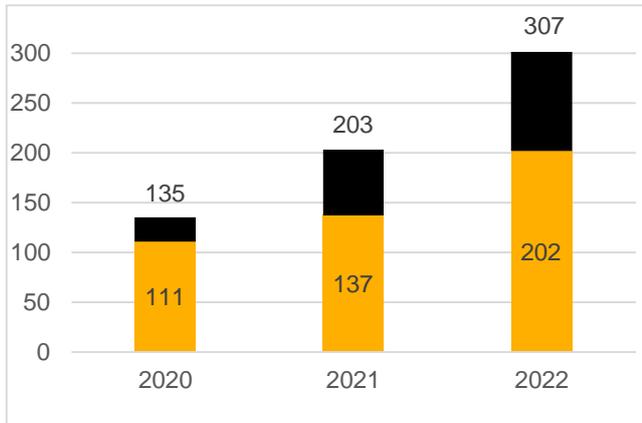
- Interim report for January–March 2023: 28.4.2023
- Half-year report for January–June 2023: 19.7.2023
- Interim report for January–September 2023: 25.10.2023

## Webcast event for analysts and media

A live webcast for analysts and media will be held today, 31 January 2023, at 11:00 a.m. The event will be held 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/q4-2022-results>. A recording of the webcast will be made available later at <https://kreate.fi/en/investor/releases-and-reports/> and a summary in English will become available at <https://kreate.fi/en/investor/releases-and-reports/reports/>.

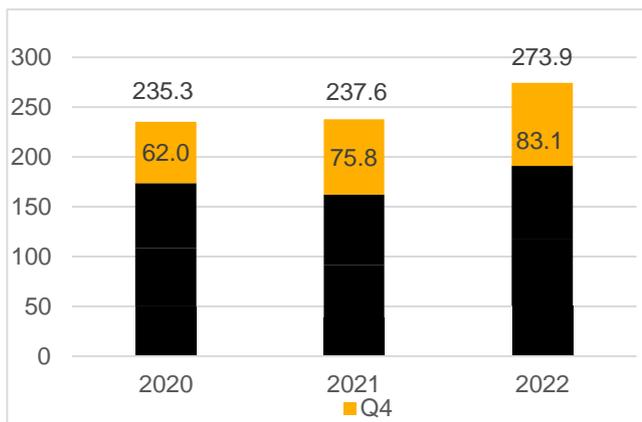
## Key figures

### Order backlog, EUR million



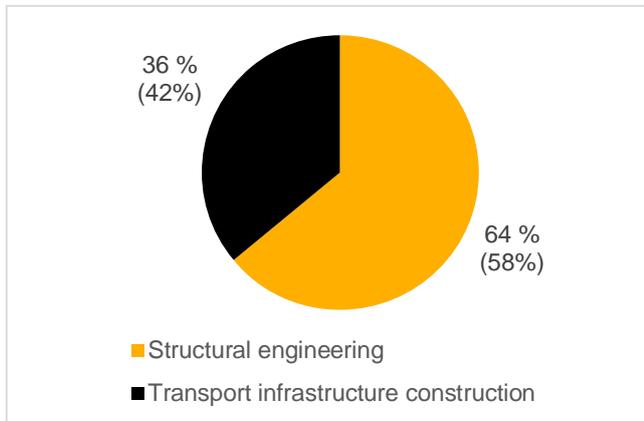
- **At the end of December 2022**, the order backlog amounted to EUR 306.9 (202.8) million
- The order backlog grew significantly from the reference period, and the forecast profitability is at a normal level compared to history
- It is estimated that EUR 202 (137) million of the order backlog will be realised during the financial year 2023
- The most significant addition to the order backlog during the financial period was the Highway 180 Kirjalansalmi and Hessundinsalmi bridge renovation project, which grew the order backlog by approximately EUR 120 million.

### Revenue, EUR million



- **In October–December 2022**, revenue clearly grew compared to the reference period, amounting to EUR 83.1 (75.8) million
- **In January–December**, revenue was slightly above the reference period, amounting to EUR 273.9 (237.6) million
- The projects that were ongoing at the end of the year progressed faster than planned due to the efficient organisation of work

**Revenue by business function  
2022 (2021)**

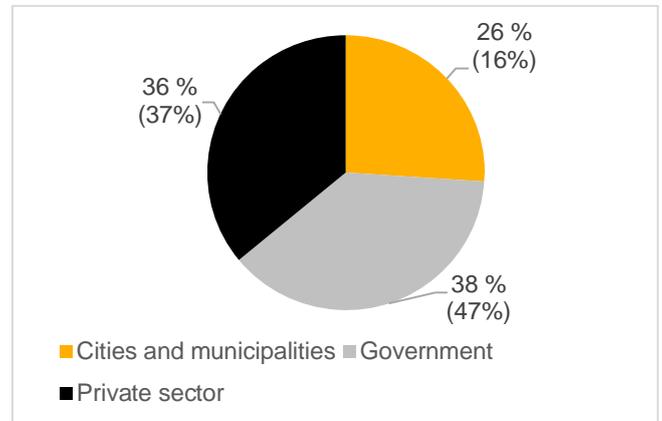


Transport infrastructure construction comprises Railway construction and Road and street construction.

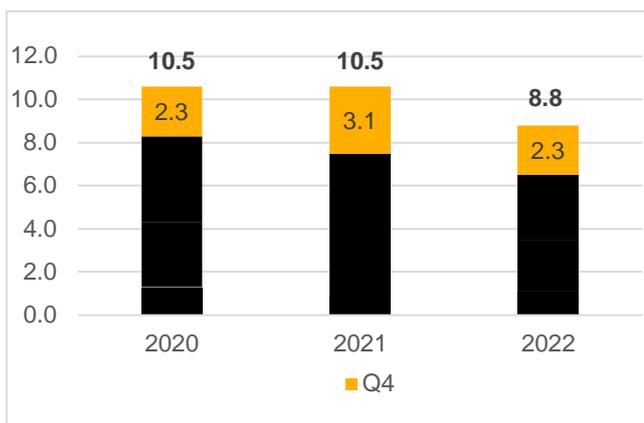
Structural engineering comprises Bridge construction and repair as well as Foundation and engineering construction\*

\*At the beginning of 2023, Foundation and concrete construction was renamed Foundation and engineering construction.

**Revenue by customer group  
2022 (2021)**

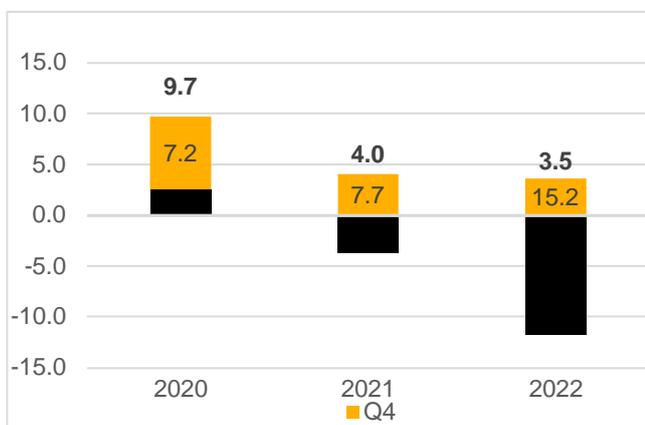


**EBITA, EUR million**



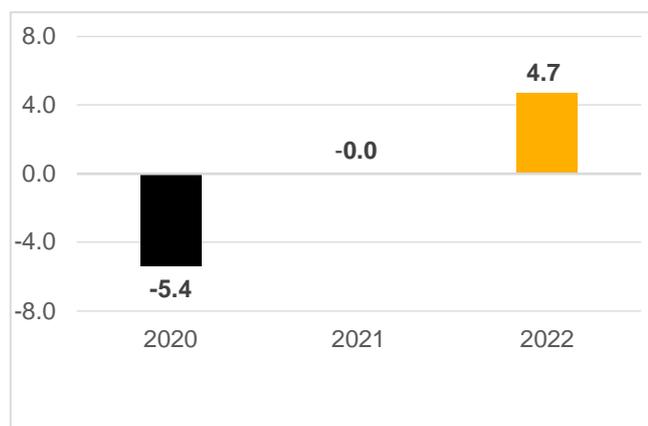
- **In October–December 2022**, EBITA decreased compared to the reference period, amounting to EUR 2.3 (3.1) million
- **In January–December**, EBITA decreased compared to the reference period, amounting to EUR 8.8 (10.5) million
- Profitability was impacted by long-term projects not bound to an index as well as the general cost inflation and increase in interest rates.

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



- **In October–December 2022**, free cash flow from operating activities was EUR 15.2 (7.7) million, of which net investments amounted to EUR 0.5 (1.5) million
- **In January–December**, free cash flow from operating activities was EUR 3.5 (4.0) million, of which net investments amounted to EUR 4.2 (4.9) million.
- Net investments in the review period were 4.2 (4.9) million euros. Machinery and equipment purchases formed a significant part of the investments.

### Net working capital, EUR million



- **At the end of December 2022**, the company's net working capital was EUR 4.7 (-0.0) million
- Net working capital decreased by EUR 12.3 million during Q4

## Kreate's financial statement bulletin for January–December

### Operating environment in January–December 2022

In the construction market, the year 2022 started with a positive energy. Construction companies had made it through the COVID-19 pandemic relatively well and the situation looked bright due to tendering activity and demand picking up. The improved situation was reflected positively in construction companies' order backlogs early in the year.

However, the Russian invasion of Ukraine in February quickly changed the operating environment, including within the field of construction. The war's impact on the construction industry grew over the course of Q1. In particular, the unprecedentedly rapid increase in costs and interest rates caused uncertainty in the construction market during Q2. Increases of up to dozens of per cent could be seen in the prices of steel and fossil fuels. The availability of construction materials and the short period of validity for tenders concerning them as well as the cyclical nature of prices caused challenges in the profitability and tender calculations for projects particularly in H1.

At the end of H1, the construction material cost level started to gradually show signs of stabilisation in terms of predictability, which made it easier to assess the profitability of projects in tender calculation. What particularly contributed to the stabilisation of the materials' market situation was other countries' increased production of construction materials that had previously come from Russia as well as the development of their distribution networks. The cost level stabilisation did not extend to long-term projects that had started earlier because such projects' costs were bound to the lower cost level valid at the tendering phase. The changes in the operating environment due to cost inflation, the increase in interest rates and the economic cycle were also reflected in the development of Kreate's profitability.

Due to a good early year, the overall construction volume in Finland grew by two per cent in 2022, whereas infrastructure construction, considering investments as well as maintenance, experienced a total decrease of two per cent. Despite the growth on the yearly level, the number of building permits, quotation requests and orders has been on the decline starting from H2. The number of new housing construction projects has previously been high, but this area, in particular, has seen a decrease and, for Kreate, this mainly impacted the foundation construction market.

The construction of business premises, which remained on a good level, and private sector investments particularly in the industry and retail balanced out the declining demand for public sector project and housing construction in H2. Similarly, the railway construction market remained on a good level in 2022, which had a positive effect of Kreate's railway construction growing in terms of the scope and number of projects.

Kreate's strategic specialisation in executing demanding infrastructure projects continued to support the company's competitiveness in technically challenging projects that require special expertise. Despite the decrease in infrastructure construction, the competition has remained more moderate in demanding infrastructure construction.

## Order backlog

The order backlog grew compared to the reference year and amounted to EUR 306.9 (202.8) million at the end of 2022. The expected order backlog profitability was at a normal level compared to before. The most significant addition to the order backlog in Q4 was the earthmoving and foundation construction contract for Kesko's logistics centre and the Bohusbana tunnel repair contract that we won in Sweden. The most significant addition to the order backlog during the full reporting period was the Highway 180 Kirjalansalmi and Hessundinsalmi bridge renovation project, which grew the order backlog by approximately EUR 120 million.

## Revenue

The Group's revenue by business function

EUR million	1–12/2022	1–12/2021
Structural engineering <sup>1)</sup>	176.6	137.5
Transport infrastructure construction <sup>2)</sup>	95.3	98.2
Other <sup>3)</sup>	2.0	1.9
Total	273.9	237.6

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

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

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

### October–December 2022

The Group's revenue in October–December increased to EUR 83.1 (75.8) million. In Q4, Structural engineering grew compared to the reference period, reaching a level of EUR 55.8 (43.0) million. In Transport infrastructure construction, revenue decreased to EUR 27.5 (33.3) million. The revenue from Sweden is included in the Structural engineering business area, and it was EUR 2.9 million for the period of October–December 2022.

### January–December 2022

The Group's January–December revenue grew clearly, amounting to EUR 273.9 (237.6) million. Year-on-year, revenue grew in Structural engineering to EUR 176.6 (137.5) million but decreased in Transport infrastructure construction to EUR 95.3 (98.2) million. The revenue from Sweden is included in the Structural engineering business area, and it was EUR 3.9 million for the period of September–December 2022.

In January–December, of the Group's total revenue 26 (16) per cent came from cities and municipalities, 38 (47) per cent from the government and 36 (37) per cent from the private sector.

## Profitability

EUR million	10–12/2022	10–12/2021	1–12/2022	1–12/2021
EBITDA	3.8	4.1	13.6	14.2
EBITDA, %	4.5	5.4	5.0	6.0
EBITA	2.3	3.1	8.8	10.5
EBITA, %	2.8	4.1	3.2	4.4
Operating profit	2.3	3.0	8.6	10.4
Operating profit, %	2.8	4.0	3.2	4.4
Result for the period	1.3	2.4	5.6	6.9
Earnings per share, €	0.14	0.28	0.64	0.80

### October–December 2022

In October–December, the Group's EBITDA was EUR 3.8 (4.1) million, amounting to 4.5 (5.4) per cent of revenue. EBITA was EUR 2.3 (3.1) million, amounting to 2.8 (4.1) per cent of revenue. The Group's operating profit was EUR 2.3 (3.0) million, amounting to 2.8 (4.0) per cent of revenue.

The Group's result before tax was EUR 1.4 (2.7) million. Tax for the reporting period amounted to EUR 0.2 (0.2) million. Result for the reporting period was EUR 1.3 (2.4) million, of which the profit attributable to shareholders of parent company was EUR 1.4 million. Earnings per share were EUR 0.14 (0.28).

### January–December 2022

In January–December, the Group's EBITDA was EUR 13.6 (14.2) million, amounting to 5.0 (6.0) per cent of revenue. EBITA was EUR 8.8 (10.5) million, amounting to 3.2 (4.4) per cent of revenue. The Group's operating profit was EUR 8.6 (10.4) million, amounting to 3.2 (4.4) per cent of revenue.

The Group's result before tax was EUR 6.7 (8.2) 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 1.1 (1.3) million with the effective tax rate being 16.0 (15.9) per cent. Result for the reporting period was EUR 5.6 (6.9) million, of which the profit attributable to shareholders of parent company was EUR 5.8 million. Earnings per share were EUR 0.64 (0.80).

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

EUR million	10–12/2022	10–12/2021	1–12/2022	1–12/2021
Free cash flow from operating activities	15.2	7.7	3.5	4.0
Net working capital			4.7	-0.0

Free cash flow from operating activities was EUR 15.2 (7.7) million in October–December. In January–December, free cash flow from operating activities was EUR 3.5 (4.0) million. During the financial year, net working capital increased to EUR 4.7 million from EUR -0.0 million at the end of the 2021 financial year. In the final quarter of the reporting period, projects were finished as expected, which released working capital and improved net working capital by EUR 12.3 million.

EUR million	12/2022	12/2021
Interest-bearing debt	42.8	27.2
Cash and cash equivalents	9.4	6.3
Net debt	33.4	20.9
Equity	42.5	41.1
Equity ratio, %	31.6	38.6
Return on capital employed, %	12.5	17.8

Interest-bearing debt at the end of the financial year 2022 amounted to EUR 42.8 (27.2) million, of which EUR 2.9 (1.1) million constituted lease liabilities under IFRS 16.

Lease contract liabilities according to IFRS 16 have increased mainly due to changes related to premises and equipment rents. The company's cash and cash equivalents amounted to EUR 9.4 (6.3) million. In addition, the company had committed revolving overdraft and credit limits of EUR

20.0 (15.0) million, which were not in use at the end of the financial period. Interest-bearing net debt at the end of 2022 was EUR 33.4 (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 31 December 2022, the company had issued commercial papers to the value of EUR 7.0 million.

On 6 July 2022, the company signed a credit and credit limit agreement worth EUR 52.5 million, 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 the lease liabilities recognised on the balance sheet, was 2.9 (2.8) per cent in the January–December reporting period. The average interest for the reporting period was increased by 0.4 percentage points by the impact of effective interest for old loans that was transferred to the result in connection with the loan arrangements. Similarly, the average interest for the reference period was increased by 0.4 percentage points by the impact of effective interest that was transferred to the result in connection with a loan repaid in February 2021.

At the end of the reporting period, the consolidated balance sheet total was EUR 134.5 (106.6) million and equity was EUR 42.5 (41.1) million. At the end of the reporting period, equity ratio was 31.6 (38.6) per cent and the company's return on capital employed was 12.5 (17.8) per cent.

## Investments

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

Net investment cash flow was EUR 0.5 (1.5) million in October–December and EUR 4.2 (4.9) million in January–December. 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 comprised tangible assets primarily involving machinery and equipment.

Kreate's gross investments in tangible and intangible assets amounted to EUR 4.6 (5.6) million in 2022.

## Company acquisitions

Kreate Group Plc's Swedish subsidiary Kreate Sverige Holding AB (previously named Kreate Infra Sverige AB) purchased all the shares in the Swedish company Kreate Sverige AB (previously named Bror Bergentreprenad AB), which specialises in demanding underground infrastructure construction, including its subsidiaries. On 2 September 2022, Kreate Sverige Holding AB and Maria Håller Bror AB signed a contract on the acquisition and the transaction was executed at that time. The sale price for all shares in the company is SEK 70 million and 25% of the shares in Kreate Sverige Holding AB, which are transferred to the seller.

## Personnel

At the end of December, Kreate Group employed 447 (385) people. The average number of personnel in January–December was 416 (392).

In 2022, the company continued strategically important recruitments and furthered the development of the competence and career paths of its personnel. In order to enable growth in the railway construction business, several railway and track construction professionals were hired in the conventional railway construction segment as well as in electric railway construction and safety devices, an area into which the company expanded its operations in September according to its strategic growth plan. Another focus area was the recruitment of bridge construction and special foundation construction experts, which will support the company's future competitiveness and competence in technically demanding construction.

In April–June, Kreate offered dozens of trainee positions in work management and practical work to students of the field. Investing in the trainees' induction as well as supporting their work in projects and the further development of their process competence will help the students plan their future careers. The versatile and challenging jobs at projects as well as comprehensive support based on actual needs strengthen the trainees' understanding of working in infrastructure construction, Kreate's corporate culture and the company's ways of working. Offering interesting trainee positions supports students' willingness to continue working in infrastructure construction and strengthens Kreate's development as a builder of demanding projects.

Efforts to develop the personnel and their occupational well-being were continued throughout the reporting period. The company's bicycle benefit, personal well-being coaching and joint well-being projects support the employees' well-being and stress management. As part of the working ability management measures, the Group continued improving the working conditions and the further development of leadership and supervisor work. Kreate aims at supporting personnel well-being by detecting all risks which could lead to the deterioration of the ability to work as early as possible and by planning actions for supporting the working ability.

In early 2022, the KreateAkademia online training platform was launched with its diverse training courses. By offering contact, remote and online training, KreateAkademia serves the company's needs for development and implementing consistent practices. The purpose of the comprehensive training content is to maintain the validity of qualifications and to support the employees' versatile opportunities for development. Versatile working in different projects is important for professional development as most of a person's expertise is gained through on-the-job learning in projects.

In 2022, Kreate Group had a total of five accidents that affected the lost-time injury frequency and led to an absence. The cumulative lost-time injury frequency proportional to the number of personnel was 7.2 in January–December. Kreate's lost-time injury frequency was better than the construction industry average also in 2022.

The safety engagement efforts that were started at the end of Q1 was reflected in the number of safety observations and near miss reports growing on the yearly level. The company's goal is to make recording safety observations an even stronger everyday routine for the personnel and to bring to light even those observations that may seem minor but that contribute to safety. By increasing the number of high-quality safety observations, the company wishes to support reaching the goal of zero accidents. This goal is also supported by the safety rounds carried out by managers and safety experts at worksites in the reporting period as well as furthering the model of substitutive work.

## Company management

As of 31 December 2022, Kreate's Management Team includes 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 Antti Kakko, Vice President, Bridge Construction and Repair.

As per the company's stock market release of 20 July 2022, Accounting Manager, Bachelor of Engineering Antti

Kakko was appointed Vice President, Bridge Construction and Repair and a member of Kreate Group's

Management Team as of 1 November 2022. Vice President, Bridge Construction and Repair Sami Rantala left his position in Kreate Group's Management Team according to plan as of 1 November 2022. Tommi Lehtola, the leader of the Foundation and Concrete Construction business left his position in Kreate Group's Management Team on 1 August 2022. Lehtola's tasks were restructured within the organisation.

## Short-term risks and risk management

Kreate Group's risk management aims at the 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 approved by the company's board of directors 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

Epidemics and pandemics as well as conflicts between states may have a material adverse effect on Kreate's business, the global economy and financial markets. The impacts of pandemics and conflicts on the economy may also be reflected in the reduction or postponement of planned investments and decrease the demand for Kreate's services.

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 or stagnation.

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. Among others, Kreate executes road and railway construction projects, whose demand is largely dependent on transport policy planning and decision-making as well as the public economy's capabilities for investment.

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 skilled 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 its strategy or adapting it to changes in the operating environment, or the strategy itself may be unsuccessful. The successful execution of Kreate's strategy is also

dependent on other factors, many of which are at least partially outside of Kreate's influence. Therefore, Kreate may not necessarily be able to define, execute or adjust its business strategy successfully, as needed.

Failure to hire qualified personnel or 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.

Business acquisitions and internationalisation may involve situations and changes to plans that impact Kreate's performance and whose handling may require additional resources. The unsuccessful integration of ways of working or adoption of operations in connection with business acquisitions may impact Kreate's business and profitability.

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.

Kreate uses both its own employees and subcontractors in the execution of projects. 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 the company's financing risks is also available in note 3.4 to the 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/tiedotteet/kreate-group-oyjn-varsinaisen-yhtiokokouksen-ja-hallituksen-paatokset-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 Rahkonen (formerly 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 Rahkonen (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 31 December 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 31 December 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 December was EUR 80,000. The total number of outstanding shares in the company on 31 December 2022 was 8,984,772 shares, of which the company held 90,000 shares as treasury shares.

1,599,375 of Kreate's shares were traded on the Helsinki Stock Exchange in January–December. 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 in the financial year 2022 was EUR 9.41.

The share's closing price on the last trading day of the reporting period, 31 December 2022, was EUR 8.09. Based on the closing price of the reporting period, the market value of the company's shares, excluding the treasury shares reported on the consolidated balance sheet (143,506), was EUR 71.5 million.

## Board of Directors' proposal on the use of distributable funds

The parent company Kreate Group Plc's distributable funds amounted to EUR 30,071,086.98 on 31 December 2022. The Board of Directors proposes to the General Meeting on 29 March 2023 that, based on the balance sheet verified for 2022, a dividend of EUR 0.46 be issued per share for

shares held outside the company at the time of dividend distribution. The dividend will be paid in two installments of EUR 0.23, the first installment in April 2023 and the second in October 2023. The remaining funds distributable as profits are left in unrestricted equity. On the day of making the proposal for profit distribution, 30 January 2023, 8,841,266 shares were held outside the company, which is equivalent to total dividends of EUR 4,066,982.36.

## Events after the reporting period

On 11 January 2023, Kreate issued a profit warning, providing preliminary information on the company's revenue and EBITA for the 2022 financial period. Revenue for the full year exceeded the range in the guidance by EUR 14 million and EBITA was in line with the guidance.

Kreate Group has decided to merge its wholly owned subsidiary Kreate Rata Oy with its other subsidiary Kreate Oy. The merger is estimated to take place by the end of the first half of the year. The merger has no effect on the reported figures.

Tuusula, 31 January 2023

Kreate Group Plc

Board of Directors

NOTES

Calculation formulas for key figures

Tables for the January–December 2022 financial statement bulletin

## Key figures by quarter

EUR million	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20
Order backlog	306.9	284.2	204.4	208.8	202.8	202.8	157.5	158.3	134.9
Revenue	83.1	73.3	67.0	50.4	75.8	70.6	52.9	38.3	62.0
Change in revenue, %	13.3	9.5	32.8	-33.4	7.4	33.4	38.0	-38.1	-5.2
EBITDA	3.8	4.2	3.5	2.1	4.1	5.1	3.4	1.7	3.1
EBITDA, %	4.5	5.7	5.3	4.2	5.4	7.2	6.3	4.4	5.0
EBITA	2.3	3.0	2.4	1.1	3.1	4.1	2.5	0.9	2.3
EBITA, %	2.8	4.1	3.6	2.2	4.1	5.8	4.7	2.3	3.8
Operating profit	2.3	2.9	2.4	1.0	3.0	4.1	2.4	0.8	2.3
Operating profit, %	2.8	4.0	3.5	2.1	4.0	5.8	4.6	2.2	3.7
Result for the period	1.3	2.1	1.6	0.6	2.4	3.1	1.8	-0.3	1.8
Capital employed	75.9	88.0	68.5	64.9	62.0	66.7	63.0	56.3	54.5
Return on capital employed, %	12.5	12.1	16.0	17.4	17.8	15.3	15.7	17.4	19.2
Return on equity, %	13.8	17.0	20.9	19.9	20.4	15.6	16.6	17.6	24.7
Net investments in operating activities	-0.5	-0.8	-1.0	-1.8	-1.5	-0.6	-2.1	-0.8	-1.7
Free cash flow from operating activities	15.2	-10.1	-0.4	-1.2	7.7	-0.2	-3.7	0.1	7.2
Net working capital	4.7	17.0	3.6	0.5	-0.0	3.8	-0.3	-4.6	-5.4
Net debt	33.4	46.8	29.4	23.1	20.9	28.1	27.4	18.8	27.9
Net debt/EBITDA, rolling 12 months	2.5	3.4	2.0	1.6	1.5	2.1	2.1	1.4	2.0
Equity ratio, %	31.6	29.7	31.6	38.2	38.6	32.3	33.4	38.2	26.3
Earnings per share, €	0.14	0.23	0.19	0.07	0.28	0.34	0.20	-0.04	0.07
Personnel at the end of the period	447	450	424	379	385	392	412	385	383
Personnel on average	449	428	407	378	389	398	396	382	390

## Additional information on alternative performance measures

EUR million	10–12/2022	10–12/2021	1–12/2022	1–12/2021
Outstanding shares on average, diluted (1,000 pcs)	8895	8895	8895	8689
Outstanding shares on average, undiluted (1,000 pcs)	8841	8895	8859	8689
Amortisations from intangible assets	-0.0	-0.0	-0.2	-0.2
Depreciations	-	-	-	-
Prepayments received	-	-	-	-
IPO expenses included in financial expenses	-	-	-	0.9

EUR million	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20
Outstanding shares on average, diluted (1,000 pcs)	8895	8895	8895	8895	8895	8895	8895	8062	7365
Outstanding shares on average, undiluted (1,000 pcs)	8841	8841	8858	8895	8895	8895	8895	8062	7365
Amortisations from intangible assets	-0.0	-0.1	-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, %	$\frac{\text{Equity}}{\text{(Balance sheet total – prepayments received)}} \times 100$

## Financial statement bulletin for January–December 2022: Table section

## Consolidated statement of income

EUR million	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Revenue	83.1	75.8	273.9	237.6
Other operating income	0.4	0.1	1.3	0.5
Materials and services	-66.5	-58.4	-216.6	-181.9
Employee benefit expenses	-9.1	-10.5	-33.3	-32.3
Other operating expenses	-4.0	-3.2	-12.3	-10.3
Share of associates' and joint ventures' profit or loss	-0.2	0.3	0.7	0.6
Depreciation, amortisation and impairment	-1.5	-1.1	-5.0	-3.9
Operating profit	2.3	3.0	8.6	10.4
Financial income	0.0	0.0	0.0	0.0
Financial expenses	-0.9	-0.3	-1.9	-2.1
Financial income and expenses	-0.9	-0.3	-1.9	-2.1
Result before taxes	1.4	2.7	6.7	8.2
Income taxes	-0.2	-0.2	-1.1	-1.3
<b>Result for the period</b>	<b>1.3</b>	<b>2.4</b>	<b>5.6</b>	<b>6.9</b>
Profit attributable to:				
Shareholders of parent	1.4	2.4	5.8	6.9
<i>Non-controlling interests</i>	0.2		0.1	
Earnings per share calculated from the income attributable to shareholders of the parent				
Undiluted, €	0.14	0.28	0.64	0.80
Diluted, €	0.14	0.28	0.63	0.80
<b>Consolidated statement of comprehensive income</b>				
Result for the period	1.3	2.4	5.6	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>1.3</b>	<b>2.4</b>	<b>5.7</b>	<b>6.9</b>
Comprehensive income attributable to:				
Shareholders of parent	1.5	2.4	5.8	6.9
<i>Non-controlling interests</i>	-0.1		-0.1	

## Consolidated balance sheet

EUR million	12/2022	12/2021
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	0.7	0.9
Goodwill	40.0	35.6
Tangible assets	19.9	17.9
Right-of-use assets	2.9	1.1
Investments in associated companies and joint ventures	10.0	8.9
Other receivables	0.2	0.4
Deferred tax assets	1.2	0.7
<b>Total non-current assets</b>	<b>74.9</b>	<b>65.5</b>
<b>Current assets</b>		
Trade and other receivables	49.8	34.2
Income tax receivables	0.4	0.6
Cash and cash equivalents	9.4	6.3
<b>Total current assets</b>	<b>59.6</b>	<b>41.1</b>
<b>Total assets</b>	<b>134.5</b>	<b>106.6</b>
<b>EQUITY</b>		
<b>Equity attributable to the shareholders of the parent</b>		
Share capital	0.1	0.1
Reserve for invested unrestricted equity	19.7	19.7
Treasury shares	-0.5	
Foreign exchange rate differences	0.0	
Retained earnings	23.4	21.3
<b>Total equity attributable to the shareholders of the parent</b>	<b>42.6</b>	<b>41.1</b>
Share of non-controlling interests	-0.1	
<b>TOTAL EQUITY</b>	<b>42.5</b>	<b>41.1</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Interest-bearing debt	32.1	22.6
Deferred tax liabilities	1.5	1.1
<b>Total non-current liabilities</b>	<b>33.5</b>	<b>23.8</b>
<b>Current liabilities</b>		
Interest-bearing debt	10.7	4.6
Trade payables and other liabilities	45.5	34.5
Income tax liabilities	0.4	0.0
Provisions	1.9	2.6
<b>Total current liabilities</b>	<b>58.5</b>	<b>41.7</b>
<b>Total liabilities</b>	<b>92.0</b>	<b>65.5</b>
<b>Total equity and liabilities</b>	<b>134.5</b>	<b>106.6</b>

## Consolidated cash flow statement

EUR million	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Result for the period	1.3	2.4	5.6	6.9
Depreciation, amortisation and impairment	1.5	1.1	5.0	3.9
Financial income and expenses	0.9	0.3	1.9	2.1
Income taxes	0.2	0.2	1.1	1.3
Other adjustments	0.1	-0.3	-0.8	-0.8
Total adjustments	2.6	1.3	7.2	6.5
Change in trade and other receivables	10.3	11.3	-13.4	-4.1
Change in trade payables and other liabilities	1.7	-6.6	9.1	-1.5
Change in provisions	-0.2	0.7	-0.8	1.2
Total change in working capital	11.8	5.4	-5.1	-4.5
Cash flow from operations before financial items and taxes	15.8	9.2	7.7	8.9
Interest paid in operating activities	-0.1	-0.1	-0.3	-0.1
Interest received in operating activities	0.0	0.0	0.0	0.0
Other financial items	-0.2	-0.1	-0.7	-1.3
Dividends received				
Taxes paid	-0.4	-0.3	-0.7	-2.1
<b>CASH FLOW FROM OPERATIONS</b>	<b>15.1</b>	<b>8.7</b>	<b>6.0</b>	<b>5.4</b>
Investments in tangible and intangible assets	-0.6	-1.9	-4.6	-5.6
Disposals of tangible and intangible assets	0.1	0.4	0.4	0.6
The acquisition of the subsidiary reduced by the cash assets at the time of acquisition	-0.3		-5.9	
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-0.8</b>	<b>-1.5</b>	<b>-10.1</b>	<b>-4.9</b>
Share issue				11.2
Acquisition of treasury shares			-0.5	
<i>Drawdown of non-current loans</i>	0.0		29.9	
Repayment of non-current loans			-21.3	-6.3
Drawdown of current loans	8.0		44.6	10.0
Repayment of current loans	-14.1	-7.7	-40.1	-12.3
Credit limit withdrawals/repayments	-2.4		0.0	
Repayment of lease liabilities	-0.3	-0.2	-0.9	-0.7
Interest and other loan expenses			-0.5	-0.3
Dividends paid		0.0	-4.0	-3.9
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-8.7</b>	<b>-7.9</b>	<b>7.3</b>	<b>-2.3</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>5.6</b>	<b>-0.6</b>	<b>3.1</b>	<b>-1.8</b>
Cash and cash equivalents on the opening balance sheet	3.8	6.9	6.3	8.1
Change in cash and cash equivalents	5.6	-0.6	3.1	-1.8
Impact of the changes in foreign exchange rates	0.0		0.0	
Cash and cash equivalents at the end of the period	9.4	6.3	9.4	6.3

## Consolidated statement of changes in equity

EUR million	Share capital	Reserve for invested unrestricted equity	Treasury shares	Foreign exchange rate differences	Retained earnings	Equity attributable to the shareholders of the parent	Share of non-controlling interests	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 attributable to the owners of the parent					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

<sup>1)</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 equity	Treasury shares	Foreign exchange rate differences	Retained earnings	Equity attributable to the shareholders of the parent	Share of non-controlling interests	Total equity
Equity as of 1 January 2022	0.1	19.7			21.3	41.1		41.1
Items of comprehensive income								
Result for the period					5.8	5.8	-0.1	5.6
Foreign exchange rate differences				0.0		0.0	0.0	0.0
Total comprehensive income				0.0	5.8	5.8	-0.1	5.7
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
Other changes								
Total transactions with the owners	0.0	0.0	-0.5	0.0	-4.0	-4.3		-4.3
Equity as at 31 December 2022	0.1	19.7	-0.5	0.0	23.4	42.6	0.0	42.5

## Notes

### Key accounting principles and basis for preparation

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

The information in the financial statement bulletin is based on the audited financial statements for 2022.

The financial statement bulletin 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 financial statement bulletin 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. The Group's accounting principles have been supplemented in terms of the performance share plan and the principles applicable to the consolidation of the Swedish subsidiaries.

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.

In the spring, Kreate Group Plc established a subsidiary in Sweden, Kreate Sverige Holding AB, which purchased 100% of the shares in the Swedish company Kreate Sverige AB on 2 September 2022. The balance sheets of the foreign subsidiaries have 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 and cash flows have 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 is recognised under foreign exchange rate differences in equity and the change in exchange rate differences is recognised under other items of comprehensive income. The share of non-controlling owners is separated in the income statement as a share of the financial year's result and in the balance sheet as a share of equity.

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 foreign subsidiary or a part thereof is sold or otherwise waived, the relating accumulated foreign exchange rate differences are recognised from equity in the income statement as part of sales profit or loss. The goodwill generated in connection with the acquisition of foreign units and the use of those foreign units and the fair value adjustments made to the accounting values of liabilities in connection with the acquisition apply as

assets and liabilities of those foreign units. They are converted into euros using the exchange rates on the end of the reporting period.

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, 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	1–12/2022	1–12/2021
Structural engineering <sup>1)</sup>	176.6	137.5
Transport infrastructure construction <sup>2)</sup>	95.3	98.2
Other <sup>3)</sup>	2.0	1.9
Total	273.9	237.6

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

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

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

The turnover of the transport infrastructure construction has remained close to the level of the previous fiscal year. The share of structural engineering has grown in line with Kreate's strategy.

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

	1–12/2022	1–12/2021
Cities and municipalities	26%	16%
Government	38%	47%
Private sector	36%	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. The private sector's share of turnover has been flat between fiscal years. The share of cities, municipalities and the government varies according to the ongoing projects.

Working capital

EUR million	12/2022	12/2021
Trade receivables	20.6	17.3
Assets based on contracts with customers	27.5	15.7
Loan receivables	0.0	
Other receivables	0.7	1.1
Accrued income	1.1	0.0
<b>Total trade and other receivables</b>	<b>49.8</b>	<b>34.2</b>
Accrued personnel costs	0.0	0.0
Other accrued income	1.1	0.0
Total accrued income	1.1	0.0
Trade payables	16.2	12.4
Liabilities based on contracts with customers	14.3	4.8
Other liabilities	4.8	5.6
Accrued liabilities	10.1	11.7
<b>Total trade payables and other liabilities</b>	<b>45.5</b>	<b>34.5</b>
Interest liabilities	0.4	0.3
Accrued personnel costs	8.8	10.9
Other accrued liabilities	1.0	0.5
Total accrued liabilities	10.1	11.7

## Financial assets and liabilities

EUR million	31 December 2022	Carrying amount	Fair value
Financial assets measured at amortised cost			
Non-current receivables		0.2	0.2
Non-current financial assets		0.2	0.2
Trade and other receivables		21.3	21.3
Current financial assets		21.3	21.3
Cash and cash equivalents		9.4	9.4
Total financial assets		30.9	30.9
Financial liabilities measured at amortised cost			
Loans from financial institutions		29.7	29.9
Hire purchase liabilities		0.4	0.4
Lease liabilities		1.9	
Non-current interest-bearing liabilities		32.1	
Loans from financial institutions		2.6	2.6
Commercial papers		7.0	7.0
Hire purchase liabilities		0.2	0.2
Lease liabilities		1.0	
Current interest-bearing liabilities		10.7	
Trade payables and other liabilities		21.0	21.0
Other current financial liabilities		21.0	21.0
Total financial liabilities		63.8	

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
Hire purchase liabilities		-	
Lease liabilities		0.6	
Non-current interest-bearing liabilities		22.6	
Loans from financial institutions		4.0	4.0
Hire purchase liabilities		-	
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 2022 and 2021.

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	12/2022	12/2021
Acquisition cost as at 1 January	28.1	23.2
Exchange rate differences	-0.1	
Increases	4.6	5.5
Business acquisitions	2.3	
Decreases	-0.7	-0.6
Acquisition cost at the end of the period	34.2	28.1
Accrued depreciation, amortisation and impairment as at 1 January	-10.2	-7.5
<i>Exchange rate differences</i>	0.0	
Accrued amortisation on the decreases	0.6	0.2
<i>Business acquisitions</i>	-0.8	
Amortisation for the period	-3.9	-3.0
Accrued depreciation, amortisation and impairment at the end of the period	-14.2	-10.2
Carrying amount at the end of the period	19.9	17.9

### Changes in right-of-use assets

EUR million	12/2022	12/2021
Acquisition cost as at 1 January	2.9	2.9
Exchange rate differences	0.0	
Increases	2.5	0.4
Business acquisitions	0.2	
Decreases	-0.5	-0.4
Acquisition cost at the end of the period	5.0	2.9
Accrued depreciation, amortisation and impairment as at 1 January	-1.7	-1.4
Exchange rate differences		
Accrued amortisation on the decreases	0.4	0.4
Business acquisitions	0.0	
Accrued amortisation on the transfers	0.1	
Amortisation for the period	-0.9	-0.7
Accrued depreciation, amortisation and impairment at the end of the period	-2.2	-1.7
Carrying amount at the end of the period	2.9	1.1

### Changes in intangible assets

EUR million	12/2022	12/2021
Acquisition cost as at 1 January	5.2	5.1
Exchange rate differences		
Increases	0.0	0.1
Business acquisitions		

Decreases		
Acquisition cost at the end of the period	5.2	5.2
Accrued depreciation, amortisation and impairment as at 1 January	-4.3	-4.2
Exchange rate differences		
Accrued amortisation on the decreases		
Business acquisitions		
Amortisation for the period	-0.2	-0.2
Accrued depreciation, amortisation and impairment at the end of the period	-4.5	-4.3
Carrying amount at the end of the period	0.7	0.9

## Collateral and contingent liabilities

EUR million	12/2022	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	43.5	35.2
Lease liabilities from short-term assets with a low value	0.9	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. The question of whether communities where shareholders or key management personnel exercise control are considered to be related parties is examined case-specifically taking into account the factual conditions.

EUR million	1–12/2022 Income	Expenses	12/2022 Receivables	Liabilities
Associate and joint venture	3.2	-11.1	0.4	0.4
Other related parties <sup>1)</sup>		-0.0		

EUR million	1–12/2021 Income	Expenses <sup>2)</sup>	12/2021 Receivables	Liabilities
Associate and joint venture	6.7	-6.8	0.0	0.4
Other related parties <sup>1)</sup>		-0.2		

<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 Sverige Holding AB, 100% owned by the parent company Kreate Group Plc before the acquisition, purchased 100% of the shares in the Swedish company Kreate Sverige AB. Kreate Sverige 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 net debt free sale price was SEK 70 million (adjusted according to the exchange rate at the time of the event, €6.5 million) and 25% of the shares in Kreate Sverige Holding AB, which were transferred to the seller. Following the transaction, Kreate Group Plc owns 75% of the shares in Kreate Sverige Holding AB. On 6 July 2022, Kreate Group Plc signed a new credit agreement, and the acquisition was financed within this agreement. As the sale price, the seller was paid SEK 70,025,000 in cash, of which the seller used SEK 25,000 to purchase shares in Kreate Sverige Holding AB at the time of closing the sale.

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

<i>EUR million</i>	<b>Total</b>
<b>Purchase price</b>	<b>6.8</b>
<i>Fixed assets</i>	1.6
<i>Shares in associated companies</i>	0.5
<i>Receivables</i>	2.1
<i>Cash and cash equivalents</i>	1.0
<b>Total assets</b>	<b>5.2</b>
<i>Non-current liabilities</i>	0.7
<i>Current liabilities</i>	2.0
<i>Deferred tax liabilities</i>	0.1
<b>Total liabilities</b>	<b>2.7</b>
<b>Acquired identifiable net assets:</b>	<b>2.4</b>
<b>Goodwill</b>	<b>4.4</b>

The figures have been converted according to the exchange rate at the time of the event

The table includes the assets and liabilities for the activities acquired. The consolidation is preliminary and it has been updated in Q4. The definition of the fair values of the acquired assets and liabilities may be specified further during the 12-month valuation period following the acquisition.

## 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 3.9 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 11.5 million and its impact on operating profit would have been EUR 0.1 million.

## Events after the reporting period

On 11 January 2023, Kreate issued a profit warning, providing preliminary information on the company's revenue and EBITA for the 2022 financial period. Revenue for the full year exceeded the range in the guidance by EUR 14 million and EBITA was in line with the guidance.

Kreate Group has decided to merge its wholly owned subsidiary Kreate Rata Oy with its other subsidiary Kreate Oy. The merger is estimated to take place by the end of the first half of the year. The merger has no effect on the reported figures.