



KREATE

2022
ANNUAL REVIEW

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The cover photo is from the E18 Turku Ring Road, Kausela-Pukkila project of the Finnish Transport Infrastructure Agency, which we delivered six months ahead of schedule in December 2022.

+120
projects annually

~450
professionals

EBITDA

3,2%

Revenue

~EUR 274 million

Order backlog

~EUR 307 million

6th consecutive
growth year

11%
(2017–2022 CAGR)

Kreate in brief

Kreate is a Finnish infrastructure construction company that particularly focuses on executing projects that are technically challenging or that require special expertise.

Our offering includes services in the fields of transport infrastructure construction, structural engineering and the circular economy. We provide versatile solutions for bridges, roads and railways, environmental and foundation construction, the circular economy and geotechnical needs. We are an industry-leading company particularly in bridge and foundation construction both in terms of volume and expertise.

We serve our customers with high professionalism in all projects and always aim for comprehensive quality and cost-effective operations. Our customer base consists of both public and private sector customers.

In addition to its diverse infrastructure construction business in Finland, Kreate expanded its operations into Sweden in 2022, where the company's focus areas are demanding rock and tunnel construction. Furthermore, the Group has a 50% holding in the joint venture KFS Finland Oy, which specialises in special foundation construction.

In 2022, our consolidated revenue was EUR 273.9 million and we employed 449 people. Kreate Group is listed on Nasdaq Helsinki.



We strengthened our expertise in railway and track construction by starting our electric railway and safety device business in September. Over the course of the year, we won several railway contracts that are important in terms of strategic growth. These include the first contracts for the extensive Kupittaa-Turku rail project and the Juurikorpi passing place along the Kouvola-Kotka-Hamina railway project.

We signed the largest contract in the company's history in September, as the alliance project for the Kirjalansalmi and Hessundinsalmi bridges, valued at EUR 120 million, moved to the implementation stage. Both bridges require special technical expertise: Once completed, the Kirjalansalmi bridge will be a 600-metre cable-stayed bridge - and Finland's longest road bridge by main span - whereas the 200-metre long frame bridge with inclined legs across the Hessundinsalmi strait will have no permanent supports built in the water.



HIGHLIGHTS OF THE YEAR 2022



During the year, Kreate strengthened its market share in the private sector. In particular, the company executed infrastructure contracts related to significant industrial investments, such as the Metsä Fibre bioproduct mill project in Kemi, which is valued at EUR 1.5 billion.

In accordance with our strategic growth plan, we established a subsidiary in Sweden in the spring. In September, we acquired BBEAB, a company specialising in demanding underground construction, to support our growth in an infrastructure market that is twice as large compared to Finland. In December, our Swedish subsidiary won an important tunnel contract.



FEBRUARY The construction of the Main Road 19 Seinäjoki-Lapua project moved to the implementation stage in January. It is executed by a joint project venture, and the construction progressed according to plan during the year.

NOVEMBER We signed a large contract with Kesko concerning the earthmoving and foundation construction work for a logistics centre that will serve Onninen and K-Auto.

DECEMBER We delivered the large E18 Turku Ring Road, Kausela-Pukkila project six months ahead of schedule at the end of December.



Advancing on our strategic path strengthens our competitiveness

In spite of changes in the operating environment and the economic fluctuations, Kreate had a successful year in 2022. At first, the recovery of the construction market gave cause to expect a record year. However, the Russian invasion of Ukraine soon caused price increases and availability issues with construction materials, which impacted the entire construction industry. Despite the construction market slowing down towards the end of the year, our revenue reached a new record of EUR 274 million and our performance was strong considering the market situation. Our determined progress on the strategic growth path guided our actions and improved our future outlook.

In 2022, our actions were characterised by a strong strategic focus: 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.

Our employees' hard work and dedication carried us through the challenging operating environment. We succeeded in steadily growing our order backlog throughout the year and reached the highest revenue in the company's history. Despite the impact of general cost inflation, increase in interest rates and long-term projects not bound to an index, we managed to perform well. Our order backlog grew to EUR 307 million, which lays a good foundation for the coming year in the slower construction market.



By collaborating with various partners, we are guaranteed to find new opportunities for furthering the entire sector, promoting sustainable construction and offering interesting career paths to professional workers.”

Green transition boosting railway construction

Digitalisation, the green transition and railway focus of mass transport will shape future projects. With the emphasis shifting to railways and their surroundings concerning people and goods, we need competent, versatile professionals who can build the necessary infrastructure. Over the course of the year, we sought growth in our railway operations by deepening our railway construction expertise with the electric railway and safety device business. Driven by demands of carbon neutrality, the public sector's transport infrastructure investments will progressively focus on the construction of railways. In this situation, we can help our customers more comprehensively with superstructure work and large railway construction contracts.

In addition to building competence, we expanded geographically during the year by establishing a subsidiary in Sweden and acquiring a company specialising in demanding underground infrastructure construction. At the end of the year, we won the first significant tunnel construction contract in Sweden, which will lay a good foundation for our future growth targets. In the future, the expansion in Sweden and deepening of our railway expertise will support growth and profitability.

Historically large projects and effective work

In 2022, we built and won many significant and technically challenging projects, the largest of which is the contract for renovating the Kirjalansalmi and Hessundinsalmi bridges along Highway 180. The project is valued approximately at EUR 120 million and, in terms of scale, it is our largest contract so far. The project execution is based on the alliance model, which requires technical special expertise, excellent collaboration skills and personnel with a diverse skill set. Similarly to the Crown Bridges project and Sulkavuori central wastewater treatment plant, which are executed by joint project ventures, these large-scale projects provide oppor-

tunities for development for our employees and continuity in the coming years for our company.

Our aim is to execute all of our projects with high quality and efficiency. In the best case scenario, this means that contracts are delivered faster than expected. For example, in December 2022, we delivered the second phase project of the E18 Turku Ring Road approximately six months ahead of schedule. The sooner roads, bridges and other transport infrastructure are commissioned, the more they provide cost savings and improve road safety. A well designed and effectively executed infrastructure project can have a real impact in terms of responsibility.

Building with passion

One of our goals for the past year was to increase our competence on sustainability across the organisation. We established steering and working groups whose goal is to promote sustainability at the strategic level as well as during everyday work. With the combined effects of diverse conversations, analyses and interviews, we have determined the material topics from the perspective of our company and the surrounding world. We divided our sustainability framework into three sections: Reducing our footprint, Building with passion and Growing our handprint. These themes are related to the climate, environment and people as well as to finance and administration. They support our strategic goals and help us develop our operations also from the perspective of corporate social responsibility.

Our group strategy aims at creating and maintaining profitable growth. When this succeeds, we create well-being for our employees and stakeholders. Our personnel who implement it are at the heart of our strategy and, therefore, their commitment and well-being are our priorities. Top infrastructure expertise, employee satisfaction and responsible leadership are key factors for our success. This is why they are important for our sustainability efforts as well. As part of updating our strategy, we will continue to deepen our sustainability expertise and knowledge throughout our organisation also in 2023.

We are well positioned for 2023

Despite the weakening of the public economy and the slight short-term decline being forecast for the infrastructure construction market, I am confident that Kreate's suitable market will have enough interesting projects to build. The forest industry, energy industry, mining industry and various projects related to the green transition will keep the infrastructure construction volume on a good level and bring continuity to the infrastructure market. However, if public sector projects face cuts, they will eventually be launched in the long term due to the maintenance backlog continuing to grow.

The strategic actions we have taken have further bolstered our competitiveness in demanding and technically challenging projects. We have a record high order backlog, the competence of our personnel is on an excellent level and our clients are satisfied with our high standard of quality. I especially want to thank our personnel for their commitment to our common goals and their excellent contributions in the challenging operating environment. I also want to thank our customers and partners for the excellent collaboration as well as our investors, sponsors and other stakeholders for the trust you have placed in us.

In the coming year, I wish to see a caring attitude and mutual development efforts across the construction sector. By collaborating with various partners, we are guaranteed to find new opportunities for furthering the entire sector, promoting sustainable construction and offering interesting career paths to professional workers. We at Kreate intend to continue our open and constructive dialogue with all of our stakeholders this year as well.

Timo Vikström
President & CEO
Kreate Group Plc

Strengthening solution-driven special expertise across all business functions

Over the course of the year, we had a determined emphasis on maintaining business growth and on strengthening strategically important expertise in all of our business functions. As the operating environment becomes more challenging and competitive, our performance is supported by our focus on technically challenging projects and contracts whose purchasing model strengthens our competitiveness. Kreate's strength is in demanding projects where the contractor is required to have particularly high expertise, ability for close collaboration with planners and the skill to finish projects successfully.

In 2022, we were able to win contracts and start several large projects in structural construction and transport infrastructure construction around Finland. Our order backlog remained high despite the fact that the impacts of the Russian invasion of Ukraine were also reflected in the construction sector's operating environment.

Our reporting period was characterised by strong and varied progress on the strategic growth track. Growth was boosted by our expansion in Sweden when the Swedish subsidiary that we established in the spring acquired Bror Bergentreprenad AB, a company specialising in demanding underground infrastructure construction. In December, we signed a contract concerning the Bohusbana tunnel construction, valued at EUR 8 million, which is a significant leap in terms of growing our business in Sweden and advancing to even larger projects.

In addition to expanding our business geographically, we strengthened our competence particularly in strategically

important functions in our Finnish organisation. The organisation for bridge, foundation and railway construction was under particular focus last year. In September, we expanded our railway construction business into electric railways and safety devices. This is a natural development considering urbanisation, the green transition and the growing significance of public transport and especially light rail lines.

REVENUE BY BUSINESS FUNCTION 2022



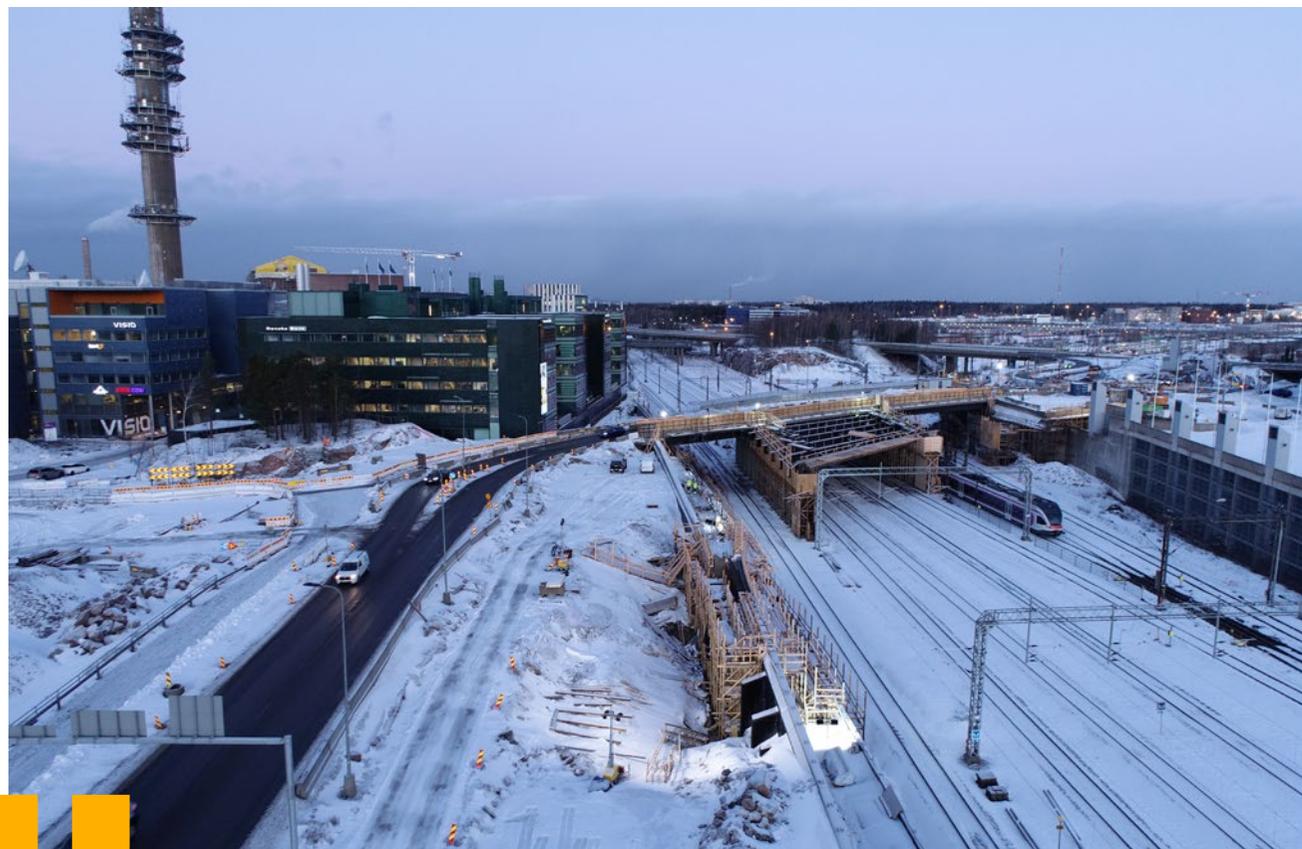
Large-scale bridge projects boosted the revenue in Structural Engineering

In the Structural Engineering business function, 2022 was a very strong year, which was reflected in the year-on-year growth of revenue. Large bridge projects contributed to the revenue, including the ongoing Crown Bridges project in Helsinki and the Highway 180 Kirjalansalmi and Hessundinsalmi bridge renovation project, which moved to the implementation stage in September. The project is executed with a partnership-based alliance model. At approximately EUR 120 million, it is a historical project for Kreate in terms of scale. The technically challenging project will be built in Parainen in 2022–2026.

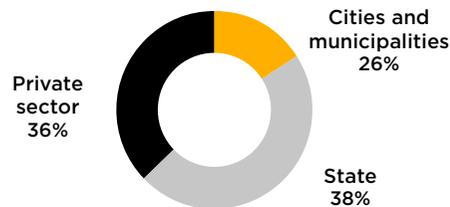
Another demonstration of Kreate’s strong technical bridge expertise and professional competence is the renovation of the Kirkkonummettie overpass, and the project moved from development to execution in August. This is the largest ever bridge project in Kirkkonummi, and the contract has a total value of more than EUR 10 million.

In Structural Engineering, the revenue for the year was also strengthened by several smaller-scale bridge projects that were technically challenging. One of the most interesting finished projects was the Lillholmen bridge, which required special expertise due to its unique lifting structure. During the year, Kreate also executed several railway bridges by skidding and has years of solid experience from similar projects.

Still before the end of the year, we signed a nearly 10 million euro contract on the renovation of the Syrjäsalmi railway bridge, which is part of the Karelian track. Taking place in Kitee, the project combines our unique expertise in bridge construction and special foundation construction as well as our stronger competence in railways.



REVENUE BY CUSTOMER GROUP 2022



The “Veturitie 3 ja Ratapihakorttelit 4” project is one of the City of Helsinki’s largest and, thereby, most significant transport infrastructure and bridge construction projects. The Veturitie bridge is executed in three stages on the terms of the busy railway traffic, and Kreate has succeeded well with the highly demanding task. Once the Veturitie renovation and the Radioportti underpass are finished, this will improve all forms of traffic in the area. Spanning several years, the project has progressed according to plan also for with regard to Ratapihakorttelit area. After the completion of the new access roads and feeder roads, the area will be built according to the town plan partly concurrently with Kreate’s contract. The project requires diverse infrastructure construction expertise, and it has progressed at a rapid pace. Naturally, there have been some small deviations along the way, but we have discussed all matters constructively – including the difficult ones.

Juuso Luoto, Project Manager, Helsinki Urban Environment Division

SOME OF OUR PUBLIC SECTOR CUSTOMERS: authorities, cities, municipalities, transport operators, ports and energy companies responsible for infrastructure development and maintenance

SOME OF OUR PRIVATE SECTOR CUSTOMERS: construction companies, industrial firms, property companies and retailers

Foundation and engineering construction remained at a good level

Despite the market slowing down at the end of the year, Foundation and engineering construction remained at a good level, which had a positive effect on the revenue in Structural Engineering. In March, we finished the exceptionally challenging project at the Helsinki Airport for reinforcing the frame structures of a corridor connecting the terminals T1 and T2. Working in tight floor channels surrounded by business premises and customer flows inspired our professionals to develop solutions that enabled the completion of the project two months ahead of schedule.

For Foundation and engineering construction, the key assignments in the year included the foundation construction and earthworks projects for the Kulttuurikasarmi and Katajanokan Laituri contracts. In Q4, the order backlog was significantly grown by the contract signed with Kesko in November concerning the earthmoving and foundation construction work for a logistics centre in Hyvinkää.

Foundation construction combined with strong rock engineering experience is further highlighted in several projects that we executed entirely underground. For example, we expanded a rock cavern for the pool sections of a swimming pool/spa facility at a depth of 30–40 metres under one of the largest shopping centres in Finland.

Effective work on tracks and routes

In transport infrastructure construction, the share of total revenue decreased slightly from the previous year but remained at the normal level. During the year, the performance was accelerated by industrial investments as well as the stability of the railway construction market.

We are already the market leader in terms of regular railway bridges as well as railway bridges executed by skidding, and we renovated several railway bridges using both methods along the Finnish railway network during the reporting period. The new railway business that we launched will not only support our service offering but also bolster our position as one of the leading players in this field. In 2022, we won several significant railway contracts, including the starting contract for the Kupittaa-Turku rail project, the construction of the Juurikorpi passing place along the Kouvola-Kotka-Hamina railway project and the execution of the Niska and Utajärvi passing places as part of the improvement of the Oulu-Kontiomäki railway.



The renovation of the Kirjalansalmi and Hessundinsalmi bridges along Highway 180 is an example of the largest and most challenging bridge projects in Finland, as it is also Finland's longest bridge by main span. The Saaristotie road is the main transport route in the Turunmaa archipelago and, with this project, we are securing the road's usability for transport for at least the next hundred years. At the same time, we are providing large industrial facilities with the opportunity to utilise heavier special transports, which contributes to the development of land use in the region. In the development stage of the alliance contract, we were learning ground rules and ways of working together and, as the construction progresses, seamless teamwork across organisational boundaries will enable the further development of the execution. We have found smooth ways of working that allow us to leverage the organisation's full professional competence. We are well on our way towards a successful end result.

Project Manager **Janne Wikström**, Finnish Transport Infrastructure Agency

One of the largest transport infrastructure projects of the year was the Main Road 19 Seinäjoki-Lapua project executed by a joint project venture, which moved from development to the implementation stage in February. We also showed our skills in Espoo in a transport infrastructure construction project in connection with the Finnöö metro station and its surroundings as well as in the pre-construction at Haakoninlahti and Koirasaari in Helsinki. In the contract ordered by the City of Helsinki, our professionals take care of dredging and filling as well as challenging underwater excavation, which extends to up to 10 metres.

The ecological aspects of infrastructure construction are emphasised in the construction of streets, water supply and sewerage for Tahkokangas. The contract is part of the City of Oulu's eco-efficient construction project, in which we utilise materials generated at the worksite efficiently, which also results in cost savings. Furthermore, we are executing the water supply and sewerage in a natural way, e.g. through structures that enable rainwater absorption in the soil.

On the last week of the year, our transport infrastructure builders handed over the Kausela-Pukkila section to the client. It is part of the second phase of the E18 Turku Ring Road improvement, in which our technical competence and efficient scheduling allowed us to deliver it six months ahead of schedule.

Comprehensive special competence benefits the customer

Our public and private sector customers of various sizes benefit from our versatile infrastructure construction expertise and our service offering. Approximately half of the projects we deliver are shared between several of our functions, which yields customer benefits in terms of efficiency and diversity, for example. One good example of this is a transport infrastructure and bridge contract in Tampere, in which we move the main road in the district of Hervanta, build two visually impressive bike and pedestrian bridges as well as utilise our strong competence in special foundation construction.

Another project combining several areas of our expertise is the Sulkavuori central wastewater treatment plant, where our bridge and transport infrastructure experts will deliver the technical construction of the bedrock facilities and overground premises as part of a joint project venture. This is the single largest environmental investment in the Tampere region with a total budget of some EUR 300 million.

Based on our customer research and the feedback we have received, our customers are truly satisfied with the services we offer as well as the high quality of construction. Respecting our customers' business is at the core of our operations. Our personnel have delivered hundreds of diverse infrastructure projects. They will ensure that we work hard to find cost-effective and innovative solutions whenever the project implementation framework allows it.



Katajanokan Laituri is a construction project by Varma Mutual Pension Insurance Company and Stora Enso, which will house the head office of Stora Enso and a hotel as well as serve as a meeting place for city dwellers and service providers. The business property, which strives for carbon neutrality, will become a masterpiece of Finnish wood construction.

The earthmoving and foundation work are executed as a target-cost project management contract, which enabled effective development of execution plans together with the project's designers. Kreate proved to be a competent partner in the development stage of the design. Collaboration resulted in innovative solutions that delivered significant savings in terms of project cost as well as schedule.

Kreate's contract includes the demolition of the old warehouse building foundation, the earthmoving and foundation work for the new building and the demanding concrete structures for the basement. The conditions have been very challenging, particularly with the excavation: The lot is located in the immediate vicinity of the seashore and, at its lowest, the excavation has been 6 m below sea level. Furthermore, the lorry route has been kept open throughout the construction work. We managed to fit together the port traffic and the earthmoving lorry traffic very well throughout the earthmoving.

Due to the highly challenging conditions, the stage comprising the building's pile driving, anchoring and bedrock jet grouting was considered to involve a cost and schedule risk. Kreate and its joint venture KFS Finland handled this stage successfully.

Kreate's share of the contract continues until the end of 2023. So far, they have performed very well and collaboration with Haahtela's project management has been smooth.

Jari Salonen, Construction Work Manager, Haahtela

Kreate's business model

Kreate's business is divided into Transport Infrastructure Construction and Structural Engineering. In addition, we offer services relating to the circular economy and technically demanding rock engineering. In Structural Engineering, our business comprises bridge construction and repair as well as foundation and engineering construction. The Transport Infrastructure business includes the construction of streets and roads as well as railways and light rail lines.



BRIDGE CONSTRUCTION AND REPAIR covers the construction of new bridges and the repair of existing bridges. Our extensive experience is demonstrated by the diversity and demanding nature of the projects we have delivered. Our experience in bridge construction that we have accrued over many decades helps us work on all demanding engineering and concrete structures.

FOUNDATION AND ENGINEERING CONSTRUCTION involves planning and executing foundations, pilings, sheet pilings and pile slabs as part of the construction of demanding urban environments. In comprehensive foundation and engineering construction solutions for technically or environmentally challenging sites, we use our strong expertise in data modelling and forming to support high-quality construction.

OUR SPECIAL FOUNDATION CONSTRUCTION expertise is concentrated in the joint venture KFS Finland, of which we own 50%. KFS Finland is not included in our structural

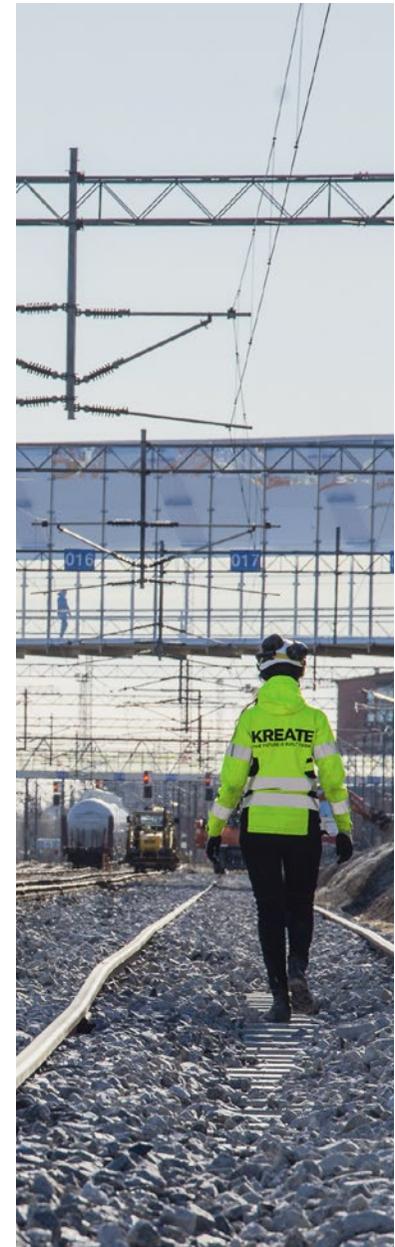
engineering revenue but it makes up an essential part of our special technical competence. KFS Finland is the market leader in special foundation construction in Finland. Its functions include comprehensive bottom strengthening methods, such as supporting walls, anchoring, foundation reinforcement, bore piling, pile driving, jet grouting and stabilisation.

IN ROAD AND STREET CONSTRUCTION, we focus especially on extensive, demanding projects that involve challenging technical aspects, such as geotechnical structures, several exit ramps and intersections. We often carry out projects in demanding environments, such as street repairs in urban areas.

OUR RAILWAY CONSTRUCTION functions include construction work relating to railways, rail yards, tramways and subways. The projects vary from more extensive railyard modernisations to smaller bridge contracts and soil replacement. In 2022, we strengthened our railway construction competence by expanding into electric railways and safety devices.

IN THE CIRCULAR ECONOMY, we provide solutions for environmental and landfill construction and support the efficient use, utilisation and recycling of materials. For example, we use side streams from energy production facilities to replace virgin soil, and we actively seek solutions that support the circular economy, utilising them in our own projects as well as offering them to partners.

IN ROCK ENGINEERING, we focus on demanding rock engineering sites and support Kreate's diverse infrastructure projects. Among other things, our range of services covers challenging residential area excavations and quarrying as well as rock compacting and reinforcement.



The rapidly changing operating environment provides opportunities

The construction industry has faced three crisis periods in two years: First, the COVID-19 pandemic took its toll on the economy and the operations at construction sites through different restrictions. Then, the Russian invasion of Ukraine caused price increases and availability issues with construction materials. And, now, we are facing inflation accelerated by the energy shortage and an economic downturn. The global changes are rapid, and the challenges relating to the environment, well-being and the economy are growing. However, the rapid changes in the operating environment also provide opportunities and, by working together, the entire construction supply chain can accelerate the green and digital twin transition by finding solutions for even more sustainable construction.

The long-term trends impact the world and will provide direction for infrastructure construction in the coming years. The importance of public transport infrastructure will grow with the requirement of carbon neutrality, new procurement models will become increasingly common and the green twin transition will focus on the circular economy and digitalisation. Despite the migration and multi-location working driven by the COVID-19 period, the densification of city centres will also continue in the future. Kreate is responding to the changing operating environment by finding new solutions, deepening its expertise and using its diverse competence for the good of the customer.



Trends that guide infrastructure construction

How they are reflected in construction

Kreate's operations

DENSIFICATION OF CITY CENTRES

As city centres grow, the infrastructure construction market will focus on the largest cities. Repair construction and technical work as well as establishing building rights for repurposing and renovating buildings are becoming increasingly common in infrastructure construction.

Our strong expertise in technically demanding construction projects even in densely built environments as well as our special competence in railway construction put us in an excellent position to respond to future construction needs in city centres.

GROWING SIGNIFICANCE OF PUBLIC TRANSPORT INFRASTRUCTURE

The number of public transport infrastructure projects is growing, and construction is focusing around railways and light rail lines. The expertise in railway construction will be emphasised in future projects, and large rail transport projects are growing the railway construction market in urban centres and between regional centres.

Our comprehensive railway construction competence – which we expanded into electric railways and safety devices during 2022 – and our experience with construction projects in high-traffic environments support our competitiveness in rail projects. In addition, our innovative approach enables employing the best practices in project execution.

NEW PROCUREMENT MODELS

Public sector projects are increasingly often carried out in some other way than traditional contract tenders. The new procurement models used in complex, large-scale projects require new types of expertise from contractors, including the ability for extensive collaboration as well as partner management and planning guidance. At the same time, references and formal qualifications are becoming more important in contract tenders.

The new procurement models offer us increased opportunities to influence projects together with the other participants, which results in more cost-effective projects and innovative and sustainable construction solutions.

DIGITALISATION

The significance of digital tools and processes is highlighted in joint contracts where the customer wants increased awareness of how the project is progressing. The digitalisation of machinery as well as the development of tendering, quality assurance, subcontracting as well as work management and guidance provide opportunities for finding efficiencies.

We offer cost-effective solutions that take the circular economy and the environment into account. Our long-term circular economy projects promote the circular economy in infrastructure construction by accelerating the utilisation of material flows and reducing the use of virgin materials.

CIRCULAR ECONOMY

As natural resources are depleted, the use of virgin materials must be controlled, which increases the demand for more sustainable and efficient material solutions. The importance of materials efficiency is emphasised and circular economy solutions provide a competitive edge. In addition, sustainable operations and values make us a more attractive employer.

We are streamlining the construction process from planning to subcontracting by utilising intelligent data processing. We improve occupational safety through the automation of hazardous work stages and standardised processes and adopt new methods and equipment that improve personal safety.

Strategy for profitable growth

WE ARE A PROFITABLE GROWTH COMPANY WITH AN ENTREPRENEURIAL MINDSET THAT EXECUTES THE MOST DEMANDING INFRASTRUCTURE PROJECTS. WE OFFER SKILLED PROFESSIONALS THE MOST INTERESTING WORKING COMMUNITY IN THE BUSINESS AS WELL AS OPPORTUNITIES FOR DEVELOPMENT.

1

WE POSITION OURSELVES IN GROWING MARKET SEGMENTS

We continue to focus on projects that require special expertise. We leverage our good market position and aim to grow in the core market segments that particularly benefit from the increased demands in infrastructure construction. These include, for instance, projects carried out in densely built urban environments and demanding soil conditions.

→ In 2022, we strengthened our position as a builder of demanding infrastructure; we won several important projects, the largest and the most technically challenging being the construction of the Kirjalansalmi and Hessundinsalmi bridges.

Our focus on demanding infrastructure projects that require special expertise gave us a competitive advantage as the market is slowing down and becoming more competitive.

2

WE STRENGTHEN AND EXPAND OUR CUSTOMER BASE AND SERVICE OFFERING

We aim at growing and strengthening our customer base and service offering. There are opportunities for growth and expansion in different market segments, such as large commercial ports and waterways, various technical areas of railways and light rail solutions, construction of streets in demanding urban areas and wind farm projects

→ We strengthened our railway construction competence by starting electric track and safety device operations relating to railways and light rail lines. The demand for comprehensive railway construction expertise will grow as the emphasis shifts to railways and their surroundings concerning both people and goods.

We also grew our market share in the private sector, particularly through our participation in the construction of industrial investments.

3

WE SUPPORT THE STRATEGY WITH SELECTED ACQUISITIONS

Successful corporate transactions continue to be a way for us to expand and supplement our current capabilities. We focus on profitable companies with a good financial standing whose culture, strategy and values are compatible with those of Kreate. We also aim to complement our service offering with new capabilities.

→ We expanded our operations into Sweden in 2022 by establishing a subsidiary and acquiring a company specialising in demanding underground construction. In Sweden, the infrastructure market is twice as large compared to Finland, and the expansion supports Kreate's future growth.

4

WE CONTINUE TO IMPROVE OUR OPERATIONAL EFFICIENCY AND PROFITABILITY

We aim at growing our revenue and maintaining a good level of profitability by ensuring the high level of expertise of company personnel, winning tenders and further developing internal collaboration and efficient processes. In order to improve our operations and efficiency, we have implemented an annual development programme designed for this purpose.



We will succeed by strengthening the cornerstones of our operations

ABILITY TO WIN

Our tender calculation is consistent and effective, and we have the ability to make the winning offer. We know our customers and partner with them to carry out even the most complex projects.

WELL-OILED MACHINE

Being the best in the industry requires a well-oiled machine – we do not lose to any competitor in the efficiency of operations. We use a flat, appropriate and resource-efficient organisation.

ACHIEVING MORE TOGETHER

Our internal collaboration enables us to offer comprehensive solutions and provides synergy benefits. We follow common rules in our work and actively share best practices with each other.

THE BEST PEOPLE IN THE INDUSTRY

The best talent in the industry works for us – we are a responsible employer and the most attractive workplace in infrastructure construction. With us, you get to focus on what matters, develop your competences and advance your career.

Values guide Kreate's sustainability leadership

Kreate's sustainability efforts are comprehensive and apply throughout the organisation. They consider the aspects related to the people, society, environment, leadership and good corporate governance.

During the year, we deepened our competence on sustainability throughout the organisation and encouraged the higher participation of personnel from the different units. Our sustainability efforts had previously been the responsibility of individual experts and focused on the promotion of the circular economy in the infrastructure sector, professional development and better occupational well-being and improving safety in the Group. Previously, we have also followed quality and environmental indicators, but we identified a need to clarify our material topics and sustainability goals as well as to establish more comprehensive processes for managing and implementing sustainability.

We established steering and working groups in 2022, whose goal is to promote sustainability at the strategic level as well as during everyday work. We discussed sustainability topics that are relevant to Kreate and stakeholders, revised our ethical principles and set goals for the various aspects of sustainability that we will track as part of internal development efforts. We will report to our stakeholders on some of these indicators at least once per year.

In the sustainability efforts made in 2022, we have identified in more detail the impacts of our operations as well as our opportunities to promote sustainable infrastructure construction. In 2023, we will start a process for updating our strategy and continue developing our goals and metrics as well as deepening the competence and knowledge relating to sustainability in our organisation.

Value-based leadership

We value the environment and each other. We take care not to harm people or nature. We build infrastructure that lasts for generations and strive to conserve virgin natural resources and the environment whenever we have the opportunity to do so as the contractor. We keep our business profitable in order to offer work, security and well-being for our personnel and to take care of our obligations towards society, investors, customers and our other stakeholders.





For us, sustainability means everyday work and leadership which are strongly based on our corporate culture and values:

Integrity

One thing is sacred for us. Something that we never compromise on. We call it integrity. It extends to our interactions with customers, partners and each other. We want to be known for not just keeping our word but rather exceeding expectations.

Humanity

We want to nurture enjoyable collaboration between our customers, partners and our team. We like to think that humanity and kindness are particularly important in this rough business. For us, this means that we show appreciation and respect to others and have a sense of humour as well.

Entrepreneurship

We are proud of what we do. We have the guts to raise the bar higher and higher and to challenge our competition, the industry and especially ourselves. Tomorrow, we want to be better than we were today. We are passionately looking for answers to questions that no one has even dared to ask before. That keeps us ahead of the pack as pioneers.

Straightforwardness

We have a flat organisation and employ a straightforward approach to business. This allows for flexible operations and quick decision making. Our way of working is efficient rather than flashy.

Sustainability focus areas

Based on workgroup activities and the analyses, reviews and interviews we have carried out, we divided our sustainability into three focus areas:

REDUCING OUR FOOTPRINT

When we at Kreate build sustainable infrastructure, we value themes related to combatting climate change and reducing environmental impacts. We promote low-emission infrastructure construction and energy-efficiency in our operations and minimise the harmful effects to the environment. There is demand for an infrastructure construction company that promotes sustainability and leverages its expertise to meet the carbon neutrality goals of municipalities, cities and the government.

BUILDING WITH PASSION

In our operations, we promote good corporate governance and responsible and respectful leadership. Our reliable and effective processes extend from data security to fair leadership. Our business is ethical and legal. We promote the safety and well-being of our personnel. We want to act with transparency and be a reliable partner for all of our stakeholders: our employees, customers, partners, shareholders and the communities in which we operate.

GROWING OUR HANDPRINT

Our operations provide us with many opportunities for making a positive impact. We build sustainable, functional and safe infrastructure, utilising the circular economy. We take care of top infrastructure expertise and, thereby, enable the execution of demanding infrastructure projects. Through our profitable growth, we provide security for our employees and well-being for our stakeholders.

Sustainability leadership at Kreate Group

Group strategy, sustainability goals and monitoring

Board of Directors

Kreate Group's Management Team

Sustainability steering group

The CFO is responsible for managing the progress with the sustainability goals and leading the sustainability working group. The sustainability working group comprises experts in safety, environment, circular economy, equipment, HR, communications and finance who are responsible for the operational sustainability management in the following areas.

REDUCING OUR FOOTPRINT

We promote low-emission infrastructure construction and energy-efficiency in our operations and minimise the harmful effects on the environment.

BUILDING WITH PASSION

We comply with the laws and requirements applicable to public companies järkevästi. We promote transparency, good corporate governance, fair and high-quality leadership and the safety and well-being of our personnel.

GROWING OUR HANDPRINT

We build sustainable, functional and safe infrastructure, utilising the circular economy. We take care of top infrastructure expertise. Through our profitable growth, we provide security for our employees and well-being for our stakeholders.

The essential standards and codes related to sustainability leadership

Environmental, quality and safety certifications from RALA, Kreate Oy's environmental manual, Green Building Counsel Finland, Confederation of Finnish Construction Industries RT, Infra Contractors Association in Finland, recycling sector's rules and policies, CEEQUAL, rules of the stock exchange, IFRS, Corporate Governance Statement, risk management, ethical guidelines, personnel plan, personnel training plan, equality plan, well-being plan.

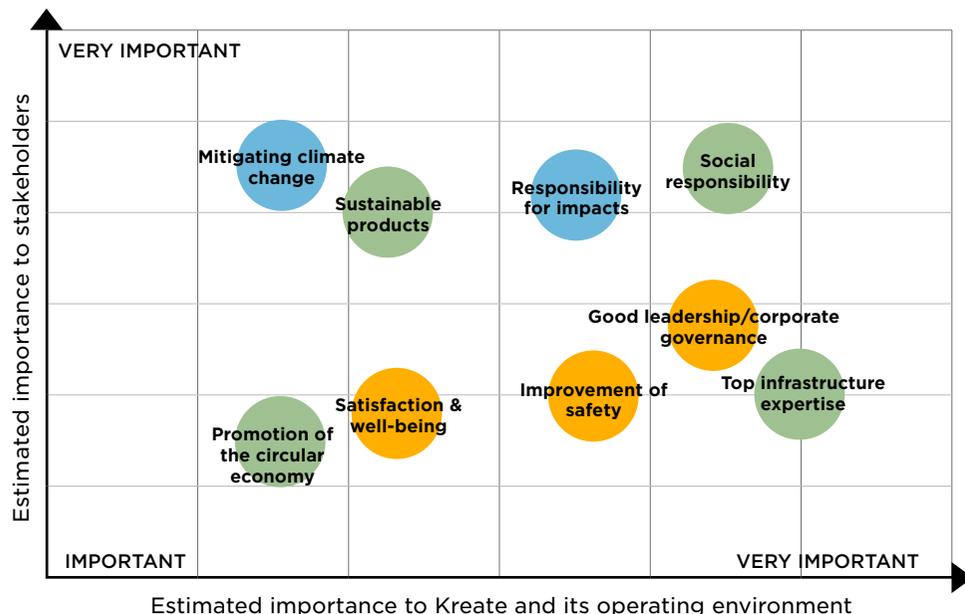
In the business units, supervisors manage the practical sustainability efforts, and all Kreate employees are tasked with following the company's ethical principles in their work.

Materiality at Kreate

In our materiality assessment, we have defined the sustainability topics that are the most important from the perspectives of our company and stakeholders, and that guide our sustainability efforts and work with stakeholders. With the careful selection of the material topics, we are committed to reducing the negative impacts from our operations and maximising the positive ones that affect the environment, economy and people.

As part of our sustainability efforts, we updated our material sustainability topics based on interviews and various group activities. When selecting the material topics, we paid attention to the possibilities and special characteristics of infrastructure construction. When analysing the material topics, we emphasised the importance of each topic according to how significant it is for our Group, society and our stakeholders.

In October 2022, Kreate's Management Team confirmed the Group's material topics that direct our work on sustainability. We set annual and longer-term goals for each material topic. The material topics are described in the materiality matrix below.



REDUCING OUR FOOTPRINT

Mitigating climate change: Low-emission construction, the efficient use of materials, efficient low-emission transports, energy-efficiency and investments in low-emission solutions are priorities in our work for mitigating climate change.

Responsibility for impacts: Environmental damage prevention, environmental responsibility in contracting, the origin of materials and the reduction of harmful effects such as noise, vibration and dust in the surroundings of project sites are things that we can influence through our actions in order to minimise the impacts from construction.

BUILDING WITH PASSION

Good leadership: Responsible remuneration, operational efficiency, prevention of discrimination, abuse and harassment as well as data security and data protection are at the core of responsible leadership.

Continuous improvement of safety: A safe working environment that ensures employees and subcontractors get to go home healthy every day is essential for our operations. Furthermore, safety and well-being in the vicinity of project sites is important for both Kreate and the surrounding communities.

Satisfaction and well-being: In the construction industry where there is a shortage of skilled workers, being an attractive employer and ensuring employee retention are important for Kreate's operations. Therefore, job satisfaction, well-being, maintaining the ability to work, diversity, equal opportunities and work-life balance are relevant for Kreate in terms of sustainability.

Corporate governance: Reliable and transparent financial reporting is a basic requirement for a publicly traded company. The prevention of corruption, bribery, anti-competitive practices

and grey economy is a given for a responsible company like ours. Considering human rights and abuse prevention throughout the supply chain is also important in line with good corporate governance.

GROWING OUR HANDPRINT

Promoting the circular economy: Promoting recycling and the reuse of waste streams as well as the reduction of the carbon footprint through choices of materials and using materials effectively are key aspects in the promotion of the circular economy.

Top infrastructure expertise: We build demanding infrastructure projects that require special technical expertise and, therefore, the development of competence is at the core of our operations. Our expertise allows us to execute even the most demanding solutions that serve the needs of society. It is equally important to advance the practices in the industry, develop sustainable solutions and support customers in their sustainability targets.

Social responsibility: Through our actions, we provide society with infrastructure that lasts for generations. As a responsible employer, we offer jobs and security for our personnel as well as well-being for all our stakeholders. We are a reliable partner for our customers, subcontractors and suppliers. The taxes we pay create well-being throughout society.

Sustainable products: Functional infrastructure built with high standards of quality withstands the test of time and enables safe transportation. Taking the environment and people into account promotes Kreate's reputation as a sustainable infrastructure company. We wish to ensure that the end users of the infrastructure we build are satisfied with its quality and that we can make a difference in terms of their everyday life.

Kreate's value creation model

Our resources

Personnel & competence

- Group personnel of approx. 450 as well as nearly 100 professionals in joint ventures and associated companies
- Investments in competence development and occupational well-being

Economy

- Balance sheet EUR 34,5 (106,6) million
- Equity EUR 42,5 (41,1) million
- Non-equity capital EUR 75,9 (62,0) million

Intellectual capital

- Strong corporate culture and values
- Brand
- Product development
- Specialisation in demanding infrastructure

Natural resources and raw materials

- Construction materials
- Energy: heating, electricity and water EUR 360,000 (worksite electricity and water as well as the heating, electricity and water of business premises)
- Circular economy areas and utilising the circular economy in construction

Relational capital

- Sustainable customer relationships and professional partners
- Investors and sponsors
- Purchased services

Our business

Financial targets

- Revenue of EUR 300 million by 2024
- EBITA of more than 5% in the long term
- Net debt/EBITDA of below 2.0
- Distributing at least half of the net profit as dividends



* Business function's share of revenue

Value creation and impacts

Personnel

- Satisfied employees: eNPS 44
- Salaries and remuneration: EUR 33,3 million
- Safe workplace: 12-month lost-time injury frequency of 7.2
- Professional development through versatile training content and development at projects

Shareholders

- Dividend proposal for 2023 EUR 0.46
- Investment for profitable growth

Customers

- Satisfied customers: NPS 79

Partners

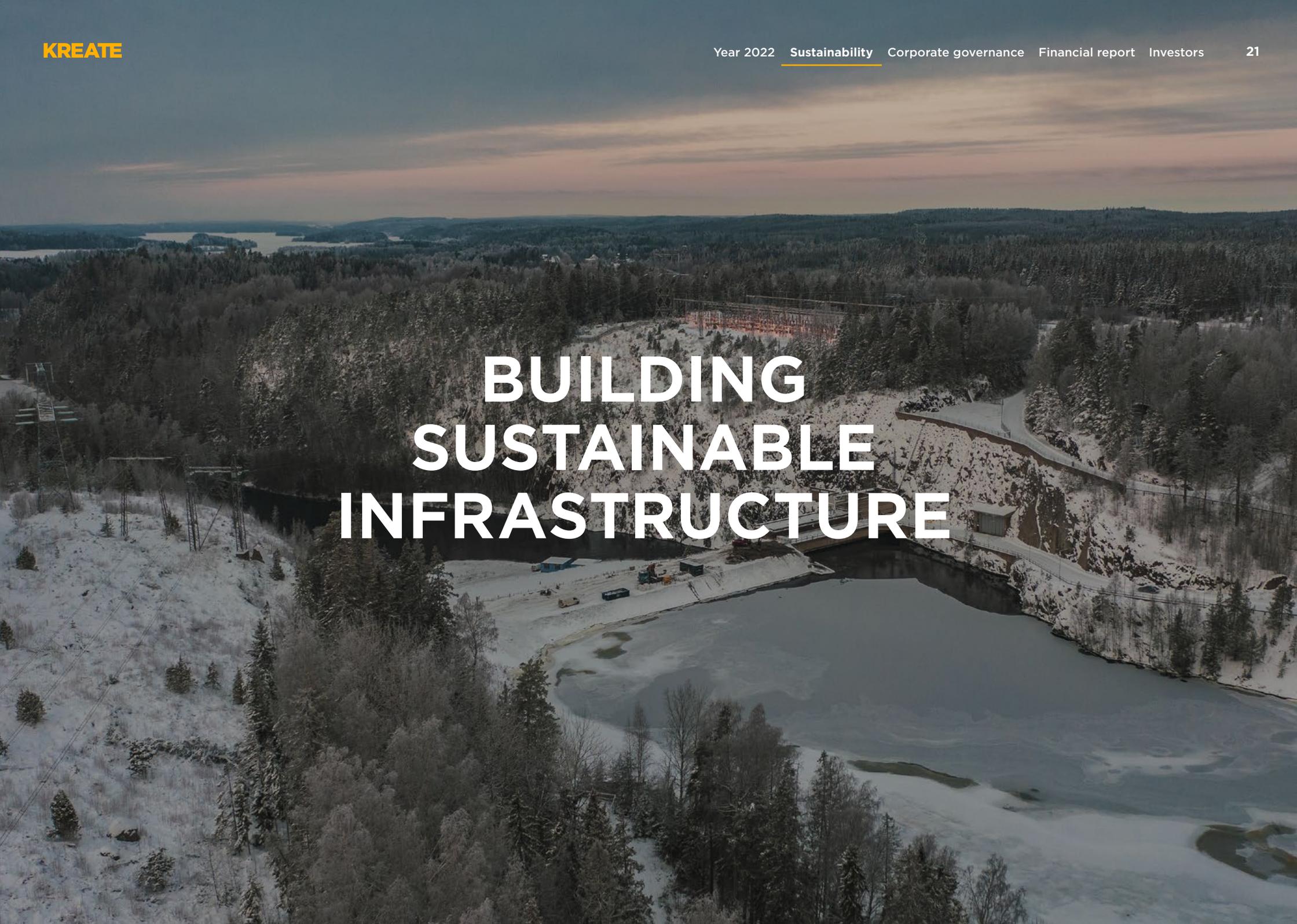
- Purchases from suppliers and subcontractors
- Strong, long-term partnerships NPS 94
- Financial expenses EUR 1,9 million

Society

- Taxes paid: EUR 1.1 million
- Sponsoring
- Building infrastructure that lasts for generations

Environment

- Emissions
- Temporary disturbance from construction, e.g. noise, vibration and dust
- Utilising the circular economy in construction

An aerial photograph of a construction site in a winter, snowy landscape. The site is situated on a rocky, snow-covered hillside overlooking a large, partially frozen body of water. In the background, a dense forest of evergreen trees stretches across the horizon under a soft, twilight sky. The construction site features a large concrete structure under construction, with visible rebar and scaffolding. Several construction vehicles and materials are scattered around the site. The overall scene conveys a sense of industrial activity in a natural, cold environment.

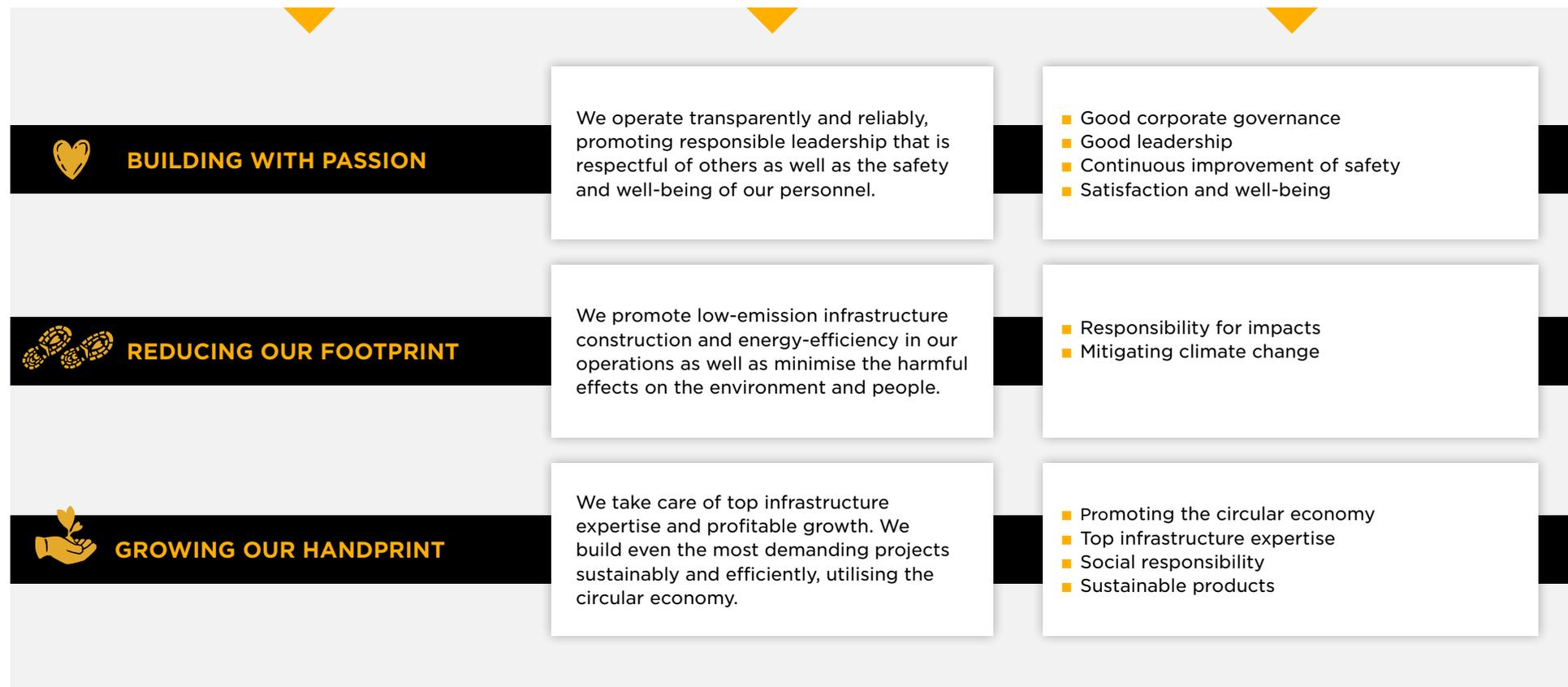
BUILDING SUSTAINABLE INFRASTRUCTURE

Building sustainable infrastructure – strategic sustainability

Our sustainability focus areas

Our commitments

Our sustainability themes



STRATEGIC GROWTH AND SOCIETAL BENEFITS THROUGH SUSTAINABLE BUSINESS

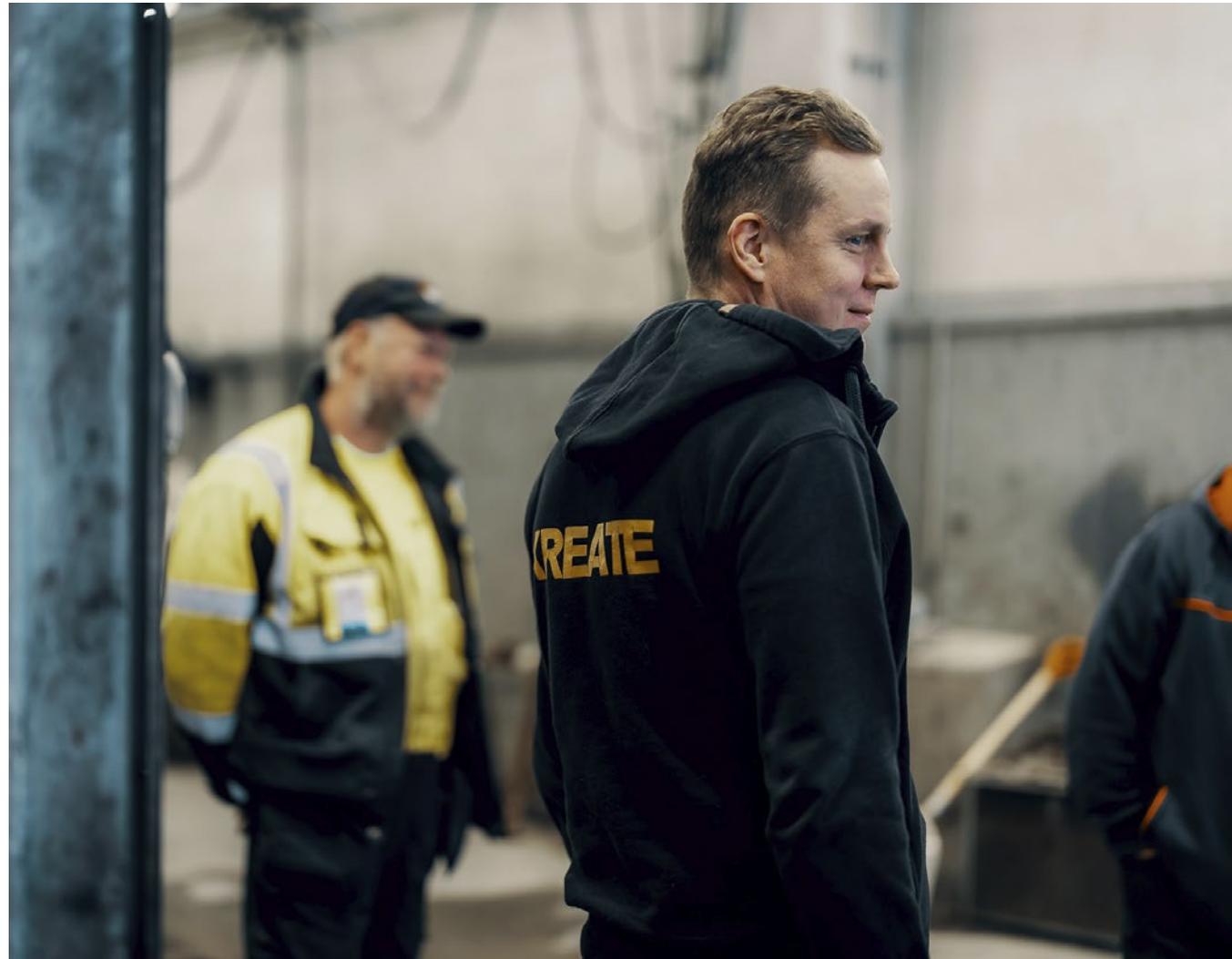
We promote good corporate governance and ethical construction

For Kreate, good corporate governance and practices from the risk management process to the ethical principles lay the foundation for the business and set high standards for what we do. Our company's values of integrity, humanity, straightforwardness and entrepreneurship guide our everyday work. We build trust in our business operations through reliable and transparent financial reporting and open interaction with stakeholders.

As a Finnish publicly traded company, Kreate follows the rules and regulations applicable to listed companies, including Nasdaq Helsinki's rules of the stock exchange, the Market Abuse Regulation (MAR), Finnish Corporate Governance Code 2020 and the EU-approved International Financial Reporting Standards (IFRS).

Furthermore, Kreate complies with the Finnish Limited Liability Companies Act, and our activities are guided by the Ethical Principles approved by the Board of Directors. They define the principles for Kreate's business operations and provide instructions for dealing with ethical issues. Kreate's Board of Directors sees to the company's administration and the appropriate organisation of its operations in accordance with the Limited Liability Companies Act.

Kreate holds all certificates from the Construction Quality Association (RALA), which improve and demonstrate the quality and responsibility of the company's operations. The RALA certification is an objective certification process based on the international ISO system, tailored for the particular needs of the Finnish construction industry. The RALA qualification demonstrates that the company is a competent and reliable partner financially, technically and in terms of its resources. RALA's quality, environmental and safety certifications, on the other hand, verify the company's quality management system, environmental management system and occupational health and safety system, respectively.



Ethical principles guide everything we do

Kreate's ethical principles guide Kreate's employees as well as its subcontractors and partners and show what responsible operations require of them. We are continuously monitoring and developing our practices and will immediately intervene in unethical activities. We act according to good construction and contract practices and want to ensure the satisfaction of our partners through our honest and transparent operations. We do not tolerate bribery, corruption or other actions aimed at limiting competition. We consider the environment in our operations and aim to develop our activities in line with the principles of sustainable development.

Kreate is committed to honouring labour rights and human rights in its operations, and we do not approve of any kind of unethical actions at our worksites. We require that the subcontractors and labour hire companies we use have tended to their legal obligations and commit themselves to our ethical principles. We are constantly improving our practices in order to be able to better identify any violations of workers' rights or conditions of employment in construction supply chains.

In 2023, we intend to revise our processes such that whenever we choose subcontractors, we discuss and require in the contracts the provision of working conditions according to Kreate's ethical principles and compliance with the responsibilities according to the Act on the Contractors

Obligations and Liability. We do not tolerate the grey economy or comparable activities, and we actively work towards preventing unethical practices from occurring in the construction industry. Kreate has in place a whistle-blowing process for reporting inappropriate behaviour.

Risk management at Kreate

The Board of Directors of Kreate approves the risk management policy and its targets, and directs and oversees the planning and implementation of the risk management. The risk management policy aims at the continuous and systematic identification of the most significant risk factors and their optimal management such that our strategic and financial targets are reached.

The policy is based on managing the group's overall risk exposure and not just the management of individual risk factors. Risks are defined as external or internal uncertainties that, if realised, would have a positive or negative effect on Kreate's abilities to reach its strategic and financial targets in a sustainable and ethical way.

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. We classify risks into strategic, operational, accident risks and financial risks.

Good financial management

Our company's success lays the foundation for our financial responsibility. Profitable business gives continuity, supports employee well-being and provides a good outset for considering our other stakeholders and regular dividend payments. Skilled financial leadership ensures the growth of our operations in a planned and predictable way. Reliable and transparent financial reporting is a prerequisite for our operations as a publicly traded company.

Our Finance function is tasked with collecting information on the business environment, the different stages of the Group's business processes and the actual results in order for us to better forecast the impacts of future business decisions. Having a project-specific procurement model increases the need for an internal control system and we have, accordingly, developed a model for project-specific tracking at the Group-level.

Kreate's financial administration is led by the Chief Financial Officer and they report to the President & CEO. Both of these persons are responsible for investor relationships. In 2022, Kreate reached a strong performance despite the challenging operating environment. In addition to good financial management, the employees' commitment to the goals contributed to the successful performance.

<p>What we achieved during 2022</p>	<p>We expanded into Sweden through a business acquisition.</p>	<p>We completed a successful refinancing of our loan portfolio.</p>	<p>We successfully launched a commercial paper programme.</p>	<p>There were no serious deviations in audits and no events violating the ethical guidelines during the reporting period.</p>
<p>What we are investing in during 2023</p>	<p>We are updating our ethical principles and providing related training throughout the organisation.</p>	<p>We are revising our processes to ensure that whenever we choose subcontractors, we discuss and require in the contracts the provision of working conditions according to Kreate's ethical guidelines.</p>	<p>We actively communicate to investor groups on Kreate's goals and performance.</p>	

Excellent leadership and equality are key

We invest in the development of leadership and supervisor skills in our company. For us, good leadership is about shared goals, being present and doing everyday actions together. By supporting commitment and well-being in our working community, we are improving all aspects of our operations from high project quality to corporate social responsibility and profitability.

We emphasise the further development and consistency of our corporate culture, leadership and supervisor work because the multiple acquisitions and rapid growth require the ability to adapt to changes. We also want to support the development of our employees' competence – our personnel have a strong desire to improve and the potential to grow in order to take on even more demanding tasks and projects. Through diverse infrastructure construction projects, we can provide our employees with opportunities to develop professionally both in terms of the conventional hierarchical advancement as well as in the context of different infrastructure construction types and broad career paths.

Our operations are efficient, and our employees are committed to the company's shared financial and strategic goals as well as to project and unit-specific targets. Performance and follow-up reviews with the supervisor include agreeing on specific targets, actions and indicators that help focus on relevant aspects and to evaluate the performance and success throughout the year.

Ethical principles guide good HR management

We appreciate and assess the professional skills of our employees, not their personal characteristics. It is our duty to ensure that we act fairly and that our employees receive equal treatment and respect.

Our personnel have the right to organise professionally and engage in open dialogue. The employer/employee cooperation procedure is one of our tools which we commit to in our daily work. Continuous interaction with our personnel enables us to improve the working environment together, and it also helps us improve employee satisfaction and the efficiency of the company's operations.

We do not approve of any form of discrimination or inappropriate treatment of our employees or anyone else. If we detect any discrimination, harassment, bullying or inappropriate behaviour, we immediately intervene. Everyone at Kreate has the obligation to intervene in any inappropriate treatment they observe. We take all suspicions of misconduct seriously and strive to promote a culture of speaking up. Furthermore, we want to drive awareness of our whistle-blowing practice and other reporting channels relating to any reports of misconduct.

Employment at our company is based on employment contracts that comply with the laws and collective labour agreements. We follow the collective agreements in terms of wages and other conditions, and we always pay wages that match or exceed what is specified in the collective agreements.

Read more about our ethical principles in the section '[Good corporate governance](#)'.



Development efforts and sharing of best practices boost our growth

Since we focus on technically challenging projects, we need to keep the skills of our employees as sharp as possible. We provide our workers with opportunities for development through good induction as well as continual trainings and on the job training. By sharing and using best practices, we are able to ensure comprehensive competence across our personnel.

Workers who have received a good induction do their work more enthusiastically, efficiently and safely. We invest in comprehensive induction training because it is a way for us to influence our employees' commitment. We properly welcome each new employee to our team and provide them with a clear personal induction training plan. We want to listen to new employees' points of view in order to develop our company further. By offering diverse and challenging tasks at projects or units and providing comprehensive support, we want to help our employees succeed in their work.

Each employee is entitled to a performance review with their supervisor, and each supervisor is obligated to arrange an annual performance review and follow-up discussion with each of their subordinates. On the other hand, personnel and well-being surveys give us valuable feedback on areas that please our employees and those that still need improvement. An honest and open atmosphere contributes to closer collaboration between units, better employee well-being and professional development.

Read more about our performance reviews, well-being at work and competence development in the section ['Satisfaction and well-being'](#).

Working together safely

As an employer, we bear our responsibility for the occupational safety and well-being of our personnel and continuously develop our operations in order to improve occupational safety.

Every person working at Kreate's offices or worksites is entitled to a safe working environment. We provide everyone with adequate induction training concerning the company, job and worksite. Our active occupational health and safety activities are aimed at promoting occupational safety, developing our company's safety culture and improving well-being at work.

We require that all our personnel commit to the occupational safety goals that have been set. Every Kreate employee is, for their part, obligated to adhere to the rules and guidelines as well as to be involved in the development of Kreate's practices concerning occupational safety and employee well-being.

Furthermore, we encourage intervening with any issues by making a safety observation, for example. We ensure the further development of occupational safety with our own activities by reporting all near misses on the worksite and investigating any accidents. We track the company's 12-month rolling lost-time injury frequency each month.

Data security and data protection are part of safety at our company. We arrange relevant data protection training for anyone who processes personal data so that they understand the valid requirements and are able to comply with them. Together with members of the Data Protection Team, the administrators of data repositories periodically review the current descriptions in order to ensure that communication on data protection is up to date.

Read more about Kreate's practical safety efforts in the section ['Improvement of safety'](#)

<p>What we achieved during 2022</p>	<p>We set targets and track our progress with them: we introduced written development plans in connection with performance reviews.</p>	<p>Working safely together: Our long-term efforts in terms of managing occupational well-being and identifying risks to the ability to work at an earlier stage were successful and had a positive impact on our pension company's premium category.</p>	
<p>What we are investing in during 2023:</p>	<p>We will define our leadership principles and goals as well as implement them throughout the organisation. The work includes the quality criteria for working ability management, work flexibility and developing the employee experience.</p>	<p>We will provide supervisors with coaching on supervisors' rights and obligations. The objective is to support and improve supervisor work.</p>	<p>The ethical principles will be implemented as an online course.</p>



Stay alert at work - go home safely

Determined improvement of occupational safety

At Kreate, the basic idea behind safety management is that all accidents are preventable. When all the personnel commit to efforts for everyone's safety, achieving zero accidents is not an impossible goal.

Kreate Group's lost-time injury frequency is better than the construction industry average. In 2022, the company had five accidents leading to absence due to illness, and the lost-time injury frequency, i.e. the number of accidents per one million working hours, was 7.19. However, compared to other industries, the construction industry has clearly higher numbers of accidents and they are more serious, which must be taken into account in the safety work on worksites. Several different companies operate in the role of subcontractors on our worksites, and there can be significant differences in their occupational safety cultures. Our goal is to carry out open safety work among all the parties involved in a project as well as to include subcontractors in further improving safety.

Safety is everyone's business

From the perspective of our operations, it is essential that everyone working on a worksite is building a safe working environment for themselves as well as for all the worksite personnel. Our position is that safety pertains to everyone. That is why we invest in good advance planning of the work and encourage the worksite personnel to remind their colleagues about the possible lack of protective equipment, to take care of safe working methods and to intervene in any dangerous situations. When everyone takes safety into account in all of their everyday choices and decisions, both attitudes and practices become safer.

In 2022, we implemented a campaign to increase safety observations in particular because it has been found that the lost-time injury frequency falls when the number of safety observations rises. Our safety campaign for making observations was a success, as the number of observations increased significantly. In 2022, we collected a total of 1,555 safety observations, while in 2021 the corresponding figure was 431.

Managing safety proactively and systematically based on information helps to identify risks and danger areas. We collect information through key safety-related measures at the worksite which include safety observations, weekly inspections, near-miss reports and accident investigations. By identifying the pain points and sharing best practices with Kreate Group’s personnel as well as the subcontractors and client of the worksite in question, it is possible to comprehensively increase safety awareness. Our goal is for our personnel and partners to give and receive constructive feedback also from each other. This creates a confidential working atmosphere where everyone can work safely.

Cleanliness and good team spirit increase safety

One important factor in promoting occupational safety is the cleanliness and order of the worksite. When the worksite logistics are planned in advance, everyone takes the tools and supplies back to their places and no materials are left on the access ways after construction, the number of potential danger areas is also reduced. When the worksite personnel take care of the cleanliness of the worksite together, the team spirit also improves and everyone is more comfortable coming to work.

In addition to improving the attitude and behaviour of individuals as well as worksite practices, Kreate takes care that commitment to safety work is demonstrated starting from senior management. The management’s safety rounds on the worksite offer the personnel an opportunity for open interaction and a chance to talk about the possible development measures face to face.

Uncompromising work done to improve the safety culture affects not only the worksites being accident-free but also their financial results. An efficient and productive worksite is also safe, as occupational safety is one of the most significant factors of productivity. When absences due to illness and the number of accidents can be minimised, the work progresses efficiently and as planned. In addition, the worksite employees are more committed to common goals on a worksite that operates safely.

Read more about the impacts of personnel well-being and satisfaction on absences due to illness.

Safely in the vicinity of project sites

Taking care of safety and well-being is important not only on the worksite but also in the vicinity of project sites.

Construction may be visible to the nearby residents and those moving around in the area in the form of noise and vibration, temporary traffic arrangements as well as power or water outages. Our operating principle is to execute construction so that we disturb people’s day-to-day life as little as possible. That is why we invest in interaction with the people who live, work and move around in the area. The goal is to keep the people in the area impacted by the project site up to date on the upcoming changes and, in general, to explain the significance of the construction for the area.

Those living and moving around near the project sites are also building a safe working environment by following the speed limits and route directions in and around the worksite. Both the worksite personnel and the people in the area contribute to a safe working environment with a positive attitude and good interaction on both sides. Depending on the worksite, we reach out to people in the project site area with letters delivered to homes, emails and text messages, and for larger projects on the projects’ own social media channels.

Read more about the societal impact of construction in the section ‘Social responsibility’.

<p>What we achieved during 2022</p>	<p>In line with our goal, we managed to increase the number of safety observations to more than 1,500.</p>	<p>Our safety organisation was actively involved in carrying out MVR/TR occupational safety measurements on worksites.</p>	<p>Our various occupational safety campaigns were well received at our worksites and inspired the personnel to participate and make an impact. We received excellent suggestions for improving safety, which were shared with all the personnel.</p>	<p>Lost-time accident frequency continued to decrease, reaching 7.2 (7.7) in 2022.</p>
<p>What we are investing in during 2023</p>	<p>We are increasing safety induction training with KreateAkademia’s online courses and harmonising the induction practices. We are aiming for a decreasing lost-time injury frequency. The longer-term goal is to reach the level of zero accidents.</p>	<p>We are continuing to encourage the making of safety observations: The goal is 2,000 safety observations within Kreate Group.</p>	<p>We are improving the capabilities of our personnel to act in accident situations by training them through first aid coaching. The goal is for at least 10 per cent of the company’s personnel to take a first aid course in 2023.</p>	<p>We are investing in working ability management, utilising the model of substitutive work to maintain the working ability of personnel as well as continuing well-being coaching and campaigns. The goal is to keep the percentage of absences due to illness at a stable low level. The absences due to illness rate was 3.1 (2.7) in 2022.</p>



SNAPSHOTS FROM OUR EVERYDAY LIFE

Substitutive work keeps the mind alert and strengthens the work community



When building demanding infrastructure projects, the goal is to get to go home healthy every day. From time to time, even the best expert in the field can fall ill or have an accident despite the safe working environment created through cooperation.

An illness or accident is not always such that the employee is completely unable to work because of it. When both the employee and the employer see an opportunity for substitute work, they can agree on it together.

Substitute work means work other than what the employee would normally do, but which they are temporarily able to do without endangering their health or recovery. Kreate's Occupational Safety Manager **Satu Lakso-Korkala** says that substitute work is part of the continuous development of different forms of support for safety and working ability.

- Substitute work has been received very positively at Kreate and we have had excellent experiences with it. When, during a sick leave lasting a few days, you can complete courses at home which are part of qualifications or otherwise necessary for work and which you would have to complete in any case, the arrangement benefits not only the employee, but also the worksite and the entire work community.

Substitutive work compensates for an absence due to illness, and the employee is paid a salary as normal during that time. In addition to reducing the number of days lost through illness, Lakso-Korkala emphasises the importance of substitute work for the employee's mental well-being.

- When an employee who is ill or in recovery is taking work-related courses, they will not be excluded from the group of colleagues and the team spirit of the worksite is upheld at the same time. What is also important is that the person stays motivated and keeps their mind alert when they can do something meaningful that maintains and develops their professional skills.

The well-being of personnel builds shared success

The foundation of our operations is our personnel with strong professional competence and commitment to common goals. Focusing on demanding infrastructure construction and the versatile spectrum of construction offer our personnel opportunities to grow and develop in their careers.

Equal treatment and openness are of the utmost importance to us. We invest in the continuous development of leadership and supervisor work so that our work community is functional and our operations are profitable. The basis of our operations is fairness and respect for human rights, whether it is for our personnel or other stakeholders. We recognise the importance of diversity and we want to ensure equal rights, opportunities and treatment for all of our personnel. The principle of equality and non-discrimination is an integral part of our operations and we require every Kreate employee to work according to the ethical guidelines, including all our subcontractors on our worksites.

At Kreate, we support an innovative corporate culture where the personnel actively participate in the development of construction solutions, the company and the entire construction industry. With actions aimed at increasing the well-being and job satisfaction of our personnel, we want to support the development of our open, tolerant and trust-based corporate culture.

As an infrastructure industry pioneer, we offer the most interesting work tasks and development opportunities in the sector to professionals who are enthusiastic about development and take care of common safety and well-being. We invest in our personnel's competence development and comfort. In addition to high-quality leadership and a good work community, the meaningfulness of work and a functioning working environment promote enjoyable and

efficient working. That is why we encourage all our personnel to promote occupational well-being and to influence the working environment with their own contribution and attitude.

Read more about **competence development** at Kreate

Measures to improve stress management in a turbulent global situation

Work in the construction sector is not easy because of the high physical and mental load of the work. The biggest reasons for long absences at Kreate are musculoskeletal diseases and challenges with stress management. As of spring 2020, the restrictions on worksites, increases in costs and remote work due to the COVID-19 pandemic challenged our personnel's ability to manage stress more than usual. After momentary relief in the first quarter of 2022, Russia's war of aggression in Ukraine disrupted material supply chains and accelerated the rate of cost increases, which especially put pressure on worksite and project management.

As a counterweight to the changes in the global situation, we added physiotherapy and psychotherapy to our occupational health care services and continued our "Kympin kuntoon" programme for well-being which was launched during the COVID-19 pandemic. Versatile in its content, the "Kympin kuntoon" programme offers ways





to meet the stress management challenges based on the individual's personal needs. In addition to guided remote and in-person exercise opportunities and lectures shared by everyone, the personnel received regular personal well-being coaching, which focused on the employee's needs and wishes on an individual basis. The goal is improving overall well-being and stress management and offering a low-threshold way of participation. Based on the feedback received from the personnel, the coaching provided help in developing self-leadership as well as in challenges related to sleep quality, stress and weight management. In addition, we offered willing employees versatile fitness and baseline assessments as well as support for measures to improve their own overall well-being. We have received positive feedback about the programme from our personnel, so we will continue to implement and develop it in 2023 as well.

The company-supported KreAktiivinen personnel club also provides versatile things to do together and exercise for all the personnel. Its activities restarted after the lifting

of the COVID-19 restrictions. Activities carried out during 2022 included, among other things, downhill skiing and cycling events as well as a golf competition. In addition to well-being coaching and benefits as well as comprehensive occupational health care services, we offer help in dealing with mental health and substance abuse challenges to support stress management.

As part of our sustainability efforts, we created a well-being programme that provides direction for both short-term and long-term objectives in the areas of personnel well-being, competence development and commitment. During 2023, our goal is to facilitate discussions about issues relating to competence and working ability at all levels of leadership, the purpose of which is to promote the working ability and well-being of our personnel and reduce risks to the ability to work that shorten working careers. In the same context, we strengthen our personnel's self-leadership skills, which are aimed at a better work-life balance, the prioritisation of work and increasing autonomy at work.

For worksite personnel, having a job that involves travelling introduces its own challenges to combining life at and outside of work, which must be taken into account especially in project-based work in the case of young families.

Interaction and follow-up play a key role in improving well-being

We monitor the well-being of our personnel with an extensive personnel survey conducted once every two years and with a well-being survey by an earnings-related pension company in the interim year. The personnel and well-being surveys provide direction for development efforts and help us react to any possible changes. In addition to the surveys, our most important tools for improving well-being and satisfaction are proper induction training, continuous development opportunities and performance reviews.

Employees who have received a good induction do their work more enthusiastically, efficiently and safely. Our

induction process includes mastering the company’s practices, ways of working, equipment and software as well as comprehensive occupational guidance with your supervisor or responsible person. Induction training begins immediately after the signing of the employment contract with an induction guide sent to the employee’s home and continues after the start of work with general induction common to everyone, online training and personal familiarisation with the job. With comprehensive induction training and target-oriented leadership of people, we are developing a work community where the personnel feel well and are committed to common goals from the first day of work.

Personal performance reviews also play a key role in our HR development. The reviews, which take place once per year, focus on performance management, personal development and goals, which are then considered in relation to the company’s strategic targets. In addition to performance reviews, office employees have a follow-up discussion at the end of the year to review the achievement of goals, successes and possible challenges. We encourage open

and constructive feedback from both sides in performance reviews. The purpose is always to establish a mutual understanding of the discussed matters.

Read more about [induction training](#) or [leadership at Kreate](#)

Commitment and retention of personnel at the core of growth

Kreate’s attractiveness as an employer and retention of competent personnel are very important factors in terms of operations and profitable growth. The company’s attractiveness and employee retention have remained at a good level despite the construction industry suffering from a shortage of skilled workers and positions being left vacant in the sector. During 2022, we were successful in all our recruitments, which is especially important in terms of strategic recruitments. The number of applicants increased both in open applications and in the separate hiring processes of the units.

For those leaving the company, the policy has been to either conduct a personal exit interview or collect information about the reasons that led to the departure using a questionnaire. The goal for 2023 is to conduct exit interviews for everyone leaving Kreate Group. An unhurried and open discussion is an opportunity to find out the issues where we as a company can improve our operations in the future.

During 2022, we also invested in improving the applicant experience and strengthened our organisation with a new recruitment and working life development expert. Investing in a good applicant experience is worthwhile for qualified people to also take an interest in our new vacancies. It is important for us that the same great attitude and openness persist from the application process through recruitment and to working in our company. In addition to an open corporate culture, fair and equal treatment, opportunities to develop professional skills and taking care of well-being are of great importance for the retention of committed personnel.

Learn more about our [occupational safety efforts](#)

<p>What we achieved during 2022</p>	<p>Our long-term work to identify risks to the ability to work and react to them at an even earlier stage has yielded results: We are in premium category 1 of the pension company in 2023.</p>	<p>We were involved in developing a sustainability framework, on the basis of which we created goals and metrics for HR work. This resulted in a well-being program that provides long-term guidelines for improving the competence and well-being of the personnel.</p>	<p>In the 2021 personnel survey, the personnel wanted investments in stress management and well-being: The “Kympin kuntoon” programme and personal well-being coaching were continued and occupational health care was expanded to include physiotherapy and psychotherapy services.</p>	<p>After the lifting of the COVID-19 restrictions, we were able to restart the activities of the company-supported personnel club that is open to all the personnel. The KreAktiivinen personnel club is one way to bring the personnel together and increase well-being.</p>
<p>What we are investing in during 2023</p>	<p>Extensive personnel survey 2023: measures to support strategic targets and improve well-being and commitment.</p>	<p>We are conducting exit interviews for everyone leaving the company in order to further develop our operations.</p>	<p>Developing the “Kympin kuntoon” campaign, involving the personnel in improving their own well-being and expanding the activities of the KreAktiivinen personnel club.</p>	<p>Facilitating discussions about issues relating to competence and working ability at all levels of leadership as well as strengthening the self-leadership skills of our personnel. The goal is a better work-life balance, increasing prioritisation and autonomy at work.</p>



SNAPSHOTS FROM OUR EVERYDAY LIFE

Working out for well-being and more energy in everyday life



In Oulu, the “Kympin kuntoon” well-being programme has inspired people to work out together regularly. In addition to the versatile exercise offering and joint activities, the personnel were offered personal well-being coaching with the aim of low-threshold participation and improving overall well-being.

The “Kympin kuntoon” programme inspires Kreate employees to exercise in an enjoyable and versatile way. The individual exercise and well-being coaching offered to our personnel has continued to be popular year after year, with almost a hundred Kreate employees participating in improving their own well-being so far.

Anyone can get involved according to their own level, whether they want to get into working out in general, aim for the recommended minimum amount of exercise or have running a half-marathon as their target. We have offered a genuinely low-threshold programme that helps our personnel get started on their journey towards well-being and more energy in everyday life.

Yrjö Ikäheimonen,
construction worker



“I joined the programme with a jovial and expectant attitude, thinking that maybe I can get more motivation for exercise and leisure time. The goal has been to gain mobility in my joints, improve my eating habits and lose weight at the same time. I feel better and have lost ten kilograms. I am also more flexible now, so it is easier to put on my socks and tie my shoelaces. The intermediate target has been reached and it is good to continue on from here. “

Marja Mattinen,
project engineer, bridge construction and repair



“I participated in a shorter “Kympin kuntoon” programme in the spring a couple of years ago, and the following part 2.0 was meant to continue from where I left off. Improving or at least maintaining my physical strength was a reason to join. Based on a discussion with the coach, I was provided with a customised programme for both the outdoor gym and for home workouts as well as a diet proposal. I have also occasionally done office exercises and taken a look at recordings of remote workouts. This time, however, I have not entered my exercise in the system because the information is recorded by my sports watch anyway. The programmes, remote workouts and office exercises have given me good ideas for my own occasional and not so goal-oriented fitness training, to be done in addition to other exercise. I did not reach the targets, but if I keep at it, maybe someday I will.”



Aiming for minimal harmful effects from operations



We are a Finnish construction company whose business covers a broad range of infrastructure construction services, and we specialise in the construction of demanding projects. Our operations have temporary and long-term impacts. We understand our responsibility to adhere to the principles of sustainable development and minimise the harmful effects from our operations on our surroundings.

We impact the world around us in many ways when we build diverse infrastructure projects. We operate in an industry that generates emissions, and it has several opportunities for improvement. The choices we make in terms of construction materials, working methods and our partners have far-reaching impacts on the environment. The responsibility for our impacts is important for Kreate as a company but also for our personnel, customers, investors and other stakeholders. Good choices lay the foundation that enables us to build the urban environment as well as our business in a sustainable way.

A certified environmental management system guides our efforts

Kreate has held the Construction Quality Association's (RALA) environmental certification since the beginning of 2020. The certificate is based on the ISO 14001 system and tailored for the particular needs of the Finnish construction industry. It is awarded to companies whose environmental management goals, implementation, follow-up and development are on a good level and being developed continuously.

Kreate's environmental manual discusses environmental guidelines from the perspectives of sustainability as well as environmental, material and energy efficiency. In accordance with our environmental programme, which is covered by the RALA certification, we plan our work in advance in a way that allows us to eliminate or minimise the strain on the environment. We systematically develop our ways of

working in order to utilise solutions that are better for the environment. Our operations also consider the long-term impacts on the environment.

In projects where we are the main contractor, we are also responsible for our subcontractor’s environmental performance. In accordance with our environmental programme, we require the uncompromising adherence to environmental legislation and regulations also from our subcontractors.

Careful planning minimises the harmful effects

We often operate near residential areas, bodies of water and groundwater basins. Consequently, we need to consider the environment and surroundings already at the projects’ preparatory stage. In infrastructure construction, most of the decisions that impact emissions and the environment are made before starting the construction work. Even at the construction stage, emissions can be influenced with an active and innovative approach and good collaboration with customers.

Locally, our work can create noise, dust, vibrations or odours that can disturb the residents, animals and environment in the area. Through the careful planning and scheduling of our work, we can reduce the harmful effects

on the surrounding environment caused by large machinery, worksite traffic and material deliveries, for instance. Good advance communication can also reduce the disturbance. We communicate about noise, changes in traffic arrangements and all other work stages that affect the people in the area in a timely manner in each project’s communication channels. Depending on the project, the construction may be subject to quite a few permits, and we carefully follow all of their requirements.

We prevent damage to bodies of water and the environment with careful advance planning and preparations. We inspect all machines before they arrive at the worksite and conduct regular weekly inspections on them. For the maintenance of machinery, we designate specific areas equipped with the necessary protection against potential machine failures. These measures help us manage the risks posed by possible machinery failures and refuelling at the worksites.

Before starting construction, any previous use of the area must be considered. Any earlier construction work or other activities in the area may create an environmental risk, for example due to the accumulation of waste or soil damage.

Read more about the importance of planning in the section **‘Sustainable products’**

Investments in the origin of materials

In addition to environmental responsibility, our responsibility for impacts extends to human rights and the origin of materials in the supply chains. Kreate is committed to honouring labour rights and human rights in its operations. The company does not approve any kind of unethical actions at its worksites and it requires all of its subcontractors to adhere to the same ethical principles.

Procurement plays a significant role in sustainable and efficient construction. Through carefully planned procurement, we reduce the environmental impact of the products and services that we purchase, achieve lower prices and ensure the safety and quality of the deliveries. We aim to make our procurement more responsible by verifying our subcontractors’ reliability in advance, enabling fair competition and using long-term relationships with reliable suppliers.

The shipping distances are short for a significant part of the construction materials for Kreate’s infrastructure projects and, therefore, we know or can easily determine the origin of the products. However, some materials are transported longer distances, so their origin may be unclear. In 2023, we are developing our processes related to the management of the products’ origin and environmental impacts. By doing so, we want to ensure that the construction industry operates ethically and also considers the reduction of other impacts of construction in addition to the effects on the environment.

The end products that we build – roads, bridges, railways and circular economy areas – have significant positive effects on society in addition to their temporary environmental impacts. We always strive for better efficiency in our operations. The more effective our project execution is, the better we are able to minimise the disturbances to people, society and the environment.

Read more about our positive impacts in the section **‘Growing our handprint’** and about human rights in supply chains in the section **‘Good corporate governance’**

<p>What we achieved during 2022</p>	<p>No cases of environmental damage occurred at our worksites.</p>	<p>We developed and implemented a digital tool aimed at surplus material, enabling us to minimise the impact of traffic on the environment.</p>	
<p>What we are investing in during 2023</p>	<p>No cases of environmental damage will occur at our worksites.</p>	<p>We are developing our processes related to the management of the products’ origin and environmental impacts.</p>	<p>We are emphasising the importance of our ethical guidelines in subcontracting agreements.</p>



Resource efficiency protects the climate and nature

We execute our projects as resource-efficiently as possible. In infrastructure construction, in particular, this means using materials sustainably, utilising recycled materials in construction and reducing waste. We take the sustainable use of energy, natural resources and materials into account in all our operations, and we strive to prevent harm to the air, water and soil during construction.

By improving our operations in the different areas of resource efficiency, we promote the sustainable and environmentally efficient use of natural resources as well as our competitiveness. Concrete, cement, lime, asphalt and steel cause the most significant environmental impacts among construction materials. The emission impact of these construction materials can be reduced by using alternative recycled and recovered materials and by optimising the amount of materials already at the planning stage.

In the actual construction stage, environmental goals can be taken into account in procurement, transport and energy use.

From mapping to goal setting

We have been monitoring the carbon dioxide emissions of some of our projects for several years now, and during 2023, we will be extending the monitoring to all of our operations. We aim to establish a reliable baseline for the carbon dioxide emissions across our operations during the current year, after which we can set goals and start reporting emissions regularly.

During 2023, we will carry out the same baseline mapping and goal setting regarding the energy certification of our properties and the use of energy broken down into fractions. In the first phase, our mission is to systematically reduce emissions in our operations, but in addition to the baseline and target levels, we will be looking into the possibility of offsetting our emissions from construction.

Paying attention to transport and emissions from worksite functions

In infrastructure construction, most of the emissions are generated from moving and transporting land masses and aggregates away from the worksite as well as from excavation in connection with the installation of cables and pipes, for example. With efficient work planning, we strive to avoid any extra construction steps and invest in smooth traffic during the work. By optimising transport, we aim to reduce the emissions caused by transport.

In our material procurement, we favour short transport distances and localness whenever this is possible from the point of view of fair tendering and the profitability of the project. Whenever possible, we utilise the materials recovered from demolition on that same site or in our other nearby projects for a positive overall impact in terms of costs and the environment.

With efficient route choices, we can minimise both the distance and the time spent. In terms of the utilisation of recycled materials and the optimisation of transport, the reduction of emissions could be promoted significantly with industry cooperation. Kreate has its own digital platform for the utilisation of land masses and the sharing of information between different projects is working well.

One key area for improvement, along with the optimisation of alternative materials and transport, is our diesel-powered car and machinery fleet. Kreate already

uses biofuels, among other things. Our long-term goal is to gradually switch to the use of alternative forms of energy in our equipment purchases, including company cars.

Read about our positive impact in the section **'Promoting the circular economy'**

Limited opportunities for impact on biodiversity

It is important for Kreate to consider the environmental and biodiversity aspects as part of project execution. Environmental assessments, which are generally carried out during the planning stage of projects, guide both planning and execution. Biodiversity issues and the possibilities of using recycled materials are usually clarified already in advance before tendering the contractor and starting construction.

The same principles apply to circular economy and biodiversity issues. As a contractor, although we execute the potential solutions proposed by the clients as planned, we also actively offer alternative materials and more environmentally friendly solutions. The exceptions are alliance and other procurement models that include a development stage, where the builder of the project is also able to influence the ideas and decision-making for environmental and circular economy alternatives.

Despite the boundary conditions set in planning, our way of operating includes having an impact on biodiversity

through projects, such as through material choices. We also map out and propose alternative circular economy products to our customers to replace virgin materials in projects. In addition, Kreate strives to influence the selection criteria used by customers for infrastructure contracts through industry organisations and cooperation so that environmental values would have a greater weight in future project assessments.

Read more in the section **'Sustainable products'**

Mitigating climate change and biodiversity loss requires efforts from the entire industry

Tendering also plays an important role in terms reducing the emissions from infrastructure construction, and tender processes should include the possibility of offering lower-emission alternatives. Although enabling recycled materials and utilising low-emission solutions have increased in some larger projects, a cheaper price still generally trumps any additional points gained from sustainable options.

Intense price competition also does not further the use of biofuels in worksite functions, for example. In infrastructure construction, there are many unutilised means of reducing emissions that have already been used in other parts of the world and that could be promoted in Finland as well through industry cooperation.

The development and construction of more sustainable infrastructure requires extensive cooperation. We have been involved in creating the low-carbon road map of the Confederation of Finnish Construction Industries and are currently participating in the programme for sustainable construction, the purpose of which is to accelerate the sustainability leap of the construction industry through concrete measures. In addition, influence in the sector's various industry organisations is important for the development of the entire field.

We at Kreate like to think that every small action to protect the environment moves things forward and makes construction more sustainable. The key, however, is the common will of the entire chain of operation to find solutions that take the environment into account and which the builder can also promote by taking the initiative.

<p>What we achieved during 2022</p>	<p>We significantly increased the use of biofuels in our projects.</p>	<p>We increased the use of CO2-free electricity in our projects.</p>	
<p>What we are investing in during 2023</p>	<p>We will establish a baseline of CO2 emissions and report annual emissions in proportion to the volume of operations in the future.</p>	<p>We are increasing the use of fuels produced from renewable sources.</p>	<p>We are increasing our environmental expertise with official qualifications. We will train and qualify at least two new people every year.</p>



SNAPSHOTS FROM OUR EVERYDAY LIFE

Low-emission construction builds sustainable infrastructure at the “Veturitie ja Ratapihakorttelit” project

The “Veturitie ja Ratapihakorttelit” project is a sizeable worksite where we build sustainably and use raw materials sensibly. Energy-efficient, low-emission solutions are reflected in many different ways in the contract that combines the expertise of our bridge and transport infrastructure specialists. The project execution is part of the Carbon-neutral Helsinki 2030 programme.



Pile slabs with low-carbon concrete

At Kreate's initiative, the pile slab casting for the Ratapihakorttelit area used low-carbon concrete, which is significantly eco-friendlier compared to conventional concrete. This allowed us to reduce the CO2 emissions of more than 1,000 cubic metres of concrete by nearly 200,000 kg in comparison with conventional concrete.



Reusing demolition concrete in road construction

The demolition concrete sourced from the Veturitie bridge was processed at the site. We recovered 2,500 tonnes of concrete and tens of thousands of kilograms of steel from the bridge. The concrete was crushed and the steel was taken to be recycled. The crushed concrete is reused during the project in the support structures and embankments for the widened Veturitie road rather than using virgin construction materials.



Renewable diesel and electricity power the machinery and equipment

The extensive and diverse worksite involves using a broad range of machinery and equipment. They comply with strict emission standards and run only using renewable diesel and electricity. We use regular tracking of energy consumption and emissions to gather information on the ongoing project's environmental impacts and to collect important data for reducing the emissions of future projects.



Utilising waste materials from neighbouring worksites with efficient transports

This is one of the most significant infrastructure projects in the Pasila district, and it efficiently utilises material streams that are generated at our other projects in the vicinity. This enables us to minimise waste and close the circular economy loop as well as to make transports shorter and more efficient. The structures of the wider Veturitie road use soil from our other contracts, such as the Kulttuurikasarmi and Katajanokan Laituri projects.



Smart planning for reducing noise

We understand and know our responsibility for the impacts from construction on the immediate surroundings. In addition to improving the air quality by using machinery compliant with strict emission standards, we strive to prevent the generation of harmful noise at the worksite. Smart positioning of the storage piles and limiting the operating times of the machinery that produces the most noise enable us to reduce the noise coming from our worksite.

Promoting the circular economy in infrastructure construction increases sustainability across the industry



The infrastructure sector plays a significant role in promoting the circular economy and has a lot of untapped potential in this area. For its part, Kreate promotes the circular economy by using and looking for environmentally friendly solution options in projects, utilising its circular economy areas as well as having an influence in organisations and other forums together with other operators in the industry.

The environmental impact of infrastructure construction can be reduced with careful advance planning, efficient logistics and the use of recovered and recycled materials. This can also result in significant savings in time and costs.

Finding, offering and using solutions that support the circular economy is an essential part of Kreate's operating model. In addition to using alternative recovered and recycled materials in our own projects, we are also looking for new circular economy materials to be utilised more widely in infrastructure construction. Our circular economy areas provide a good opportunity for the processing and research of circular economy materials.

Since money is still the basis of selection in most procurement procedures, circular economy operations as such

must be more cost-effective than traditional solutions. As a result of developing our internal processes, we can also reuse a larger share of the discarded construction materials from our worksites than before. During 2022, we promoted the circular economy in our separate circular economy projects and by supporting sustainable infrastructure construction in our other business units.

Material-efficient solution options

We execute the potential solutions proposed by the customers, clients and developers as requested, but based on a resource-wise way of working, we also offer alternative

solutions and actively look for other opportunities to further the circular economy in infrastructure construction.

In practical daily operations, our goal is to reuse the demolition materials and excavated soil from projects as efficiently as possible, either as they are or following processing. It is possible to use the materials either in the same project again or in other nearby projects. Whenever it is possible in terms of permit conditions, we choose recovered materials or lower-emission material options for construction. The more we are able to use recycled materials, manage side streams as well as reduce the use of virgin materials and the amount of waste generated, the more cost- and material-efficiently we can operate.

When the circular economy and environmental options are considered already at the planning stage of projects and permits for them are duly obtained, it is easy to include them in practical implementations. Kreate's active dialogue with customers and developers contributes to the mapping of alternatives and the consideration of the circular economy and nature values in construction in a more versatile manner than before.

Joint influencing efforts boost the utilisation of the circular economy

In addition to the small and large circular economy actions implemented in projects, nature values and the circular economy are promoted in industry organisations and committees together with other operators. When the entire construction chain has a solution-oriented attitude and a common direction, it becomes possible to accomplish more.

Streamlining and harmonising the permit processes is one significant way to increase the circular economy in construction. The regulations, terms and permit conditions related to the circular economy vary considerably depending on the project and the municipality, which hinders predictability and creates uncertainty in circular economy operations. At the moment, there continues to be more desire to utilise the circular economy in infrastructure construction than there are opportunities to do so. That is why we feel it is particularly important to also promote matters through influence in various organisations and committees.

During 2022, we continued our influencing efforts in the board and divisional work of the Infra Contractors Association in Finland and the Recycling Industries of Finland with the aim of promoting the use of recycled and recovered materials, for instance in public procurements. We also participated in the UUMA 4 programme, which promotes the use of recovered materials in Finnish earthworks projects: among other things, we chaired the Materials and Services group.

The circular economy in practice in projects

The consideration of sustainability in our daily operations is demonstrated especially by our top projects that take the circular economy into account. One of these is the “Veturitie ja Ratapihakorttelit” project that promotes the reduction of carbon emissions through the choices made in construction. During 2022, in addition to low-carbon concrete, we also used soil brought from our nearby Kulttuurikasarmi worksite in the construction, for example. This is a perfect example of our way of utilising materials from our other worksites in another project of ours while also minimising the emissions from the transport distances.

In the Lillholmen lifting bridge contract completed in 2022, we utilised the usable materials from the old bridge and some of the old bridge’s structures on the new bridge, e.g. in the construction of the road and end embankments. The old pontoon bridge, in turn, was recycled for use at Kreate’s next bridge worksite in Parainen, where it will remain to serve the port customers after the work is completed.

Circular economy areas increase opportunities

Our way of operating includes optimising transport distances by utilising materials from other worksites in our projects as well as implementing intermediate storage and further processing in our circular economy areas. Having our own

areas for processing and intermediate storage as well as our own projects for utilising recovered materials increases the efficiency of our operations. The appropriate utilisation of materials is essential in infrastructure construction, and the comprehensive consideration of the circular economy in all of our projects supports their eco-friendliness and cost-efficiency.

Our circular economy area in Vantaa offers new opportunities for the processing and utilisation of circular economy materials. The project for constructing a protective embankment for the Hirvihaara shooting sports centre in Mäntsälä using recovered materials, in turn, provides a unique opportunity for scaling up proven solutions in our road and foundation construction projects which contributes to the use of sustainable solutions in infrastructure construction. As professionals, we always ensure that recycled materials meet the requirements, comprehensively examine the opportunities in the circular economy and deliver high-quality results.

Kreate also systematically invests in the acquisition of new circular economy areas in order to maintain and grow our circular economy operations. Potential circular economy areas must be secured systematically for the permit process, as permits are only granted to some of the circular economy areas, and even in those, the number of permitted waste components may vary. In terms of circular economy operations, it is important that we continue to increase their efficiency and incorporate them as an increasingly integral part of our daily operations this year as well.

<p>What we achieved during 2022</p>	<p>We continued to integrate the circular economy more clearly as part of our daily operations.</p>	<p>We were involved in influencing efforts in various organisations and committees to increase the circular economy in construction.</p>	<p>We developed the circular economy operations in our projects, increasing the use of recovered and recycled materials in them to more than 500,000 tonnes of processed and utilised materials.</p>	<p>We increased our circular economy operations with the contribution of our circular economy areas.</p>
<p>What we are investing in during 2023</p>	<p>We are looking into possibilities of productising the recycled materials produced by Kreate, which would enable their economically viable reuse in place of natural materials.</p>	<p>We are developing machine automation and material recycling between different worksites with the aim of reducing material waste in construction.</p>	<p>We are continuing to develop circular economy operations across the industry and to utilise recovered and recycled materials in our projects.</p>	

SNAPSHOTS FROM OUR EVERYDAY LIFE

Undersize mineral material turned from challenging to useful

The efficient utilisation of construction waste is part of the everyday routine at our worksites. With the smart use of recovered and recycled materials, we are building the future as we reduce emissions, lighten our carbon footprint and conserve virgin natural resources.

Despite maximising efficiency, there is always material left over that eventually ends up in a landfill. For example, the undersize mineral material created in the processing of mixed construction waste. It is a miscellaneous component consisting mostly of aggregate and concrete, and several tens of thousands of tonnes of it is generated in Finland every year through the separation of mixed waste from construction sites.

- Undersize mineral material is a fairly difficult waste to utilise, but we have used it effectively in Mäntsälä when building the Marjala circular economy area.

This year, the plan is to expand the utilisation in Mäntsälä to the Hirvihaara protective embankment project once the environmental permit comes into effect, says **Tuomo Joutsenoja**, Director, Circular Economy Business at Kreate.

The possibilities of using undersize mineral material have been studied and analysed in different ways at Kreate. For example, the Hirvihaara project offers an opportunity to research and test solutions for various forms of earthworks that require different materials.

- By using the undersize mineral material, we save other materials, which can then be used for better applications, so to speak. Our goal is for each material to be used for as high-quality a purpose as its potential allows. That is why it is important that the undersize mineral material does not end up in landfills, but that only those materials for which there is currently no other alternative would go there.

Kreate's circular economy unit is delighted with the ever-expanding possibilities of using materials that are difficult to utilise. According to Joutsenoja, we are able to utilise more undersize mineral material than the amount of construction waste generated from our operations.

- If all goes well, we will have a continuum. After Marjala, we will have the opportunity to utilise the materials in Hirvihaara, and in a few years the goal will be yet another location. Assessments and the permit process are under way, and the time frame is usually one to two years.

Kreate's goal is to also utilise other hard-to-utilise waste materials generated on construction sites.

- It is a long and difficult path, but definitely a possible one.





Special expertise supports the realisation of customers' goals and the completion of demanding projects on schedule

At Kreate, new enthusiastic experts in the infrastructure industry work together with veterans of the field. The sharing of strong technical know-how and versatile competence promotes the development of infrastructure construction and ensures the construction of even the most demanding projects with high quality.

With the rapid development and digitalisation of the infrastructure sector, the best expertise in the industry is increasingly found in highly specialised companies. Kreate, which specialises in infrastructure construction, cultivates first-class professionals in the field and trains them to use new techniques and more efficient implementation methods.

KreateAkademia, which we designed for the development of strategic competence and career needs, brings together our training offering with its versatile content. We apply various learning methods from traditional classroom teaching to e-learning and workshops in the training and coaching. KreateAkademia is our way of promoting the personal development and career of our personnel, implementing the company's practices and goals as well as ensuring good performance at work.

We also use the online training content of KreateAkademia for the safety induction training of subcontractors and partners. In 2022, we continued to increase the online training offering in particular and organised in-person training related to the financial management of projects as well as practices and systems, general contract terms, qualifications, leadership and supervisor work. Our supervisors were also offered the opportunity to complete a further vocational qualification in first-level management through our partner that provides educational and student services.

Mentoring plays a key role in competence development

In addition to versatile training and coaching, the focus of Kreate's personnel development is on growing through on-the-job learning and gradually taking on more challenging projects. The combination of responsibility, new challenges and support from senior colleagues enables our people to build stronger professional competence and makes interesting career paths possible. Kreate's diverse spectrum of infrastructure construction and focus on the execution of demanding projects are cultivating the best builders in Finland at the same pace as worksites are completed.

In terms of the strategic growth and strengthening of our company, it is particularly important to ensure that we employ both enthusiastic experts starting their careers and long-standing professionals. We invest in the recruitment, induction and employee experience of trainees. Mentoring in practical projects has proved to be an efficient way to transfer know-how to workers at the beginning of their careers. Leadership that takes the situation into account as well as open dialogue increase confidentiality among the personnel. In addition to mentoring and induction, personal competence development is supported by regular performance reviews, follow-up discussions and competence evaluations.

Read more about our performance review and induction practices in the section ['Satisfaction and well-being'](#)

Digitalisation accelerates the development of practices in the infrastructure sector

In addition to the actual construction work, digitalisation is strongly visible in construction already at the planning stage. Digitalisation adds speed and efficiency to project management. It is very quickly changing the practices and tools of the infrastructure sector as well as placing more demands on the competence of the personnel. At the same time, the amount of data used for construction as well as generated during construction is growing rapidly. This creates a need for new duties and competence. Building information model coordinators, drone operators and design managers have been hired and trained at Kreate for several years now.

Kreate has been using building information modelling for a long time, from tender calculation to the various stages involved in the versatile execution of projects. Digital tools make things easier for worksite management in their day-to-day work, thereby also promoting the efficiency of construction. The more advanced the techniques and implementation methods are in the personnel's competence portfolio, the more efficient and high-quality the overall execution will be in terms of the entire construction chain.

A good example of the utilisation of building information modelling and digital tools is the Kausela-Pukkila project at the E18 Turku Ring Road executed by Kreate, which was

delivered to the client approximately six months ahead of schedule. The digital building information model-based approach used comprehensively in the different work stages of the project gives the client the opportunity to use the data accumulated even after the machines have left the worksite and the completed transport infrastructure, junctions and bridges are being used by motorists.

Special expertise and high-quality construction in support of customers and society

Infrastructure projects that are important for the development of society are becoming more technically demanding all the time. Measures planned to mitigate climate change include the densification of city centres and moving transportation increasingly onto rails. In addition to special technical expertise, the execution of the most demanding projects of this kind requires expertise in project management and design guidance, which can only be found at the top operators in the field like Kreate.

Kreate's strategic focus on the construction of technically demanding projects and ability to also act as a project developer strengthen the diverse development opportunities of the infrastructure of Finnish cities. In 2022, we continued the strategic development of our organisation especially

with experts in railway, bridge and special foundation construction. The goal is to improve our competitiveness and ensure the execution of railway and track projects as well as technically challenging projects, whose number will grow in the future.

The benefits of society's significant investments in infrastructure construction are usually realised only after the project is completed. It is, therefore, essential that the projects are finished on time or even faster than what is specified in the contract. Roads, bridges, railways and tracks executed efficiently and with high quality stand the test of time, benefit society and increase people's safety.

Kreate also actively participates in the activities of industry organisations and committees in order to promote the entire construction sector and, for example, the utilisation of the circular economy in infrastructure construction. The entire chain of construction from contractors to clients, designers, planners and legislators is needed to create the practices required by sustainable development. We at Kreate believe that constructive cooperation makes it possible to harness the expertise of the entire industry to implement more sustainable construction.

Read more about our [social responsibility](#) and [Promoting the circular economy](#)

<p>What we achieved during 2022</p>	<p>10 Kreate employees completed a further vocational qualification in first-level management aimed at the construction industry.</p>		<p>We expanded the training offering of KreateAkademia. New courses: financial system training, general contract terms, online English courses, first aid course, occupational safety card training, PlanMan Project, supervisor's working relationship skills and first-level management training.</p>	
<p>What we are investing in during 2023</p>	<p>Ensuring competence and performance management: transferring tacit knowledge from construction veterans to young experts and retaining competence in-house.</p>	<p>Developing cooperation with educational institutions. The goal is to find and engage trainees who want to enter the field, and to develop the applicant and employee experience to secure future top experts.</p>	<p>Expanding the training offering of KreateAkademia. The topics include building information modelling, financial leadership, special procedures in bridge concrete casting, self-leadership, management by coaching and employee induction online, ethical principles, travel rule and communication training.</p>	<p>Developing career paths to better meet the wishes of the personnel and based on their competence.</p>

SNAPSHOTS FROM OUR EVERYDAY LIFE

Good points from training add to competence



What is impossible for others is everyday work for us – after all, we are at our best in challenging projects that require special expertise. We value the professional skill of every Kreate employee, and that is why, in addition to interesting places to work, we offer opportunities to train and develop in the job.

The development of site managers as well as project and site engineers was spurred on by the opportunity to complete a further vocational qualification in first-level management. The course, which lasted about a year, was tailored to Kreate’s practices and processes.

Foundation construction site manager Otto Miettinen, how did you feel about starting studies for a further vocational qualification in first-level management?

- The decision to participate was made quickly and because the construction manager encouraged me to get involved, it was easy to join. The goal was to learn new things and get some ideas for the day-to-day on worksites and acting as an immediate supervisor.

What did you study and what was it like in practice?

- The studies progressed remotely alongside work, and the written assignments were done independently. Sometimes there were coaching days when we had remote lectures, reviewed assignments and gathered in groups to discuss different topics. Some things, such as planning a worksite schedule, were familiar, but it was good to brush up on old stuff as well. The qualification also included, for example, legislation, first-level management skills, managing customer relationships, making a development plan and matters related to the profitability of operations.

What were the most important lessons you’ve learned?

- You could say that I gained the most in the area of first-level management skills; that is, how to deal with different people as well as how to induct subordinates and other employees. There were really good points that I can use here on the worksite.

Sustainable construction and profitable growth for the good of society

In addition to roads, bridges and railways, our committed professionals build our company's financial success and profitable growth. Growth gives continuity, supports employee well-being and provides a good outset for considering our other stakeholders. The Group's ethical guidelines support acting in line with our values while promoting good corporate citizenship and sustainable development.



Our operations continuously impact our stakeholders, who include our personnel, customers, subcontractors and investors as well as the users of the infrastructure we build. We always wish to act in the best possible way towards all of our stakeholders. This requires understanding each group's expectations and needs. An active dialogue and open communication ensure that our stakeholders' wishes are heard and that information travels in both directions.

We consider it very important to keep our promises, do long-term work and ensure the sustainability of our business throughout the value chain. Therefore, we seek to collaborate with trustworthy subcontractors and service providers. We build long relationships with our subcontractors and other partners that provide mutual added value. Our mission is to ensure that business is conducted in an ethical way across the supply chain, drive eco-friendly infrastructure construction and promote better sustainability in the entire industry.

We work towards ensuring a safe and inspiring working environment for our personnel. Together with our employees, we maintain our company's profitable growth and enforce ethical principles and human rights in the subcontracting chain.

Financial success provides security and well-being

Our company's financial success and ability to create value for our stakeholders lay the foundation for our social responsibility. With timely and competent leadership, we conduct systematic and predictable operations and ensure growth in different areas. We want to keep our business profitable in order to offer security, work and well-being for our personnel, take our stakeholders into account and contribute to the mutual well-being.

We directly employ around 450 people across Finland. When we consider the subcontractors that work at our project sites, we find that our impact as a job creator is much more significant. Through the wages and compensation that we pay our employees and subcontractors, we support the

structures of society and enable hundreds or even thousands of people to improve their quality of life.

In addition to company-level financial success, individual construction projects have a significant social impact. They boost the local employment and liveliness in their area of impact. In addition to our strong competence, we utilise dependable local expertise in the execution of projects. For example, approximately 50% of the workers involved in the second phase project of the E18 Turku Ring Road, which we delivered in 2022, were from the local region of Southwest Finland. Often, it is not possible for smaller local companies to be the main contractor in large projects, but working in a subcontractor role allows them to participate in the construction of the environment they live in.

As a responsible company, we take due care of taxes and our other financial obligations to society. The Group's tax rate was 16.0 (15.9) per cent, and we paid EUR 1.1 (1.3) million in taxes for our profit. In addition, we pay a significant amount of taxes relating to employment.

Close collaboration and support for better well-being

We want to contribute to the common good and, therefore, we sponsor activities that mitigate social exclusion, create experiences of success and provide joy to as many people as possible. We mainly focus our sponsorship on activities offered to children and young people but we also invest in cultural and environmental projects as well as support education and development. The activities we sponsor must be fair and compliant with laws and good business practice, and we never sponsor political activities.

In 2022, we provided small-scale support to dozens of activity clubs for children and youth and signed longer-term agreements with two young people aiming to become professional athletes.

Our collaboration with various educational institutions in terms of thesis projects and reciprocal visits supports the future of the infrastructure sector. In addition to diverse thesis topics, we offer students in the field interesting and challenging tasks at our projects. We want to ensure the students' competence and support them on a need basis, which

strengthens their willingness to continue with infrastructure construction. For construction students, familiarisation with work management and practical work is an important experience in terms of the construction industry, learning about Kreate and planning their future career. Through comprehensive induction and development of competence, we support developing the company as a builder of demanding project as well as helping the overall construction industry that suffers from a lack of skilled workers.

Read more about the development of competence in the section **'Top infrastructure expertise'**

Effective execution of projects benefits society

The efficient commissioning of infrastructure projects – roads, bridges, railways and other projects with social significance – is important in terms of the public economy. Completing a project without interruptions ensures minimal disruption to society, provides cost savings and improves the safety of the people who use the infrastructure. Successful performance is the result of good advance planning and an efficient and honest way of working.

High-quality construction leads to infrastructure that lasts for generations while minimising the disturbance to the surrounding environment and the infrastructure users. One of Kreate's principles is doing it once and doing it right, with the aim to minimise the annual amount of warranty work and repairs.

Over the years, we have delivered several projects ahead of schedule, which has been possible due to a successful, innovative development stage, careful work planning and effective execution. For example, at the end of 2022, we delivered the large second phase project of the E18 Turku Ring Road approximately six months ahead of schedule. Public as well as private infrastructure projects have direct and indirect impacts.

In our daily operations, we take into account the life around us and promote open dialogue with the surroundings of our projects. We believe that we can promote sustainable infrastructure construction through the further development of our operations as well as active interaction.

Read more about the impacts of our operations and the measures we take in the section **'Responsibility for impacts'**

<p>What we achieved during 2022</p>	<p>The customers who responded to our feedback survey gave Kreate a Net Promoter Score of 79.</p>	<p>The subcontractors who responded to our feedback survey gave Kreate a Net Promoter Score of 94.</p>	<p>Projects delivered to clients ahead of schedule included the connecting tunnel between T1 and T2 that was built at Helsinki Airport as well as the E18 Turku Ring Road, Kausela-Pukkila project.</p>
<p>What we are investing in during 2023</p>	<p>The annual warranty work and repairs will amount to fewer than 0.2% of the company's revenue.</p>	<p>We will grow our business profitably, thereby increasing the amount of taxes and salaries we pay.</p>	<p>We encourage subcontractors and customers to give us more feedback on our operations. We will increase the response rate of our satisfaction surveys to 20% in 2023.</p>

SNAPSHOTS FROM OUR EVERYDAY LIFE

Providing support on the way to the Olympics

Building the future is about more than what Kreate does at its worksites. It includes the promotion of well-being, working closer together and creating experiences of success. By sponsoring activities in line with our company values and strategy, we prevent the social exclusion of children and youth.

When deciding on our sponsorships, we make sure that the applicant's values meet Kreate's values of entrepreneurship, humanity, straightforwardness and integrity. In 2022, we sponsored dozens of activity clubs for children and youth.

Boxer Pihla Kaivo-oja, 20, is one of the promising young athletes who we help improve and reach their goals.

- Since my sport does not have that many competitors in Finland, it is important for my development that I get to compete regularly in international rings. Kreate's sponsorship has provided me with significant opportunities and enabled me to join training camps and tournaments abroad, she explains.

Pihla competes in the 50 kg weight class, and the past few years have been very successful for her. She won gold in the Finnish Women's Championship in 2020, 2021 and 2022, and she has three gold medals from Finnish Junior Championships. Furthermore, she grabbed the brightest medal in the 2022 GeeBee Boxing Tournament and another two in the International Tammer Tournament in front of the home crowd. In her trophy case, you can also find a bronze medal from the 2021 European Championship and a silver one from the 2022 European Championship.

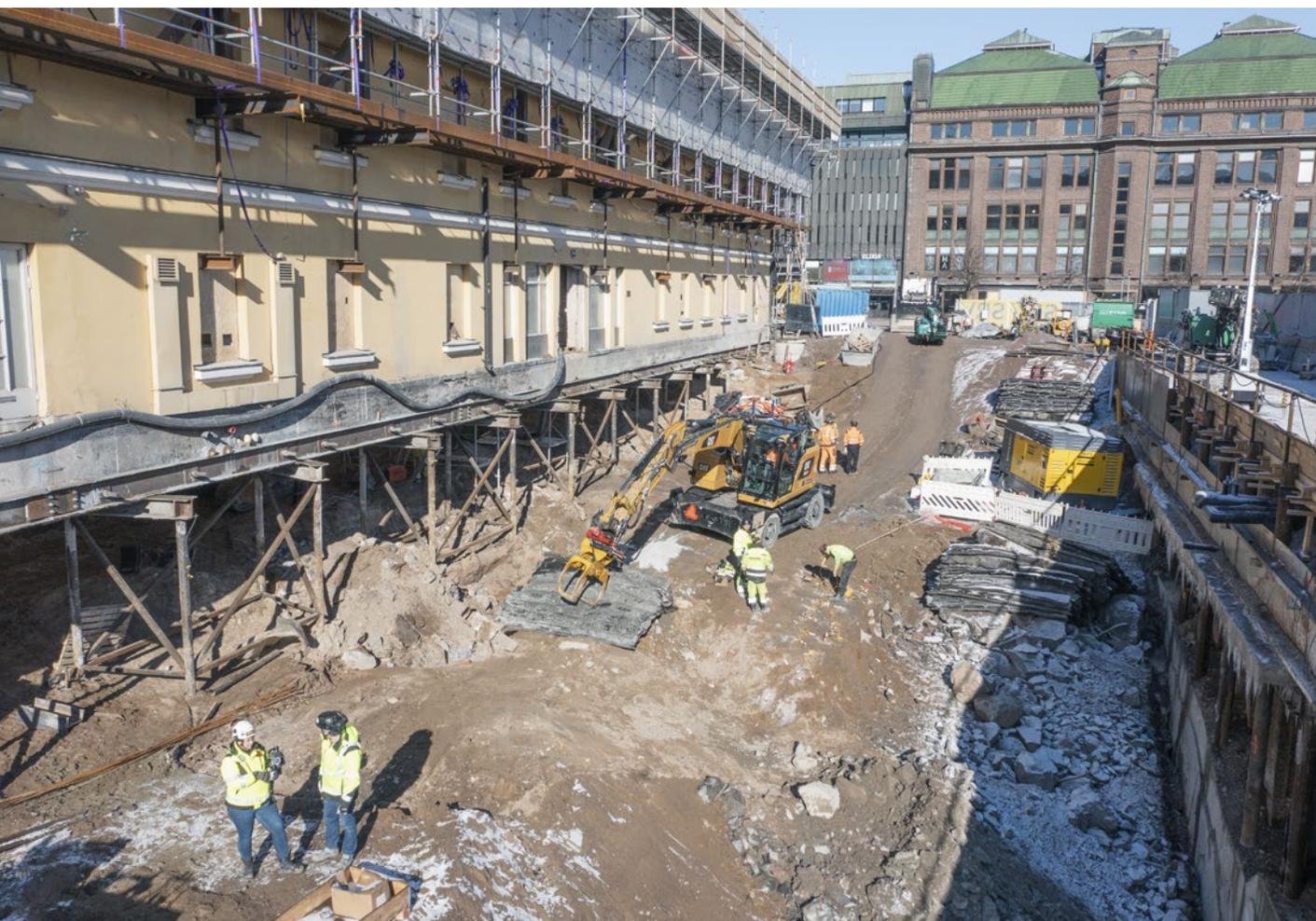
- My goal as an athlete is to become physically and mentally stronger and better day after day. My plans include several tournaments, training camps and major competitions which will provide experience for the most important event in my schedule: this summer's Olympic trials.

For Pihla, it is important that the company supporting her on her journey towards her dreams has the same values as her.

- Entrepreneurship and integrity are strongly present in my everyday life. Whenever I train, I give it my all, and I arrange my free time so that it supports my athletic career. It is important to keep humanity in mind as well. You cannot always succeed right away and it takes time to reach the top, but that is exactly why I train and keep learning more.



Environmentally friendly infrastructure built with high standards of quality lasts from generation to generation



Sustainable infrastructure is built taking ecological, social and economic factors into account, from planning to execution and maintenance. As a builder of infrastructure, Kreate's goal is to minimise the environmental impacts of construction and maximize resource efficiency in its own operations.

Infrastructure construction has a significant impact as a promoter of sustainable development goals. The sustainability of infrastructure construction can be influenced the most at the planning stage, when key decisions are made regarding the project's life cycle costs, emissions and other environmental impacts. These choices will take concrete form later on in the actual construction. When the needs of society and the need for infrastructure in terms of sustainable development goals have been taken into account in the strategic level planning, it is possible to make decisions in favour of biodiversity, reducing emissions and promoting the circular economy in the execution plans of projects.

Alliance model and other infrastructure projects that include a development phase where the contractors can use their expertise together with other operators to influence the construction solutions contribute to improving the sustainability of infrastructure projects. Based on Kreate's ideas, various projects have succeeded in, among other things, significantly reducing the use of natural aggregates, increasing the amount of recycled and recovered products as well as reducing the total emissions of the project. In projects where Kreate is involved in the planning, the focus is not only on resource efficiency, but also on taking into account the changing needs of users. This means that accessibility, safety, health and aesthetics can also be taken into account better than before in the planning.

Sustainable infrastructure by recycling

Based on our strong competence regarding the circular economy, we promote low-emission operating models and solutions in line with the circular economy in construction. Infrastructure built by recycling is more sustainable both ecologically and financially. In many cases, the properties and life cycle of recycled materials completely match the properties of recovered materials. During construction, Kreate's projects have both tested the properties of new recycled materials in practice and utilised proven recycled products in the actual construction. With the extensive investments made in our own circular economy areas, we are able to utilise and recycle several different waste components in construction.

Read more about the utilisation of recovered materials in the section '[Promoting the circular economy](#)'.

Considering biodiversity in infrastructure construction

In the planning stage of infrastructure projects, biodiversity is taken into account by conserving natural areas, utilising landscaping and restoring ecosystems after construction, among other things. Environmental assessments, which are generally carried out already during the planning stage of projects, guide both the planning of the execution and the execution itself. In projects where the environmental regulations and biodiversity issues have been defined before the contractor is tendered, it is the contractor's responsibility to implement all the instructions provided without compromise.

Even though the broad outlines are drawn on the planning table, biodiversity can also be considered in the practical construction in many different ways. On infrastructure work-sites, reducing material waste and increasing material efficiency go hand in hand. The excavated soil and demolition materials resulting from construction are always primarily

used for the project in question or in other nearby projects. This way of operating conserves nature values while also providing cost savings. Emissions, in turn, can be reduced through material choices, biofuels as well as optimised transport of soil and aggregates. Local biodiversity can be fostered by demarcating the worksite area and, for example, by protecting trees.

Kreate considers its extensive knowledge of demanding infrastructure construction, utilisation of the circular economy and sustainable construction as a significant competitive advantage.

Read more in the sections '[Mitigating climate change](#)' and '[Promoting the circular economy](#)'

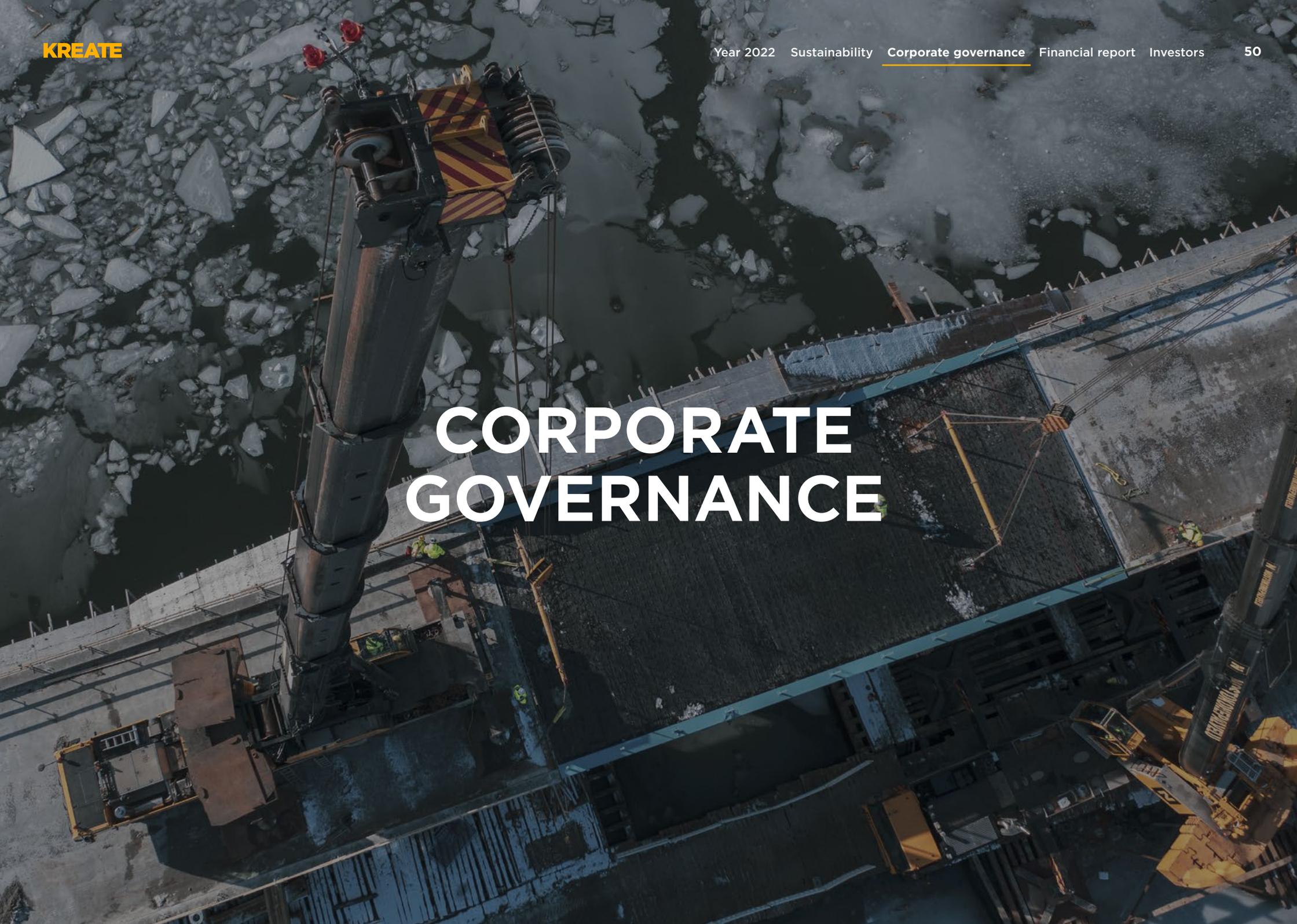
Aiming at satisfied infrastructure users

Projects executed properly and with high standards of quality in one go enable the smooth functioning of society. Infrastructure that lasts for generations is built with good advance planning, careful quality control as well as an honest and open way of working.

After construction, the infrastructure also has to be maintained for several decades. Collecting information for this maintenance starts already during construction. Building information models and registers updated during planning and construction convey the data gathered during the construction period from the builders to the future maintainers. This way, for example, information about the materials used in the construction and the location information of underground infrastructure will be available even decades from now. This also facilitates maintenance and repair work after the completion of the project.

Kreate's goal is satisfied infrastructure users both during construction and after the projects are completed.



An aerial, high-angle photograph of a large-scale construction site. A prominent feature is a tall, dark-colored crane with a yellow and black striped safety section at its top. The crane is positioned on a concrete structure. Below it, a large, dark, rectangular area is visible, possibly a foundation or a large pit. Several workers in high-visibility vests are scattered across the site. The background shows a vast, rocky, and somewhat desolate landscape. The overall scene is one of intense industrial activity.

CORPORATE GOVERNANCE

Kreate Group Plc Corporate Governance Statement 2022

1 Introduction

Kreate Group Plc (“Kreate”) is a public limited company established in Finland, the shares of which were admitted to trading on the official list of Nasdaq Helsinki Ltd in February 2021.

In 2022, Kreate’s corporate governance system was based on Kreate’s Articles of Association, the Finnish Limited Liability Companies Act (624/2006, as amended) and other legislation applicable to the company. Furthermore, Kreate complies with the Finnish Corporate Governance Code 2020 (“Corporate Governance Code”) published by the Securities Market Association, which entered into force on 1 January 2020, and Nasdaq Helsinki Ltd’s Rulebook for Issuers of Shares (the “Rules of the Exchange”). The Corporate Governance Code is available on the website of the Securities Market Association at: www.cgfinland.fi.

2 Governance

2.1 General Meeting of shareholders

Kreate’s ultimate decision-making body is the General Meeting of shareholders. At the General Meeting, shareholders participate in the administration and supervision of the company by exercising their right to speak and vote.

Kreate’s General Meeting decides on matters determined by the Limited Liability Companies Act and Kreate’s Articles of Association. Key matters resolved by the General Meeting are adoption of the financial statements, discharging the members of the Board of Directors and the President & CEO from liability, deciding on the distribution of profit, electing the members of the Board of Directors and the auditor and deciding on their respective remuneration. Furthermore, according to the Limited Liability Companies Act, shareholders have the right to submit matters falling within the competence of the General Meeting to be decided by the General Meeting.

Kreate’s Annual General Meeting is held annually no later than six months after the end of Kreate’s financial year. The notice of the Annual General Meeting must be sent to the

shareholders by a notice published on the company’s website no earlier than three months and no later than three weeks prior to the Annual General Meeting, but no later than nine days before the record date of the Annual General Meeting.

Kreate Group Plc’s Annual General Meeting for 2022 will be held on 29 March 2023.

2.2 Board of Directors

The Board of Directors sees to Kreate’s administration and the appropriate organisation of its operations in accordance with the Limited Liability Companies Act. According to Kreate’s Articles of Association, Kreate’s Annual General Meeting elects a minimum of three and a maximum of ten Board members, and the Board of Directors elects a chairman from among its members. In 2022, its nomination and remuneration proposals to the General Meeting were made by the Board’s Remuneration and Nomination Committee.

2.2.1 Duties and operation of the Board of Directors

In accordance with the Corporate Governance Code, Kreate’s Board of Directors has prepared a written charter for its operations in connection with the initial public offering (IPO), which sets out the Board’s key duties and operating principles. The charter of operations of the Board of Directors of Kreate entered into force on 8 February 2021 by a resolution of the Board of Directors.

Furthermore, the Board of Directors annually draws up an action plan for the period between the Annual General Meetings. The Board of Directors evaluates its operations on the basis of the implementation of the action plan. At the same time, the Board of Directors assesses the expectations of Kreate’s stakeholders regarding the Board of Directors’ operations and considers the extent to which the Board has been able to meet them. The Board of Directors also reviews the timeliness of the Board’s charter of operations.

In addition to the duties set forth in the Limited Liability Companies Act, Kreate’s Articles of Association, the Corporate Governance Code and the Rules of the Exchange, Kreate’s Board of Directors:

- directs and oversees Kreate’s management and operations;
- annually confirms the charters of the committees of the Board of Directors;
- decides on significant matters concerning Kreate’s operations;
- reviews and approves Kreate’s interim reports, annual reports and financial statements;
- approves the strategic objectives and risk management principles of Kreate and its business as well as certain Kreate’s guidelines and policies and monitors their implementation;
- decides on the remuneration of the President & CEO and the Management Team and on Kreate’s incentive schemes in accordance with Kreate’s remuneration policy;
- decides on significant acquisitions, investments and divestments; and
- defines Kreate’s dividend policy.

Kreate’s Board of Directors convenes in accordance with a pre-agreed schedule and as required. In its meetings, the Board of Directors receives current information on Kreate’s operations, finances and risks. Minutes are kept of all Board meetings. Kreate’s President & CEO and CFO attend meetings of the Board of Directors, unless they are the subject of discussion. However, the Board of Directors convenes at least once a year without the presence of the operational management.

The remuneration of the Board of Directors is decided by the Annual General Meeting. As of the IPO, the decision on the remuneration of the members of the Board of Directors must be based on the remuneration policy presented to the Annual General Meeting. Kreate may temporarily deviate from the remuneration policy presented to the Annual General Meeting if the deviation is necessary to ensure the long-term interests of the company. Deviations are only possible if the remuneration policy specifies which parts of it can be deviated from and which procedures are to be followed in the event of a deviation.

During 2022, the Board convened a total of 14 times. Information on the Board members’ attendance in the meetings is presented in section 2.2.2 below.

Name	Personal information	Total number of shares as at 31 December 2022	Attendance in Board meetings in 2022
Petri Rignell	Chair of the Board of Directors Serving on the Board since 2015 Born: 1962 Education: MSc Technology Main occupation: CEO of PriRock Oy Independent of the company and its major shareholders.	71,940 ⁽¹⁾	14/14
Jussi Aine	Member of the Board Serving on the Board since 2021 Born: 1954 Education: MSc Engineering, MSc Economics Main occupation: CEO of Harjavalta Oy since 2014 and CEO of Puustelli Group Oy since 1999 Independent of the company but not independent of one major shareholder.	1,783,689 ⁽²⁾	14/14
Timo Kohtamäki	Member of the Board Serving on the Board since 2015 Born: 1963 Education: LicSc Technology Main occupation: CEO, Suomi-rata Oy Independent of the company and its major shareholders.	27,985	14/14
Timo Pekkarinen	Member of the Board Serving on the Board since 2021 Born: 1973 Education: Construction Engineer Main occupation: CEO and founder of Lapti Group in 2000-2022 and member of the Board of Directors in Nordec Oy, Lapwall Oyj, Kastelli Group Oy and Lapti Group Oy. Independent of Kreate but not independent of its major shareholders.	1,000,000 ⁽³⁾	14/14
Elina Rahkonen	Member of the Board Serving on the Board since 2020 Born: 1979 Education: MSc Economics Main occupation: CEO of Wulff Group Plc Independent of Kreate and its major shareholders.	2,000	14/14
Petra Thorén	Member of the Board Serving on the Board since 2022 Born: 1969 Education: MSc Economics Main occupation: Managing Director of Vingruppen Oy and Head of Business Development of Anora Group Plc's Wine Division. Independent of Kreate and its major shareholders.	0	12/12

(1) Including indirect holding through Prirock Oy (69,908 shares) and direct holding (2,032 shares).

(2) Indirect holding through Harjavalta Oy

(3) Indirect holding through Tirinom Oy

2.2.2 Composition of the Board of Directors

The members of the Board of Directors must have sufficient qualifications and skills as well as the opportunity to spend a sufficient amount of time working on the Board. Experience and competence that complement each other is sought for the Board, and Kreate's objective is to ensure that the age and gender distribution and educational background of Board members are taken into account when preparing the composition of the Board of Directors, in addition to experience, competence and industry knowledge. Kreate believes that the composition of its Board of Directors is appropriately diverse.

Between 1 January 2022 and 29 March 2022, Kreate Group Plc's Board of Directors comprised Petri Rignell (Chair), Jussi Aine, Timo Kohtamäki, Janne Näränen, Timo Pekkarinen, Elina Rahkonen (formerly Pienimäki) and Markus Väyrynen.

The General Meeting on 29 March 2022 elected six members to Kreate's Board of Directors. Petri Rignell (Chair), Jussi Aine, Timo Kohtamäki, Timo Pekkarinen, Elina Rahkonen and Petra Thorén were elected to the Board.

The table on the left presents information about Kreate's Board members as at 31 December 2022.

Board committees

The Board of Directors may establish standing committees to assist the Board of Directors in the preparation and performance of its duties and responsibilities, and the Board may also decide on their size, composition and duties. The Board of Directors is responsible for the duties assigned to the committees. The committees do not have independent decision-making power; the Board of Directors makes decisions under its decision-making power at the meetings of the Board of Directors. The committees regularly report on their work to the Board of Directors.

In connection with the IPO, Kreate's Board of Directors established an Audit Committee and a Remuneration and Nomination Committee as of 8 February 2021.

3 President & CEO and management team

3.1 President & CEO

The President & CEO is responsible for managing, supervising and controlling the business operations of Kreate. Furthermore, the President & CEO is responsible for the day-to-day executive management of Kreate in accordance with the instructions and orders given by the Board of Directors. In addition, the President & CEO ensures that the accounting practices of Kreate comply with the applicable legislation and that its financial affairs have been arranged in a reliable manner. The duties of the President & CEO are governed primarily by the Limited Liability Companies Act. The President & CEO shall provide the Board of Directors and its members with the information necessary for the performance of the duties of the Board of Directors.

The Board of Directors appoints and dismisses the President & CEO. The Board of Directors decides on the terms and conditions of the President & CEO's employment, which are specified in the written service agreement.

As of the IPO, the decision on the remuneration of the President & CEO must be based on the remuneration policy presented to the Annual General Meeting. Kreate may temporarily deviate from the remuneration policy presented to the Annual General Meeting if the deviation is necessary to ensure the long-term interests of the company. Deviations are only possible if the remuneration policy specifies which parts of it can be deviated from and which procedures are to be followed in the event of a deviation.

3.2 Management Team

Kreate's Management Team is tasked with supporting the President & CEO of Kreate in the planning of activities and operational leadership. Furthermore, the Management Team prepares potential investments, acquisitions and development projects. Kreate's Management Team convenes regularly, and it comprises the Vice Presidents of key business functions and service units. The Board of Directors decides on the remuneration of the members of the Management Team.

The following table presents information about Kreate's Management Team members as at 31 December 2022:

Name	Personal information	Total number of shares 31 Dec 2022
Timo Vikström	President & CEO Born: 1968 Education: Engineer, eMBA	40,108
Tommi Hakanen	Vice President, Special Foundation Construction Born: 1978 Education: MSc Technology	16,264
Antti Kakko	Vice President, Bridge Construction and Repair Born: 1977 Education: Bachelor of Engineerin	1,380
Jaakko Kivi	Head of Technical Office Born: 1971 Education: MSc Technology	32,757
Sami Laakso	Vice President, Transport Infrastructure Construction Born: 1975 Education: Bachelor of Engineering	6,000
Mikko Laine	Chief Financial Officer Born: 1975 Education: Master of Social Sciences	0
Timo Leppänen	Vice President, Railway Construction Born: 1973 Education: Bachelor of Civil Engineering	0
Katja Pussinen	Vice President, HR Born: 1975 Education: MSc Economics, BBA	29,963

4 Risk management, Internal control and Audit

4.1 Risk management

Kreate's risk management is based on a risk management policy approved by the Board of Directors, which aims at comprehensive and proactive management of risks. The Board of Directors of Kreate approves the risk management policy and its targets, and directs and oversees the planning and implementation of the risk management. The risk management policy 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. The policy is based on managing the group's overall risk exposure and not just the management of individual risk factors.

Risks are defined as external or internal uncertainties that, if realised, would have a positive or negative effect on Kreate's abilities to reach its strategic and financial targets in a sustainable and ethical way.

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. Kreate classifies risk factors into strategic, operational, accident risks and financial risks.

The risk management measures target the most significant risks through cost-effective and appropriate policy options, including the following:

- reducing, sharing or transferring a risk, for example through changes in operations, improved controls, insurance policies or by contractual means;
- eliminating a risk, for example by giving up activities that involve an excessive risk, or preparing for the materialisation of a risk, for example with recovery plans; and
- accepting a risk without specific risk management measures.

Responsible persons are appointed for risk management measures and tasked with the responsibility for the planning, implementation and monitoring of measures. The specified measures are linked to action plans and monitoring.

The President & CEO has the overall responsibility for risk management. The President & CEO is responsible for organising and the planning, development, coordination and monitoring of the risk management strategy as well as for its implementation and communication throughout the organisation. The President & CEO reports to the Board of Directors. The Group's Management Team is responsible for the implementation of risk management, i.e. the identification, monitoring and assessment of risks and risk-related measures. The Group's financial management is responsible for identifying and assessing financial risks, and reports to the Group's management.

4.2 Internal control and audit

The Group's outsourced internal audit organisation supports Kreate's management in organising and developing risk management and internal control. Internal audit reports to the Audit Committee of the Board of Directors and, administratively, to the CFO.

5 Other information

5.1 Insider management

In connection with the IPO, Kreate has drawn up an insider policy with the purpose of establishing clear operating guidelines for, among other things, the management of insider information, maintenance of insider lists and disclosure of transactions by persons subject to the notification obligation. Kreate's insider policy entered into force on 8 February 2021 by a resolution of the Board of Directors.

The insider policy complements the provisions of Market Abuse Regulation (596/2014/EU) and related regulations, Finnish regulations, especially Chapter 51 of the Criminal Code (39/1889, as amended) and the Securities Markets Act (746/2012, as amended), the Rules of the Exchange, the Guidelines for Insiders of Nasdaq Helsinki Ltd and the valid guidelines concerning insider matters by the Finnish Financial Supervisory Authority.

The person in charge of insider matters at Kreate is Kreate's CFO, and Kreate's Financial Controller acts as the CFO's deputy. The person in charge of insider matters performs duties relating to Kreate's insider management, monitors compliance with the obligations under Kreate's insider policy, is in charge of the insider list and the list of persons discharging managerial responsibilities and persons closely associated with them, and carries out the duties related to trading restrictions and notifications of transactions.

Kreate has in place a whistle-blowing procedure that provides Kreate's personnel a way of making a report in case there is reason to suspect that someone employed by Kreate has violated the laws and regulations concerning the securities market.

5.2 Obligation to notify transactions

As of the IPO, persons discharging managerial responsibilities at Kreate and persons closely associated with them have an obligation to promptly notify Kreate and the Finnish Financial Supervisory Authority of their transactions in the financial instruments of Kreate and no later than three business days after the date of the transaction. Kreate discloses the notifications of transactions by means of a stock exchange release within two working days of receiving a notification by a person discharging managerial responsibilities. Kreate does not disclose notifications of transactions while their total annual value remains below EUR 5,000.

The Chair and deputy Chair of the Board of Directors,

members and any deputy members of the Board of Directors, the President & CEO and their deputies, if any, as well as the Management Team members are deemed to be persons discharging managerial responsibilities at Kreate.

Kreate maintains a list of persons discharging managerial responsibilities and persons closely associated with them. The list is not public.

5.3 Insider lists and trading restrictions

Kreate maintains a project-specific insider list of all persons who have de facto access to insider information and who work for Kreate under an employment contract or otherwise perform tasks through which they have de facto access to insider information.

The persons included on a project-specific insider list and other persons who are in possession of insider information regarding Kreate are prohibited from trading in Kreate's financial instruments, cancelling or amending an issued trade order, recommending another person to trade in such financial instruments or inducing another person to trade in such financial instruments after receiving information concerning the project.

Persons discharging managerial responsibilities are prohibited from conducting transactions in Kreate's financial instruments on their own account or for the account of a third party before the publication of Kreate's interim report, half-year report or the financial statement bulletin from 30 days before the publication of the interim report, half-year report or financial statement bulletin until the end of the day of publication (closed window). In case the financial statements include material information that has not been previously disclosed in the financial statement bulletin, such as the future prospects, the closed window also applies to the financial statements.

Furthermore, Kreate has decided to also apply the closed window to persons participating in the preparation and drawing up of the interim reports, half-year reports and financial statement bulletins of Kreate (company's trading restriction).

Prior to conducting transactions in Kreate's financial instruments, persons discharging managerial responsibilities with an obligation to notify of transactions and persons subject to the company's trading restriction must always confirm with the person in charge of insider matters that there are no impediments to the transactions. A transaction in Kreate's financial instrument must not be conducted before the person in charge of insider matters has approved the transaction, and the transaction must be conducted within two weeks from the approval.

5.4 Principles for related party transactions

Kreate complies with the regulations in force and, as of the IPO, follows the recommendations of the Corporate Governance Code on the monitoring and assessment of related party transactions. Kreate assesses and monitors transactions with its related parties and maintains a list of its related parties. As a rule, Kreate or other companies within the Group and related parties do not enter into transactions that differ from customary business and are material to the company or that have been made on unconventional commercial terms. Kreate's Board of Directors decides on significant related party transactions.

Kreate's related parties include the Kreate group's parent company Kreate Group Plc, the subsidiaries and the joint venture KFS Finland Oy. Related parties also include Kreate's key management personnel as well as their close family members and the entities controlled by them. Key management personnel include the members of Kreate's Board of Directors, President & CEO and the members of Kreate Group's Management Team. In addition, until the IPO, Kreate's related parties included the companies belonging to the group of companies of the major shareholder Intera Fund II Ky.

Kreate reports the related party transactions annually in its consolidated financial statements and, if necessary, discloses the related party transactions in accordance with the Market Abuse Regulation, the Securities Markets Act and the Rules of the Exchange.

6 Audit

Pursuant to the Articles of Association, Kreate has one auditor that must be an audit firm approved by the Finnish Patent and Registration Office. The auditor's term of office begins from the General Meeting that elects the auditor and then ends at the close of the Annual General Meeting following the election.

Kreate's Annual General Meeting on 2 May 2019 elected the audit firm KPMG Oy Ab as Kreate's auditor. KPMG Oy Ab with Authorised Public Accountant KHT Turo Koila as its principal auditor also acted as Kreate's auditor in the financial year 2022.

In 2022, the fees paid to the auditor amounted to EUR 70 thousand for the audit and EUR 2 thousand for other non-audit services.

Kreate Group Plc – Remuneration Report of the governing bodies

1 INTRODUCTION AND REMUNERATION PRINCIPLES

This remuneration report presents information on the remuneration of the Board of Directors and the President & CEO of Kreate Group Plc (“Kreate” or “Company”) between 1 January 2022 and 31 December 2022. Kreate’s corporate governance system complies with the Finnish Limited Liability Companies Act and the Finnish Corporate Governance Code 2020 (“Corporate Governance Code”) published by the Securities Market Association.

As of 2021, the remuneration of the governing bodies at Kreate is based on the remuneration policy. This was approved with an advisory decision by the Annual General Meeting on 5 May 2021. The remuneration policy will be applied until the Annual General Meeting of 2025, unless the Board of Directors decides to present it to the Annual General Meeting earlier.

The objective of the remuneration policy is to promote the Company’s long-term financial performance and assist in implementing Kreate’s strategy, in which the Company pursues a position as one of Finland’s leading companies delivering demanding infrastructure construction projects. The primary objective of the remuneration policy is to ensure that Kreate applies performance-based remuneration, which rewards the implementation of Kreate’s strategy in a transparent and understandable way.

The remuneration policy is based on the following key principles:

- providing a competitive earning opportunity for overall remuneration;
- emphasising performance-based remuneration by establishing the overall remuneration of the President & CEO such that part of the earning opportunity is based on performance-based incentives; and
- emphasising a strong connection to the interests of our shareholders such that part of the earning opportunity for the President & CEO’s annual variable remuneration may be based on long-term share based incentive plans.

The remuneration policy has been prepared to follow the remuneration practices applicable to all of Kreate’s personnel. This is reflected, for example, in the variable remuneration earning criteria, which are derived from the company’s

strategy with the aim of supporting the Company’s profitable growth and which are partly shared by the President & CEO as well as all the other personnel.

2 DEVELOPMENT IN THE REVENUE AND RESULT AS WELL AS THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS, PRESIDENT & CEO AND PERSONNEL FROM 2018 TO 2022

The tables shown below present the development of Kreate’s revenue and result for the period from 2018 to 2022 as well as the development of the remuneration of the members of the Board of Directors, President & CEO and personnel for the period from 2018 to 2022.

(EUR million)	2022	2021	2020	2019	2018
Revenue	273.9	237.6	235.3	221.1	192.4
Change (%)	15.3	1.0	6.4	14.9	33.7
Result for the period	5.6	6.9	7.8	8.7	3.8
Change (%)	-18.5	11.0	-11.1	128.6	288.5
(EUR thousand)	2022	2021	2020	2019	2018
Remuneration paid to the Chair of the Board ⁽¹⁾	58.5	60.0	54.0	54.0	57.0
Change (%)	-2.5	11.1	0.0	-5.3	96.5
Remuneration paid to ordinary members of the Board	133.5	130.5	28.0	27.0	18.0
Change (%)	2.3	366	3.7	50.0	0.0
Remuneration paid to the President & CEO	551	518	427	323	311
Change (%)	6.2	28.8	32.2	3.9	-31.0
Remuneration paid to Kreate’s em-ployees, on average	64	66	64	60	57
Change (%)	-2.4	3.8	6.4	5.6	8.9

⁽¹⁾ Other remuneration and benefits paid to the Chair of the Board include the remuneration paid to PriRock Oy, a company controlled by Petri Rignell, in accordance with the consulting agreement between Kreate and PriRock Oy. The consulting agreement between PriRock Oy and Kreate ended in December 2020.

3 REMUNERATION OF THE BOARD OF DIRECTORS IN 2022

The Annual General Meeting of Kreate decided on 29 March 2022 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 the 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 following table presents the remuneration paid to the Members of the Board from 1 January to 31 December 2022.

2022	Position in Board	Yearly fee (EUR)
Petri Rignell	Chair of the Board, Member of the Audit Committee, Chair of the Remuneration and Nomination Committee	58,500
Jussi Aine	Member of the Board, Member of the Audit Committee	25,500
Timo Kohtamäki	Member of the Board, Member of the Remuneration and Nomination Committee	25,500
Janne Näränen	Member of the Board, Member of the Remuneration and Nomination Committee (until 29 Mar 2022)	6,000
Timo Pekkarinen	Member of the Board, Member of the Remuneration and Nomination Committee	25,500
Elina Rahkonen	Member of the Board and Chair of the Audit Committee	25,500
Petra Thorén	Member of the Board and Member of the Audit Committee (as of 29 Mar 2022)	19,500
Markus Väyrynen	Member of the Board (until 29 Mar 2022)	6,000
Total		192,000

4 REMUNERATION OF THE PRESIDENT & CEO IN 2022

The remuneration of the President & CEO comprised a fixed base salary including taxable fringe benefits, short-term performance bonus, long-term incentive plan (LTI) and pension benefit.

In 2022, the President & CEO's fixed base salary including the fringe benefits grew year-on-year and was EUR 352,596.

At the beginning of 2021, the Board of Directors set the short-term performance bonus criteria for the President & CEO, on the basis of which a performance bonus of EUR 198,148 was paid to the President & CEO in 2022.

Kreate's maximum short-term performance bonus for the President & CEO remained unchanged in 2022 at 71.5 per cent of the fixed base salary including the fringe benefits. In the performance bonus plan, the criteria set by the Board of Directors for 2022 were the Company's indicators for profitability (90% weight), indicators for working capital management (5%) and indicators for occupational safety (5%). The performance bonus will be paid according to the actual figures in the financial year 2023.

In 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.

The Performance Share Plan 2021-2024 consists of 2 two-year performance periods, the calendar years 2021-2022 and 2023-2024. Each performance period is followed by a two-year restriction period. The company's Board of Directors decides on the plan's performance criteria and the targets set for each criterion at the beginning of each performance period. For the 2021-2022 performance period, the bonus was based on the Group's cumulative operating profit (EBITA), Kreate's total shareholder return (TSR) and the completion of the company's strategic goals.

The share bonus plan offers the key persons in the target group an opportunity to earn shares in the company by converting into shares a portion, decided by the Board of Directors, of the performance bonus earned for 2022 within the performance bonus plan. A performance bonus converted into shares is multiplied by a bonus multiplier decided by the Board of Directors before the payment of the bonus; for 2022, the multiplier was 1.5. A possible bonus within the share bonus plan is paid after a two-year restriction period in 2025 partly in shares in the Company and partly in cash.

The purpose of the cash portion is to cover the taxes and tax-like charges incurred due to the bonus by the key person. In connection with the payment, the key person is credited for the dividends paid and other possible funds distributed during the restriction period.

Furthermore, the President & CEO is entitled to a supplementary pension paid by the Company. The date of withdrawal is at the discretion of the President & CEO, but the supplementary pension can be withdrawn at the earliest from the age of 58. The supplementary pension is based on a money purchase scheme. The President & CEO is also covered by the Finnish statutory pension system.

The following table presents a summary of the remuneration paid to the President & CEO between 1 Jan and 31 Dec 2022.

	EUR thousand
Fixed base salary including fringe benefits	353
Performance bonus	198
Supplementary pension	34
Total	585

Board of Directors

31 Dec 2022



Petri Rignell

Master of Science (Technology)
Board member since 2015,
Chair of the Board



Jussi Aine

Master of Science in Engineering,
Master of Economic Sciences
Board member since 2021



Timo Kohtamäki

Licentiate of Science (Technology)
Board member since 2015



Timo Pekkarinen

Construction Engineer
Board member since 2021



Elina Rahkonen

Master of Science (Economics)
Board member since 2020



Petra Thorén

Master of Economic Sciences
Board member since 2022

Management Team

31 Dec 2022



Timo Vikström (1)

President & CEO
Master of Engineering – Meng,
Construction, eMBA
Management team member since 2017

Jaakko Kivi (2)

Technical Office
Master of Science (Technology)
Management team member since 2018

Timo Leppänen (3)

Railway Construction
Bachelor of Civil Engineering
Management team member since 2021

Sami Laakso (4)

Transport Infrastructure Construction
Bachelor of Engineering
Management team member since 2021

Antti Kakko (5)

Vice President, Bridge construction
and repair
Engineer (MSc)
Management team member since 2022

Mikko Laine (6)

CFO
Master of Political Sciences
Management team member since 2022

Katja Pussinen (7)

HR
Master of Science (Economics)
Management team member since 2017

Tommi Hakanen (8)

Special Foundation Construction
Master of Science (Technology),
Bachelor of Engineering
Management team member since 2020

An aerial photograph of a large concrete bridge spanning a wide lake in a winter setting. The trees and ground are covered in snow. A few vehicles, including a truck and a car, are visible on the bridge. In the background, there are some buildings and a large metal structure on the right side of the lake. The text 'FINANCIAL REPORT' is centered in large white letters over the middle of the image.

FINANCIAL REPORT

Report of the Board of Directors

Kreate is a Finnish group that focuses on demanding infrastructure construction. Kreate's offering consists of transport infrastructure construction, which includes railway construction and road and street construction, as well as structural engineering, which includes foundation and engineering construction. Furthermore, Kreate offers services relating to the circular economy and technically demanding rock engineering. Kreate aims to be one of the leading companies delivering demanding infrastructure construction projects in Finland that offers well-functioning comprehensive solutions for demanding infrastructure needs based on its extensive competence and service offering, and to gain a foothold in the Swedish infrastructure market, with the goal of growing the operations in Sweden into a second cornerstone of the business in addition to Finland, and to pursue growth opportunities in technically demanding infrastructure construction projects in, for example, the Greater Stockholm area.

Kreate is an industry-leading company in Finland particularly in bridge and foundation construction both in terms of volume and expertise. The Group's operations are guided by strong basic values through which it offers solution-driven services, high quality and cost-efficiency to its broad range of clients. The customer base includes both public and private operators. The Group has had operations mainly in Finland, and in 2022, Kreate expanded to Sweden through a business acquisition.

Kreate Group comprises the parent company Kreate Group Plc and its wholly-owned subsidiaries (Kreate Oy and Kreate Rata Oy), in addition to which the Group has a 75% holding in Kreate Sverige Holding AB (previously named Kreate Infra Sverige AB), whose subsidiaries are Kreate Sverige AB (previously named Bror Bergentreprenad AB) and EstRock AB. Furthermore, the Group has a 50% holding in the Finnish joint venture KFS Finland Oy, and a Swedish associated company Karell Schakt AB, in which Kreate Sverige AB has a 34% holding.

STRATEGY FOR 2024 AND FINANCIAL TARGETS

Kreate executes well-functioning comprehensive solutions in infrastructure construction in a solution-oriented way, particularly focusing on offering projects that are technically difficult or that require special expertise. During the 2020–2024 strategy period, the company seeks growth from an increased

focus on the execution of demanding construction projects and by considering the opportunities brought about by the changing operating environment. Kreate aims at being a profitable growth company with an entrepreneurial spirit and the most attractive employer in the industry.

A clear strategy that aims at continued profitable growth

1. Positioning in growing market segments

Kreate leverages its good market position and grows in the core market segments that particularly benefit from the increased demands in infrastructure construction. These include, for instance, projects carried out in densely built urban environments and demanding soil conditions.

2. Strengthening and expanding the customer base and service offering

The company aims at strengthening its customer base and service offering. There are opportunities for growth and expansion in different market segments, such as large commercial ports and waterways, various technical areas of railways and light rail solutions, construction of streets in demanding urban areas and wind farm projects.

3. Supporting the strategy with selected acquisitions

Kreate has successfully carried out corporate transactions, which are a way to also expand and supplement its capabilities in the future. In corporate acquisitions, Kreate focuses on profitable companies with a good financial standing whose culture, strategy and values are compatible with those of Kreate. The company also strives to complement its service offering with new capabilities.

4. Continuous improvement of operational efficiency and profitability

The company maintains a good level of profitability and seeks to increase its revenue by ensuring the high level of expertise of company personnel, by winning tenders and further developing internal collaboration and efficient processes. In order to improve the operations and efficiency, the company has implemented an annual development programme designed for this purpose.

Financial targets

Growth

Our aim is to grow the revenue to EUR 300 million by 2024 through a balanced combination of organisational growth and selected acquisitions.

Profitability

We aim for an EBITA margin of more than 5 per cent in the medium term.

Gearing

We aim for a Net debt/EBITDA of below 2.0.

Dividend policy

We aim to distribute at least half of the annual net profit as dividends, taking into account our financial position, cash flow and growth opportunities.

OPERATING ENVIRONMENT IN 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 economic cycles were also reflected in the development of Kreate's profitability.

Due to a good early year, the overall construction volume in Finland grew in 2022, whereas infrastructure construction, considering investments as well as maintenance, experienced a decrease. 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.

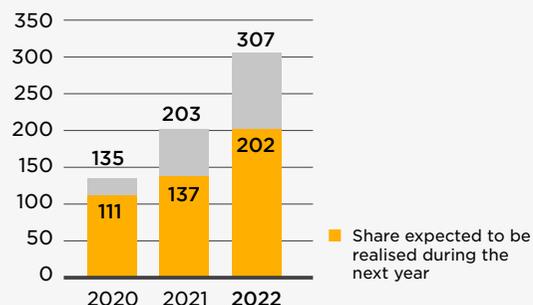
FINANCIAL PERFORMANCE

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 estimated profitability of the order backlog was at a normal level compared to before. It is estimated that EUR 202 (137) million of the order backlog will be realised during the financial year 2023.

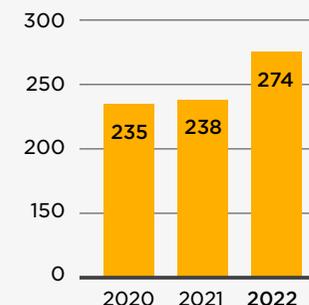
ORDER BACKLOG

EUR million



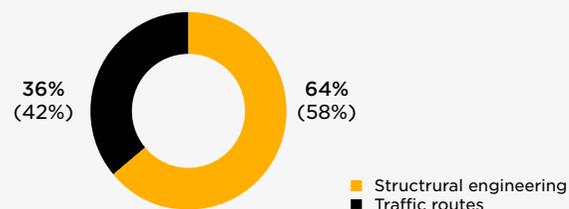
REVENUE

EUR million



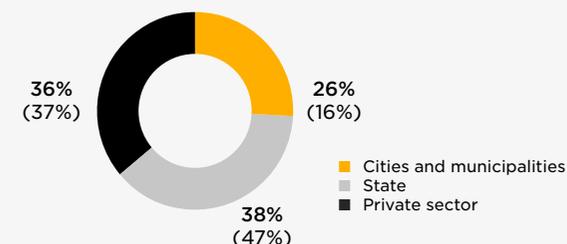
REVENUE BY BUSINESS FUNCTION

2022 (2021)



REVENUE BY CUSTOMER GROUP

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.

In 2022, Kreate won the tenders for several important projects. National Road 19 between Seinäjoki and Lapua, executed as a joint project venture, moved to the implementation stage in the spring. The extensive alliance project for the Kirjalansalmi and Hessundinsalmi bridges on Highway 180 started with a development stage that proceeded as planned, and the implementation stage of the project moved into the order backlog in the autumn. In October, Kreate signed a contract with Kesko concerning the earthmoving and foundation construction work for a logistics centre that will serve Onninen and K-Auto. Located in Hyvinkää, the logistics centre will cover an area of over 80,000 m². In addition, Kreate's Swedish subsidiary Kreate Sverige won the subcontract for the major Bohusbanana tunnel repair project.

Many projects were completed during the financial year, the most significant of which were the Lillholmen lifting bridge and the connecting tunnel between T1 and T2 at Helsinki Airport. Over the course of the year, Kreate also built three railway bridges with the skidding method and opened the Vanhankylä section on National Road 7 in Loviisa for traffic. In December, the second phase of the E18 Turku Ring Road was delivered to the client six months ahead of schedule. Furthermore, several smaller-scale transport infrastructure and railway projects were finished in 2022.

Revenue and result

In the financial year 2022, the Group's revenue grew 15.3% compared to the reference year due to the strong end of the

year, 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.

The share of Structural engineering of the revenue for 2022 was 64 (58) per cent and the share of Transport infrastructure construction was 36 (42) per cent.

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.

During the financial year, the Group's EBITDA decreased compared to the reference period to 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. Profitability was impacted by long-term projects not bound to an index as well as the general cost inflation. The profitability of projects remained on a good level. 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. Earnings per share were EUR 0.64 (0.80).

Cash flow and financial position

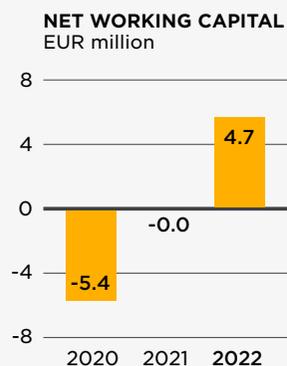
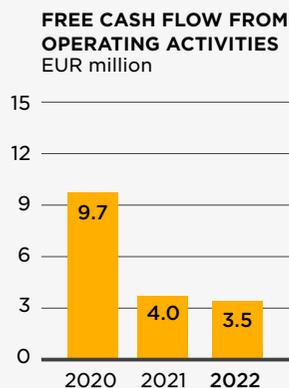
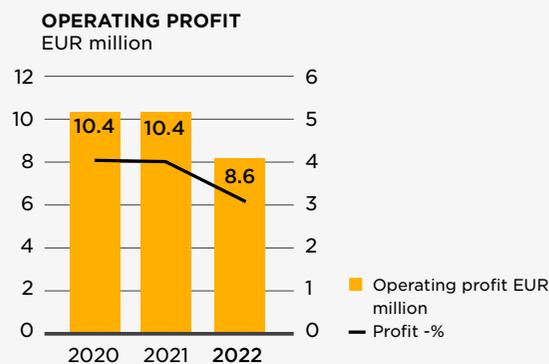
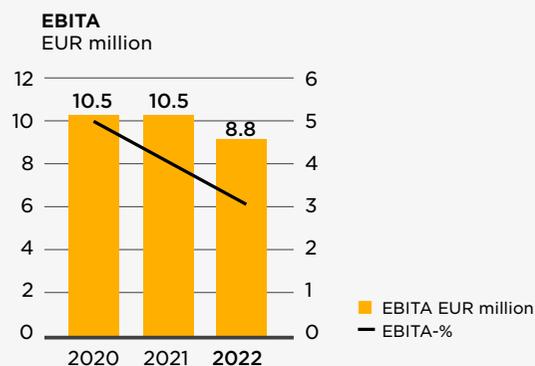
In the 2022 reporting period, free cash flow from operating activities was EUR 3.5 (4.0) million. At the end of the financial year, net working capital was EUR 4.7 (-0.0) million. During the financial year, the company's net working capital was encumbered by capital being bound to large projects at the handover stage as well as normal seasonal variation. Towards the end of the financial year, projects were finished as expected, which improved net working capital by EUR 12.3 million in Q4.

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. 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. In addition to the repayment of previous loans, the Swedish business acquisition completed in September 2022 was financed within the framework of the new agreement. 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, the equity ratio was 31.6 (38.6) per cent and the company's return on capital employed was 12.5 (17.8) per cent.

Capital expenditures

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

Net investment cash flow was 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 Infrastruktur Sverige AB purchased all the shares in the Swedish Bror Bergentreprenad AB ("BBEAB"), which specialises in demanding underground infrastructure construction, including BBEAB's subsidiaries. On 2 September 2022, Kreate Infra Sverige AB and Maria Håller Bror AB signed a contract on the acquisition and the transaction was executed at that time. The sale price for all shares in BBEAB was SEK 70 million and 25% of the shares in Kreate Infra Sverige AB, which were transferred to the seller.

During the financial year, the name of Kreate Infra Sverige AB was changed to Kreate Sverige Holding AB as well as Bror Bergentreprenad AB to Kreate Sverige AB. The aim of the name changes was to clarify the companies' operations for stakeholders. The changes have no effect on the companies' other legal information.

Research and development

The purpose of Kreate's research and development is to create practical tools and procedures for infrastructure construction projects. The R&D focus areas include tender calculation, project execution and equipment functions. Dig-

italisation is rapidly changing the conventional models in all of these areas. In terms of digitalisation, change is driven by the more common utilisation of data models and their closer connection with daily monitoring and control at worksites. The use of drones at the different stages of the construction process has become a daily activity.

In 2022, the use of data models in Kreate's projects has been further increased. This has been supported by precise training of personnel and by hiring new data model coordinators for the company. New persons have been trained to operate drones, and Traficom has granted Kreate permission to organise supervised tests in accordance with category A2 related to drone flying. Several new software programs for collecting, managing and sharing digital information have been put into trial use. The development work of the activity management system has also continued in 2022 with an emphasis on updating the old guidelines. The year 2022 saw the launch of the first Kreate contract that will be evaluated using the CEEQUAL assessment method measuring corporate sustainability. The assessment includes more than 200 items related to the ecological and social sustainability of the project.

Research and development expenses accounted for approximately 0.1 per cent of the Group's revenue in 2022.

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 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.

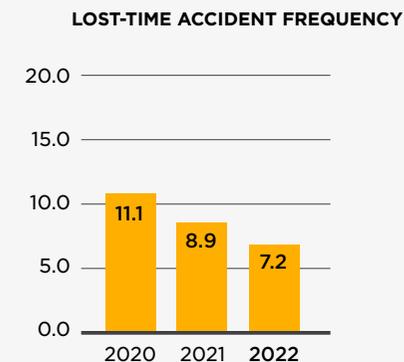
In April–June, Kreate offered dozens of trainee positions in work management and practical work to students of the

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.

Occupational safety

In 2022, Kreate Group had a total of six accidents affecting the lost-time injury frequency and, in January–December, the cumulative lost-time injury frequency proportional to the number of personnel was 7.2. 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.

Development of personnel

Efforts to develop the personnel and their occupational well-being were continued throughout the financial 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. However, 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.

MANAGEMENT TEAM

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.

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 that 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.

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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.

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. 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 during the reporting period 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 held by the company and EAI Kreate Holding Oy which is consolidated into the Group as a structured company (143,506), was EUR 71.5 million. The share's P/E ratio at the closing rate was 12.7.

Largest shareholders 31 Dec 2022		Shares	%
1	Harjavalta Oy	1,783,689	19.85
2	Tirinom Oy	1,000,000	11.13
3	Ilmarinen Mutual Pension Insurance Company	425,000	4.73
4	Valtonen Seppo Timo Johannes	412,101	4.59
5	Varma Mutual Pension Insurance Company	359,000	4.00
6	Mutual fund Säästöpankki Pieniyhtiöt	350,000	3.90
7	Rantala Sami Kalle Antero	273,534	3.04
8	Inkala Tero Antero	208,396	2.32
9	Elo Mutual Pension Insurance Company	180,000	2.00
10	Veritas Pension Insurance Company	175,000	1.95

Management shareholding

On the date of the financial statements, the Board of Directors, President & CEO and the members of the Management Team held a total of 3,012,086 shares either personally or through companies under their control. This represented 33.5 per cent of all the shares and voting rights in the company.

SHORT-TERM RISKS AND UNCERTAINTIES

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 resources. The unsuccessful integration of ways of working or adoption of operations in connection with business acquisitions may impact Kreate's business.

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

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

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

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 company’s financial statements.

SUSTAINABILITY EFFORTS AT KREATE

During the year, Kreate deepened its competence on sustainability throughout the organisation and encouraged the higher participation of the personnel from the different units. Sustainability efforts had previously been the responsibility of a few experts and focused on the promotion of the circular economy in the infrastructure sector, professional development and better occupational well-being and improving safety in the Group. Previously, Kreate has also followed quality and environmental indicators, but an increased need was identified in 2022 to clarify the material topics and sustainability goals as well as to establish more comprehensive processes for managing and implementing sustainability.

Kreate established steering and working groups in 2022, whose goal is to promote sustainability at the strategic level as well as during everyday work. The steering and working groups discussed sustainability topics that are relevant to

Kreate and stakeholders, revised the ethical principles and set goals for the various aspects of sustainability, some of which will be tracked as part of internal development efforts and some of which will be reported to stakeholders at least once a year.

With the sustainability efforts made in 2022, Kreate identified in more detail the impacts of operations as well as opportunities to promote sustainable infrastructure construction. In 2023, a process for updating the strategy will be started to continue deepening the competence and knowledge relating to sustainability in the organisation.

As part of the sustainability efforts, material sustainability topics were updated based on interviews and various group activities. When selecting the material topics, attention was paid to the possibilities and special characteristics of infrastructure construction. When analysing the material topics, emphasis was placed on the importance of each topic according to how significant it is for the Group, society and stakeholders.

DIVIDENDS, DIVIDEND DISTRIBUTION POLICY AND PROPOSAL FOR PROFIT DISTRIBUTION BY THE BOARD OF DIRECTORS

On 29 March 2022, the Annual General Meeting resolved that a dividend of EUR 0.45 per share be paid. A dividend was not paid for the shares held by the company.

Kreate aims at distributing at least half of Kreate’s annual net profit as dividends, considering Kreate’s financial standing, cash flows and growth opportunities.

As at 31 December 2022, the distributable funds of the parent company Kreate Group Plc are:

Retained earnings	5,594,598.21
Profit (loss) for the period	3,774,335.89
Reserve for invested unrestricted equity	20,702,152.88
Distributable equity	30,071,086.98

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 is paid in two instalments of EUR 0.23, the first instalment 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.

OPERATING ENVIRONMENT IN 2023

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 2 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 H2 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 will remain at the 2022 level (2022: EUR 273.9 million) and EBITA (2022: EUR 8.8 million) will increase compared to 2022.

Justifications:

Kreate's high order backlog at the beginning of 2023 supports the positive development of revenue, 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 as well as the stable infrastructure construction market support EBITA growth in 2023.

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.

Helsinki, 30 January 2023
Kreate Group Plc
Board of Directors

Key figures

M€	2022	2021	2020
Order backlog	306.9	202.8	134.9
Revenue	273.9	237.6	235.3
Change in revenue from the previous financial year,%	15.3	1.0	6.4
EBITDA	13.6	14.2	14.0
EBITDA,%	5.0	6.0	6.0
EBITA	8.8	10.5	10.5
EBITA,%	3.2	4.4	4.5
Operating profit	8.6	10.4	10.4
Operating profit,%	3.2	4.4	4.4
Result for the period	5.6	6.9	7.8
Earnings per share, €	0.64	0.80	0.88
Dividend per share, €	0.46*	0.45	0.44
Dividend/result,%	72*	56	50
Capital employed	75.9	62.0	54.5
Return on capital employed,%	12.5	17.8	19.2
Return on equity,%	13.8	20.4	24.7
Net investments in operating activities	-4.2	-4.9	-4.6
Free cash flow from operating activities	3.5	4.0	9.7
Net working capital	4.7	-0.0	-5.4
Net debt	33.4	20.9	27.9
Net debt/EBITDA	2.5	1.5	2.0
Net debt/EBITDA pro forma**	2.4		
Equity ratio,%	31.6	38.6	26.3
Personnel at the end of the period	447	385	383
Personnel on average	416	392	407

* Board of Directors' proposal to the Annual General Meeting

**The pro forma includes the EBITDA of the acquisition from 1 January to 31 August 2022

Calculation formulas

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	Reason for use
IFRS KEY FIGURES		
Earnings per share	$= \frac{\text{Result for the period attributable to the owners of the parent - interest and expenses of the equity loan recorded on the period adjusted with a tax impact}}{\text{Weighted average number of outstanding shares during the period}}$	A measure of Kreate's profitability.
ALTERNATIVE PERFORMANCE MEASURES		
EBITDA	$= \text{Operating profit + depreciation, amortisation and impairment}$	A measure of Kreate's profitability.
EBITA	$= \text{Operating profit + amortisation of intangible assets + impairments}$	A measure of Kreate's profitability.
Order backlog	$= \text{Amount of unrecognised revenue from customer contracts at the end of period}$	Indicates the volume that will be realised in the future.
Capital employed	$= \text{Equity + net debt}$	Indicates the amount of capital employed in the business.
Return on capital employed	$= \frac{\text{Operating profit, rolling 12 months}}{\text{Average capital employed}}$	* 100 Indicates the amount of return Kreate can generate with its capital employed.
Return on equity,%	$= \frac{\text{Result for the period, rolling 12 months}}{\text{Average equity}}$	* 100 Indicates the amount of return Kreate can generate with its equity.
Net investments in operating activities	$= \text{Investments in tangible and intangible assets - disposals of tangible and intangible assets}$	A measure of the amount of investments made in the business.
Free cash flow from operating activities	$= \text{Cash flow from operations before financial items and taxes + net investments in operating activities}$	A measure of the amount of cash flow generated by the business.
Net working capital	$= \text{Inventories + (current trade and other receivables - loan receivables - interest receivables) - (current trade and other payables - interest liabilities)}$	Indicates the amount of cash and cash equivalents available in the equity shown in the balance sheet.
Net debt	$= \text{Interest-bearing debt - cash and cash equivalents}$	Indicates the total amount of Kreate's external debt financing.
Net debt/EBITDA	$= \frac{\text{Net debt}}{\text{EBITDA, rolling 12 months}}$	Reflects Kreate's gearing.
Equity ratio,%	$= \frac{\text{Equity}}{\text{(Balance sheet total - prepayments received)}}$	* 100 Indicates the proportion of equity used to finance Kreate's assets.
PER-SHARE PERFORMANCE MEASURES		
Dividend/share, €	$= \frac{\text{Dividend paid for the period}}{\text{Number of outstanding shares at the end of the period}}$	
Dividend/result,%	$= \frac{\text{Dividend paid for the period/share}}{\text{Earnings per share}}$	* 100 Reflects the proportion of the profit for the period distributed to the shareholders.

Consolidated statement of income

EUR thousand	Note	2022	2021
Revenue	2.1	273,874	237,628
Other operating income	2.2	1,276	544
Materials and services	2.3	-216,630	-181,943
Employee benefit expenses	2.5, 8.3	-33,343	-32,282
Other operating expenses	2.4	-12,294	-10,318
Share of associates' and joint ventures' profit or loss	7.2	723	584
Depreciation, amortisation and impairment	5	-4,976	-3,856
Operating profit		8,630	10,356
Financial income		2	4
Financial expenses		-1,917	-2,136
Financial income and expenses	3.2	-1,915	-2,132
Result before taxes		6,715	8,225
Income taxes	6.1	-1,077	-1,310
RESULT FOR THE PERIOD		5,638	6,914
Profit attributable to:			
Shareholders of parent		5,780	
Non-controlling interests		-142	
Earnings per share calculated from the income attributable to shareholders of the parent			
Undiluted, €		0.64	0.80
Diluted, €		0.63	0.80

EUR thousand	2022	2021
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
Result for the period	5,638	6,914
Items that may be reclassified subsequently to the statement of income		
Foreign exchange rate differences	25	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5,663	6,914
Comprehensive income attributable to:		
Shareholders of parent	5,799	
Non-controlling interests	-136	

Consolidated balance sheet

EUR thousand	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Intangible assets	5.3	690	871
Goodwill	5.3, 5.4	39,989	35,594
Property, plant and equipment	5.1	19,934	17,879
Right-of-use assets	5.2	2,881	1,127
Investments in associated companies and joint ventures	7.2	10,039	8,934
Other receivables	3.3	202	442
Deferred tax assets	6.2	1,184	698
Total non-current assets		74,919	65,545
Current assets			
Trade and other receivables	3.4, 4.1	49,829	34,162
Income tax receivables	6.1	382	571
Cash and cash equivalents	3.3	9,403	6,328
Total current assets		59,614	41,061
TOTAL ASSETS		134,533	106,606

EUR thousand	Note	31 Dec 2022	31 Dec 2021
EQUITY			
Equity attributable to the shareholders of the parent			
Share capital		80	80
Reserve for invested unrestricted equity		19,681	19,681
Treasury shares		-500	
Foreign exchange rate differences		18	
Retained earnings		23,353	21,347
Total equity attributable to the shareholders of the parent		42,632	41,108
Share of non-controlling interests		-133	
Total equity	3.1	42,499	41,108
LIABILITIES			
Non-current liabilities			
Interest-bearing debt	3.3, 3.4	32,072	22,645
Deferred tax liabilities	6.2	1,460	1,130
Total non-current liabilities		33,532	23,776
Current liabilities			
Interest-bearing debt	3.3, 3.4	10,735	4,558
Trade payables and other liabilities	4.2	45,458	34,478
Income tax liabilities	6.1	444	39
Provisions	8.1	1,864	2,647
Total current liabilities		58,502	41,722
Total liabilities		92,034	65,498
TOTAL EQUITY AND LIABILITIES		134,533	106,606

Consolidated cash flow statement

EUR thousand	Note	2022	2021
Result for the period		5,638	6,914
Depreciation, amortisation and impairment		4,976	3,856
Financial income and expenses		1,915	2,132
Income taxes		1,077	1,310
Other adjustments		-761	-833
Total adjustments		7,207	6,465
Change in trade and other receivables		-13,444	-4,115
Change in trade payables and other liabilities		9,088	-1,548
Change in provisions		-782	1,165
Total change in working capital		-5,138	-4,498
Cash flow from operations before financial items and taxes		7,706	8,881
Interest paid in operating activities		-285	-116
Interest received in operating activities		1	4
Other financial items		-709	-1,306
Dividends received		0	
Taxes paid		-749	-2,064
CASH FLOW FROM OPERATIONS		5,965	5,398
Investments in tangible and intangible assets	5.1, 5.3	-4,608	-5,559
Disposals of tangible and intangible assets	5.1, 5.3	411	635
Acquisition of the subsidiary less cash and cash equivalents on the date of acquisition	7.1	-5,934	
CASH FLOW FROM INVESTING ACTIVITIES		-10,132	-4,924

EUR thousand	Note	2022	2021
Share issue	3.1		11,224
Acquisition of treasury shares	3.1	-500	
Dividends paid	3.1	-3,993	-3,914
Drawdown of non-current loans	3.6	29,900	
Repayment of non-current loans	3.6	-21,250	-6,333
Drawdown of current loans	3.6	44,600	10,000
Repayment of current loans	3.6	-40,062	-12,265
Repayment of lease liabilities	3.6	-905	-691
Interest and other loan expenses	3.1, 3.2	-521	-313
CASH FLOW FROM FINANCING ACTIVITIES		7,269	-2,292
CHANGE IN CASH AND CASH EQUIVALENTS		3,102	-1,818
Cash and cash equivalents at the beginning of the period		6,328	8,146
Impact of the changes in foreign exchange rates		-27	
Cash and cash equivalents at the end of the period		9,403	6,328

The notes are an integral part of the financial statements

Consolidated statement of changes in equity

EUR thousand	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 Jan 2021	3	8,280			18,336	26,618		26,618
Items of comprehensive income								
Result for the period					6,914	6,914		6,914
Total comprehensive income attributable to the owners of the parent					6,914	6,914		6,914
Transactions with the owners								
Increase in share capital	78	-78						
Share issue *		11,479				11,479		11,479
Distribution of dividends					-3,914	-3,914		-3,914
Share-based awards					10	10		10
Total transactions with the owners	78	11,401			-3,904	7,575		7,575
Equity as at 31 Dec 2021	80	19,681			21,347	41,108		41,108
Equity as at 1 Jan 2022								
	80	19,681			21,347	41,108		41,108
Items of comprehensive income								
Result for the period					5,780	5,780	-142	5,638
Foreign exchange rate differences				18		18	6	25
Total comprehensive income				18	5,780	5,799	-136	5,663
Transactions with the owners								
Acquisition of treasury shares			-500			-500		-500
Distribution of dividends					-3,993	-3,993		-3,993
Share-based awards					219	219		219
Other change							2	2
Total transactions with the owners			-500		-3,774	-4,274	2	-4,272
Equity as at 31 Dec 2022	80	19,681	-500	18	23,353	42,632	-133	42,499

* 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.

The notes are an integral part of the financial statements

Notes to the consolidated financial statements

Group information

Kreate Group Plc including its subsidiaries is a Finnish infrastructure sector group that constructs demanding infrastructure. The Group's services comprise bridge, transport infrastructure, foundation, concrete and rail construction, rock engineering and the circular economy and environmental business. The Group is an industry-leading operator particularly in bridge and foundation construction both in terms of volume and expertise. Our operations are guided by strong basic values through which we offer solution-driven services to our broad range of clients, including both private and public customers. The Group has had operations mainly in Finland. In 2022, Kreate expanded to Sweden through a business acquisition.

The Group's parent company Kreate Group Plc, established under the laws of Finland and registered on 31 January 2014, is a public limited company, with a registered office in Helsinki, Finland. Kreate Group Plc is a publicly traded company whose shares are listed on Nasdaq Helsinki under the trading code KREATE. The company's business ID is 2601364-3, and its registered address is Haarakaari 42, 04360 Tuusula, Finland. Kreate Group Plc (hereinafter referred to as the "Company"), together with the subsidiaries presented in Note 7.1, forms the Kreate Group Plc group (hereinafter referred to as the "Group").

The company's Board of Directors has approved these consolidated financial statements at its meeting held on 30 January 2023. Under the Finnish Limited Liability Companies Act, shareholders have the opportunity to adopt or reject the financial statements at the General Meeting held after they are published. The General Meeting also has the right to resolve to revise the financial statements.

1. General accounting policies used in the preparation of the financial statements

1.1. Accounting principles

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union and in compliance with the IAS and IFRS standards and SIC and IFRIC interpretations valid as at 31 December 2022. The new or revised standards that have become effective during the 2022 period have not had a material impact on the consolidated financial statements. The notes to the consolidated financial statements are also compliant with the Finnish legislation governing accounting and companies that supplements the IFRS regulations.

This section 1.1 describes the general accounting policies used in the preparation of these consolidated financial statements. The accounting policies applied to individual financial statement items are presented in connection with the note on each item.

The consolidated financial statements are prepared based on the original acquisition costs. The Group does not have items measured at fair value.

The consolidated financial statements have been prepared in euros and presented in thousands of euros, unless stated otherwise. The figures have been rounded to the nearest one thousand euros and, therefore, the sums of individual figures may differ from the presented total amounts.

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. In addition to the sale price, 25% of the shares in Kreate Sverige Holding AB were transferred to the seller. 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 financial 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 foreign exchange rate differences is recognised under other items of comprehensive income. The minority share is separated in the income statement as a share of the result for the period 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 the foreign exchange rate differences in equity. If a foreign subsidiary or a part thereof is sold or otherwise relinquished, the relating accumulated foreign exchange rate differences are recognised from equity in the income statement as part of sales profit or loss. The goodwill arising in connection with the acquisition of foreign units and the fair value adjustments made to the carrying amounts of the assets and liabilities of those foreign units in connection with the acquisition are treated as assets and liabilities of those foreign units. They are converted to euros by using the exchange rates on the ending date of the reporting period.

1.2. The most significant decisions based on management discretion and key uncertainties

Preparing IFRS financial statements requires the Group's management to make certain accounting estimates and discretionary decisions. Discretion applies to the selection and application of the accounting policies, the amounts of assets, liabilities, income and expenses as well as the information presented in the notes.

In its discretion, the management uses estimates and assumptions based on prior experience and the view held by the management at the balance sheet date. The estimates and decisions are reviewed regularly. However, the actual results and timing may differ from these estimates and assumptions. In the Group, the management's discretion is particularly related to the recognition of income over time, impairment testing and the recognition of provisions and deferred taxes.

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 (Note 2.1): 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 (Note 8.1): 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. A provision is recognised on onerous (loss-making) contracts once the direct expenses necessary for fulfilling the obligations exceed the benefits received from the contract.
- Testing of goodwill for impairment (Note 5.4): The Group has one cash-generating unit, Kreate Group, and it is the lowest level where goodwill is monitored. The Group tests the impairment of goodwill annually or whenever the management discerns indications that the recoverable amount may be less than the carrying amount.
- Lease agreements (Note 5.2): The management assesses the use of extension, termination or purchase options related to leases and the lease term of leases valid until further notice.
- Recognition of deferred tax assets (Note 6): 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 (Note 2.5.2): 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.

1.3. Operating 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-maker, i.e. the Board of Directors, monitors the entire Group and verifies that the figures for the segment match the Group's figures.

1.4. New and changed standards to be applied in future financial periods

The Group has not yet applied the revised standards and interpretations already published by IASB whose effective date has not been before 31 December 2022. The Group will adopt them as of the effective date of each standard and interpretation or, if the effective date is other than the first day of the financial period, from the beginning of the financial period following the effective date. According to the current estimate of the Group, these will have no material impacts on future consolidated financial statements.

2. Result from business operations

2.1. Revenue and long-term projects

Accounting policy applied in the financial statements – Revenue recognition

Sales revenue is recognised to depict the transfer of promised goods or services to customers with a monetary value to which the company expects to be entitled in exchange for those goods or services. Revenues obtained from the sale of products and provision of services are presented at fair value under revenue less indirect taxes and discounts only to the extent that it is probable that a significant reversal in the amount of sales revenue recognised will not occur. The company recognises sales revenue when (and as) a performance obligation is fulfilled, i.e. when control of the good or service underlying the performance obligation is transferred to the customer.

The time of recognition of sales revenue is determined by the transfer of control over the good or service to the customer. The Group's revenue is sales revenue recognised over time. The Group may have small amounts of sales revenue recognised at a point in time, but their amount is not material.

Recognition of sales revenue over time

The Group's income flow comes almost entirely from infrastructure construction project contracts. The Group's most common contract types are a fixed-price project contract, design and build contract, design and build contract including a development phase as well as a project management contract. Each contract is treated as a separate entity, and the income derived from it is recognised as revenue over time based on the degree of completion of the project's performance obligation. In some contracts, separate development and execution phases can be identified, in which case the customer expressly approves the shift to the execution phase. Kreate processes the development and project stages as separate units if they have a material significance. In smaller contracts, the development and execution phases can be processed as a whole, but such that the execution phase is included in the project contract only after the customer has committed to the execution phase. This leads to substantially the same outcome as recognising the phases as income separately. Revenue from contracts with customers is recognised over time, as the customer is considered to have control over the asset where the service is performed. The asset item arising from a customer contract is not deemed to have an alternative use for the Group. The Group also possesses the effective right to receive payment for work performed by the time of review.

The determination of sales revenue recognised over time is based on the degree of completion of the performance obligation. The degree of completion of the performance obligation is determined in conjunction with each project based on the costs arising from the work performed at the time of review as a percentage of the estimated total project costs. The sales revenue from a project may be impacted by potential additional work and modifications, the pricing principles for which are determined on a contractual basis. The Group's contracts may also include variable payments such as bonuses or sanctions. The estimated project revenue and the costs are updated at the end of each reporting period. Where the outcome of a long-term project cannot be estimated reliably, project

revenue is recognised only to the extent of the project costs incurred that it is probable they will be recoverable. When it is probable that the total costs needed for completing a project will exceed the total project revenue, the expected loss is recognised as an expense immediately.

If the invoicing for a project is lower at the reporting date than the sales revenue recognised on the basis of the degree of completion, the difference is presented as a contractual asset item under the item "Trade and other receivables". If the invoicing for a project is higher at the reporting date than the sales revenue recognised on the basis of the degree of completion, the difference is presented as a contractual liability item under the item "Trade and other payables". There is no significant difference time-wise between the payments made by customers and the handover of the company's performed work. The payments made by customers occur largely in tandem with the progress of a project and based on the instalment tables included in the contract. The company's project contracts do not include significant financing components, and the payment terms are mainly from two weeks to a maximum of two months.

The calculation and planning costs related to project contracts are recognised as an expense. The company does not have warranty terms that exceed normal practice. The duration of the warranties is generally from two to five years. Normal statutory warranties are treated as provisions, which are described in more detail in Note 8.1. Typically, amendments to contracts consist of additional or modification work, which are treated as part of the original contract.

Contractual liabilities that are related to construction contracts and that are not recognised on the balance sheet are presented in Note 8.2.

Management discretion – Revenue recognition

Where revenue is recognised over time, the outcome of a contract is estimated regularly. The recognition of long-term revenue is based on estimates of the expected probable sales revenues and expenses of a project as well as on the reliable measurement of the degree of completion of the performance obligation of the project. Should estimates on a project's outcome change, the revenue recognition is adjusted in the reporting period when the change first became known. The Group includes a variable consideration in the transaction price only to the extent that it is highly probable that no significant reversal needs to be made to the amount of accrued recognised sales revenues when the uncertainty related to the variable consideration is later resolved. The expected loss from a project is recognised as an expense immediately.

The Group's revenue consists of sales revenues recognised over time that, in all material respects, are revenue from infrastructure construction contracts. The Group's projects last from a few months to a few years, with most projects spanning less than 12 months. In infrastructure construction, operations are typically seasonal in nature and projects yield the most revenue between early spring and late autumn. More than 90% of the Group's revenue during the financial year was generated in Finland. During the financial year, the revenue of the Swedish subsidiaries was EUR 3.9 million for the period of September–December 2022. The assets and liabilities based on contracts with customers are itemised in working capital Notes 4.1 and 4.2.

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

EUR thousand	2022	2021
Structural engineering ¹⁾	176,611	137,546
Transport infrastructure construction ²⁾	95,267	98,173
Other ³⁾	1,997	1,909
Total	273,874	237,628

¹⁾ Includes, among others, foundation and engineering construction

²⁾ Includes, among others, railway, road and street construction

³⁾ Includes eliminations of internal items between Group companies

The revenue from transport infrastructure construction has remained close to the level of the previous financial 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:

%	2022	2021
Cities and municipalities	26%	16%
Government	38%	47%
Private sector	36%	37%

The private sector share of Kreate Group's revenue has remained constant between the financial periods. The share of cities, municipalities and the government varies according to the ongoing projects.

Order backlog

EUR thousand	2022	2021
Amount unrecognised as revenue		
Recognised over the year	202,017	136,551
Recognised at a later date	104,880	66,225
Total amount unrecognised as revenue	306,897	202,776

The impact of COVID-19 on the business of Kreate Group

The COVID-19 pandemic is no longer seen to have a significant impact on Kreate Group's business. There has been a temporary increase in absences due to illness of Kreate's personnel during the financial year, but this has not had an impact on the company's operations and no worksites have had to be closed as a result.

The impact of the Russian invasion of Ukraine on the business of Kreate Group

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, fewer tenders have been submitted, which may have an impact on the accumulation of the order backlog.

2.2. Other operating income

Other operating income amounted to EUR 1.3 (0.5) million during the financial period and mainly consisted of the sale of scrap metal and tangible and intangible assets as well as insurance compensation.

2.3. Materials and services
Materials and services

EUR thousand	2022	2021
Materials and supplies		
Procurements during the financial year	65,637	56,841
External services	150,993	125,102
Materials and services in total	216,630	181,943

2.4. Other operating expenses
Other operating expenses

EUR thousand	2022	2021
Lease expenses from short-term leases	1,300	1,349
Lease expenses from leases with low value	187	357
Voluntary personnel related expenses	1,146	997
Travel expenses	3,712	3,318
IT expenses	1,441	1,107
Other operating expenses	4,509	3,192
Other operating expenses in total	12,294	10,318

2.4.1. Auditors' fees
Auditors' fees

EUR thousand	2022	2021
KPMG Oy		
Audit	138	45
Other services	32	183
Auditors' fees in total	170	228

2.5. Personnel

2.5.1. Employee benefits

Accounting policy applied in the financial statements – Employee benefits

Short-term employee benefits, such as salaries, remuneration and fringe benefits, annual holidays and bonuses are recorded for the period during which the work in question was performed.

Pension plans are classified as defined benefit or defined contribution schemes. In defined contribution schemes, the Group makes mandatory, contractual or voluntary contributions towards publicly or privately managed pension insurance policies. The Group has no other payment obligations beside these contributions. All schemes that do not fulfil these criteria are considered defined benefit pension schemes.

The payments made are recognised as personnel expenses once they fall due for payment. Advance payments are recognised as assets on the balance sheet insofar as they are recoverable in the form of refunds or deductions from future payments.

The Group's pension schemes are classified as defined contribution schemes, and pension coverage is provided through pension insurance companies. In addition to statutory pension insurance, the Group provides group pension insurance for a limited group of people as well as individual voluntary supplementary pension plans. In the group pension and voluntary supplementary pension plans, the Group's liability is limited to the amount of premium paid.

Personnel expenses

EUR thousand	2022	2021
Salaries and remuneration	26,787	26,458
Pension expenses	4,893	4,415
Other personnel benefits	1,664	1,410
Salaries and remuneration in total	33,343	32,282

The salaries and remuneration of the Management are itemised in Note 8.3 concerning the related parties.

2.5.2. Share based payments

Accounting policy applied in the financial statements – Share based payments

Share-based incentive plans are measured at fair value at the time of their issue and recognised as expenses in equal tranches for the vesting period. An equivalent adjustment is made in equity, or in liabilities in case of a benefit to be paid in cash. The expense determined at the time of issue is based on the Group 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 inspects the assumption concerning the final number on each date of the financial statements, and the possible impact of adjustments made in the original estimates is recognised on the income statement and an equivalent adjustment is made in equity or liabilities. If an instalment paid in shares involves a portion paid in cash for taxes, it is processed as part of the transaction paid in shares. The company has no share-based benefits that are paid in cash and recorded under liabilities.

During the financial year, the company decided to launch two new long-term share-based incentive plans for the key persons of the Group and the Group's joint venture: a performance share plan for 2021-2024 and a share bonus plan for 2022-2024. The aim of the new plans is to align the goals of the company, shareholders and key persons in order to grow the company value in the long term, commit the key persons to the company and offer them competitive incentive plans that are based on earning and accumulating shares in the company and on share value growth. The share-based incentive plans are considered to fall under the scope of standard IFRS 2 Share based Payment.

Performance share plan for 2021-2024

The Performance Share Plan 2021-2024 consists of 2 two-year performance periods, which are the calendar years 2021-2022 and 2023-2024. Each performance period is followed by a two-year restriction period. The company's Board of Directors decides on the plan's performance criteria and the targets set for each criterion at the beginning of each performance period. A possible bonus within the plan is paid after the restriction period partly in shares in the company and partly in cash. The purpose of the cash portion is to cover the taxes and tax-like charges incurred due to the bonus by the participant. As a rule, a bonus is not paid if a participant's employment or service contract terminates before the payment of the bonus.

For the 2021-2022 performance period, the bonus is based on the Group's cumulative operating profit (EBITA), Kreate's total shareholder return (TSR) and the completion of the company's strategic goals. At most, the bonuses paid for the 2021-2022 performance period shall be, in total, equivalent to the value of approximately 160,000 shares in Kreate Group Plc, including the portion paid in cash. The target group of the performance share plan for the 2021-2022 performance period comprises the members of the company's Management Team.

A member of the company's Management Team must hold at least 50 per cent of the net shares paid to the member based on the new plans until the member's total holding of shares in the company is equivalent to the member's gross yearly salary. This amount of shares must be held for as long as the person is a member of the Management Team.

Share bonus plan for 2022-2024

The share bonus plan for 2022-2024 decided on by the company's Board of Directors in June 2021 was launched in March 2022; it is tied to the performance bonus goals for 2022 and the share bonus will be paid to the participants following a two-year restriction period in 2025. The shares are purchased and managed by an external service provider, and the holding company EAI Kreate Holding Oy has been established for this purpose. The handling of the purchase of shares for remuneration in the Group is discussed in Note 3.1 Equity.

The share bonus plan offers the key persons in the target group an opportunity to earn shares in the company by converting into shares a portion, decided by the Board of Directors, of the performance bonus earned for 2022. A performance bonus converted into shares is multiplied by a bonus multiplier decided by the Board of Directors before the payment of the bonus.

A possible bonus within the share bonus plan is paid after a two-year restriction period in 2025 partly in shares in the Company and partly in cash. The purpose of the cash portion is to cover the taxes and tax-like charges incurred due to the bonus by the key person. In

connection with the payment, the key person is credited for the dividends paid and possible funds distributed during the restriction period.

The persons included in the share bonus plan target group were decided by the Board of Directors in spring 2022. The share bonus plan target group includes approximately 40 key persons, including the members of the company's Management Team. In the share bonus plan, the persons included in the target group may convert into shares a maximum of approximately EUR 1.5 million in total of the performance bonuses they have earned. A matching bonus is paid for the shares with a bonus multiplier of 0.5, which corresponds to approximately 93,000 shares based on the closing price on 31 December 2022. The final number of shares paid out of the plan depends on the number of persons participating in the plan, the realised performance bonus and the share price at the time of conversion.

Share-based incentives 1 January 2022–31 December 2022

Plan	SHARE BONUS PLAN FOR 2022-2024	PERFORMANCE SHARE PLAN FOR 2021-2024
Type	SHARE	SHARE
Instrument		PSP 2021-2022
Initial amount, pcs		160,000
Initial allocation date	22 Jun 2021	5 Nov 2021
Vesting date	31 Jan 2025	31 Jan 2025
Maximum contractual life, years	3.6	3.2
Remaining contractual life, years	2.1	2.1
Number of persons at the end of the financial year	38	7
Payment method	Cash and Equity	Cash and Equity
Transactions during the financial year	PSP 2021-2022	Total
Outstanding at the start of the period	122,130	122,130
Changes during the financial year		
Granted during the period	6,149	6,149
Forfeited during the period	26,172	26,172
Exercised during the period	0	0
Expired during the period	0	0
Outstanding at the end of the period	102,107	102,107

Fair value determination

For share-based incentive plans, a fair value has been determined at the time of granting, which is recorded as an expense for the incentive restriction period.

Valuation parameters for instruments granted during period *

Share price at the time of granting, €	9.74
Share price at the end of the period, €	8.09
Maturity in years	2.92
Expected dividends, €	1.360
Total fair value, €	661,627

Effect of Share-based Incentives on the result and financial position during period, €

Expenses for the financial year, share-based payments, equity-settled	218,524
Future cash payment to be paid to the tax authorities from share-based payments, estimate made at the end of the financial year	212,020

*Applicable only to the PSP 2021-2022 plan

2.5.3. Number of personnel

Number of personnel	2022	2021
Average number of office employees	245	229
Average number of other employees	171	163
Average number of personnel	416	392
Number of personnel at the end of the period	447	385

The business acquisition completed on 2 September increased the Group's number of personnel by approx. 50 people.

In 2022, the joint venture KFS Finland Oy employed 88 people on average (2021: 58), including the personnel of NordPile Oy, which KFS Finland Oy acquired during the 2021 reference period, for the Group's time of ownership. For the period after the acquisition, the associated company Karell Schakt AB employed 6 people on average.

3. Capitalisation

3.1. Equity

Accounting policy applied in the financial statements – Equity

An equity instrument consists of any contract that evidences a residual interest in the assets of Kreate after deducting all of its liabilities.

The company has one series of shares, and all shares have an equal right to dividends. The shares do not have a nominal value.

Expenses associated with the issuance or purchase of equity instruments are presented as an equity reduction item.

Reserve for invested unrestricted equity

In the reserve for invested unrestricted equity, the company books the amount from the subscription prices obtained in share issues that is not recognised under equity. The acquisition cost of own shares has been booked as a reduction in the reserve for invested unrestricted 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 relinquished, the relating accumulated foreign exchange rate differences are recognised from equity in the income statement as part of sales profit or loss.

The Group's accounting policies relating to share-based payments are presented in Note 2.5.2.

Shares

	Outstanding shares	Treasury shares	Shares in total
Number of shares as at 31 Dec 2020	7,364,895	90,000	7,454,895
Changes in 2021	1,529,877	-	1,529,877
Number of shares as at 31 Dec 2021	8,894,772	90,000	8,984,772
Changes in 2022	-53,506	53,506	-
Number of shares as at 31 Dec 2022	8,841,266	143,506	8,984,772

Treasury shares

As at 31 December 2022, the number of Kreate Group Plc's shares was 8,984,772 and the company's share capital amounted to EUR 80,000. The company holds 90,000 own shares (treasury shares), whose acquisition cost is EUR 99,300, which has been deducted from the reserve for invested unrestricted equity.

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 financial 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.

Reserve for invested unrestricted equity

There have been no events affecting the reserve for invested unrestricted equity during the reporting period. In the 2021 reference period, Kreate Group Plc's shares were listed on the stock exchange of Nasdaq Helsinki Ltd. The IPO comprised a share issue and the sale of shares. Kreate accumulated approximately EUR 12.5 million in gross proceeds from the IPO. The company's IPO expenses without a tax impact were EUR 2.3 million, of which the company charged EUR 1.3 million to equity. The net proceeds from the IPO were recorded in the reserve for invested unrestricted equity.

Dividends

Kreate distributed a dividend of EUR 0.45 per share to its shareholders based on the financial year that ended on 31 December 2021. 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.

3.2. Financial income and expenses

EUR thousand	2022	2021
Interest income	2	4
Other financial income	0	0
Total financial income	2	4
Interest expenses from financial liabilities measured at amortised cost	-970	-820
Interest expenses from lease liabilities	-44	-25
Interest expenses from commercial papers	-59	
Other interest expenses	-14	-5
Other financial expenses	-829	-1,286*
Total financial expenses	-1,917	-2,136
Total financial income and expenses	-1,915	-2,132

* Other financial expenses for the reference period include EUR 0.9 million of IPO expenses

3.3. Financial assets and liabilities

Accounting policy applied in the financial statements – Financial assets and liabilities

Financial assets

The Group classifies its financial assets as follows: financial assets measured at amortised cost and financial assets measured at fair value through profit or loss. The classification of financial assets is based on the business model determined by the Group and the contractual cash flows arising from the financial assets.

Financial assets are measured at amortised cost when the business model is to hold them until maturity and their contractual cash flows consist solely of capital and interest payments. Other financial assets are measured at fair value through profit or loss.

Financial assets are recognised on and derecognised from the balance sheet on the settlement date. Derecognition of financial assets occurs when the Group's contractual right to cash flows ceases to be valid or is lost, or when their risks and income have, in all material respects, been transferred outside the Group. When a financial asset item is derecognised from the balance sheet, the arising profit or loss is recognised directly under financial income or expenses on the income statement (or, in the case of trade receivables, under other operating income or expenses) together with foreign exchange gains or losses, if any.

Financial assets measured at amortised cost

Financial assets measured at amortised cost include fixed-term bank deposits as well as trade receivables and the "Other receivables" item included in other receivables. The interest income obtained from financial assets measured at amortised cost are recognised under financial income using the effective interest method.

The Group uses forward-looking estimates of the expected credit losses on financial assets measured at amortised cost. The method used for estimating impairment is based on whether the credit loss risk on a financial asset has increased significantly.

When recognising impairment on trade receivables, the Group applies a simplified method, according to which an expected credit loss is recognised for the entire validity period unless an impairment loss has already been recognised on the receivable. The need for impairment on asset items is estimated regularly both for individual items and groups of items. Evidence of impairment may include signs of a debtor's significant financial difficulties, bankruptcy or non-performance of contractual payments. The Group evaluates the expected credit loss on trade receivables based on, among other things, the amount of credit losses in previous financial periods, the maturity of trade receivables and the overall economic situation. Changes to expected credit losses and realised credit losses are presented under other operating expenses.

If a credit risk were to be detected in relation to asset items based on customer contracts relating to the Group's infrastructure projects recognised over time, it would be included in the projects' revenue projections and recognised as reduced revenue and a lower margin estimate.

The assets and liabilities based on contracts with customers are itemised in working capital Notes 4.1 and 4.2.

Financial assets measured at fair value through profit or loss

The Group had no financial assets measured at fair value through profit or loss in the financial periods 2022 and 2021.

Financial liabilities

The Group classifies its financial liabilities as follows: financial liabilities measured at amortised cost and financial liabilities measured at fair value through profit or loss.

Financial liabilities measured at amortised cost

Non-derivative financial liabilities are classified as financial liabilities measured at amortised cost. They are initially recognised at fair value based on the consideration received. The transaction costs are included in the initial carrying amount of financial liabilities. Later, financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities measured at fair value through profit or loss

The Group had no financial liabilities measured at fair value through profit or loss in the financial periods 2022 and 2021.

Cash and cash equivalents

Cash and cash equivalents consist of bank deposits that can be drawn on demand.

Fair value measurement

All assets and liabilities that are measured at fair value, or whose fair value is presented in the financial statements, are categorised using the fair value hierarchy as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets or liabilities.

Level 2: Fair values are essentially based on data other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. When determining the fair value of these instruments, the Group uses generally accepted valuation models whose data is based essentially on observable market data.

Level 3: Fair values are based on unobservable market data for the asset or liability. The Group assesses at the end of each reporting period whether assets and liabilities presented recurrently in the financial statements have moved from one hierarchy level to another. A reassessment of the categorisation is based on significant lowest hierarchy level inputs used to measure fair value.

The carrying amount of short-term trade receivables and other receivables as well as trade and other liabilities is assumed to be the same as their fair value due to their nature.

Financial assets and liabilities measured at amortised cost

31 Dec 2022 EUR thousand	Carrying amount	Fair value
Financial assets		
Receivables	202	202
Non-current financial assets	202	202
Trade and other receivables	21,254	21,254
Current financial assets	21,254	21,254
Cash and cash equivalents	9,403	9,403
Total financial assets	30,859	30,859
Financial liabilities		
Loans from financial institutions	29,714	29,900
Hire purchase liabilities	418	418
Lease liabilities	1,939	
Non-current interest-bearing liabilities	32,072	
Loans from financial institutions	2,600	2,600
Commercial papers	7,000	7,000
Hire purchase liabilities	179	179
Lease liabilities	956	
Current interest-bearing liabilities	10,735	
Trade payables and other liabilities	21,034	21,034
Other current financial liabilities	21,034	21,034
Total financial liabilities	63,841	

31 Dec 2021 EUR thousand	Tasearvo	Käypä arvo
Financial assets		
Non-current receivables	442	442
Non-current financial assets	442	442
Trade and other receivables	18,421	18,421
Current financial assets	18,421	18,421
Cash and cash equivalents	6,328	6,328
Total financial assets	25,192	25,192
Financial liabilities		
Loans from financial institutions	22,055	22,250
Hire purchase liabilities		
Lease liabilities	590	
Non-current interest-bearing liabilities	22,645	
Loans from financial institutions	4,000	4,000
Hire purchase liabilities		
Lease liabilities	558	
Current interest-bearing liabilities	4,558	
Trade payables and other liabilities	18,027	18,027
Other current financial liabilities	18,027	18,027
Total financial liabilities	45,230	

Loans from financial institutions are classified to hierarchy level 2 of the fair value classification.

3.4. Financial risk management

The aim of the Group's risk management is to minimise the adverse effects of changes in the financial markets on the Group's result, balance sheet and cash flows. In its business operations, the Group is exposed to interest rate, credit, counterparty and liquidity risks. The financial administration personnel and the operational management are responsible for handling financial matters.

The Group has interest-bearing receivables and liabilities related to its cash reserves but, otherwise, its revenue and operating cash flows are mostly not affected by changes in market interest rates. The Group's main financial liabilities consist of interest-bearing debt and trade payables and other liabilities. The group does not apply hedge accounting.

Interest rate risk

The aim of the Group's interest rate risk management is to minimise the impact of interest rate fluctuations on the Group's result and cash flows. The Group's interest rate risk arises from long-term, variable rate debt contracts and interest-bearing financial assets. Changes in interest rates have an impact on income statement and balance sheet items as well as on

cash flow. The Group may take out long-term debt with a variable or fixed interest rate. The ratio of variable rate debt to fixed-rate debt can be altered using interest rate derivatives, if necessary. At the date of these financial statements, the Group did not have any valid interest rate swaps. Based on a sensitivity analysis of the interest rate risk, a one percentage point increase in interest rates would have increased the Group's net financial expenses by EUR 0.4 million before taxes. A one percentage point change would not have had a significant impact on the consolidated balance sheet. Even though the interest rates have risen rapidly during the reporting period, it has not had an abnormal effect on the Group's core business.

At the date of these financial statements, the Group had interest-bearing loans from financial institutions amounting to EUR 39.9 (2021: 26.1) million. The collateral for the loans has been released in accordance with the terms and conditions of the loan agreement in connection with the initial public offering.

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.

Credit and counterparty risk

The credit risk is the risk of financial loss arising in cases where a customer is unable to perform its contractual obligations. The Group's credit risk is related to counterparties from which it has outstanding receivables or with which it has entered into long-term contracts. The Group is exposed to the credit risk mainly through its trade receivables and assets based on contracts with customers. The maximum amount of credit risk is the combined carrying amount of the aforementioned items. The credit risk may also result from the Group's finance, guarantee or insurance counterparties.

The Group's tools for managing the credit risk include receiving advance payments, using front-loaded payment schedules in projects and conducting thorough checks of customer's backgrounds. The credit risk involved in receivables from units supervised by the state and municipalities is estimated to be significantly lower.

On each balance sheet date, the Group considers whether there is evidence of impairment of financial assets or financial asset groups. The need for impairment on asset items is estimated both for individual items and groups of items. Evidence of impairment of an individual item may include signs of a debtor's significant financial difficulties, bankruptcy or non-performance of contractual payments. Changes to an impairment loss entry and credit losses on receivables are presented under other operating expenses.

The Group evaluates expected credit losses on trade receivables based on, among other things, the amount of credit losses in previous financial periods, the maturity of trade receivables and the overall situation. During the five-year period preceding the financial year, the Group has not recorded material credit losses.

The amount of impairment and credit losses during the financial year was EUR 48 (2021: 73) thousand. In the 2021 reference period, the credit loss risk was considered to be on a slightly higher level compared with the years before the pandemic. However, at the end of the 2022 financial year, the company was of the opinion that the COVID-19 pandemic no longer had a

significant impact on its credit and counterparty risk. At the end of the 2022 financial year, the effects caused by the war in Ukraine were not considered to have a significant impact on the company's credit and counterparty risk, as the business is mainly with Finnish customers.

No impairment losses are recognised on assets based on contracts with customers. If a credit risk were detected in relation to asset items based on customer contracts, it would be included in the projects' revenue projections and recognised as reduced revenue and a lower margin estimate.

Maturity of trade receivables

EUR thousand	Unmatured	0–30 days	30–90 days	More than 90 days	Total	Expected credit loss	Carrying amount
31 Dec 2022	19,254	1,141	221	22	20,638	-39	20,600
31 Dec 2021	17,127	122	98	1	17,349	-37	17,312

Liquidity risk

The Group aims to secure the availability of financing and optimise the use of liquid assets in the financing of its business operations. The parent company is responsible for managing the Group's overall liquidity and ensuring that there are sufficient credit limits and an adequate number of different sources of financing available. The Group's liquidity must correspond to its overall liquidity needs at all time. Due to the seasonality of the business and changes in the need for working capital, seasonal financing is highly important. Assessments of the need for financing are based on cash flow estimates. The Group's liquidity comprises revolving overdraft and credit facilities, a commercial paper programme as well as liquid assets consisting of bank deposits. The Group ensures adequate solvency through effective working capital management and revolving credit limits.

The Group's cash and cash equivalents as at the end of the 2022 financial year amounted to EUR 9.4 (2021: 6.3) million. In addition, the Group had committed revolving overdraft and credit facilities of EUR 20.0 (2021: 15.0) million, which were not in use at the end of the financial period (2021: 3.0). The Group reports its loan covenants to its lenders every three months. The financial covenants applied to the loans concern the ratio of net debt to EBITDA at the end of the 2022 financial year. The covenants had not been breached in the financial years 2022 or 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. 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. In addition to the repayment of previous loans, the Swedish business acquisition completed in September 2022 was financed within the framework of the new agreement. 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.

Contractual cash flows of financial liabilities, including interest

The following table describes the contractual undiscounted maturity distribution of the remaining financial liabilities on the balance sheet date.

2022	2023	2024	2025-2026	2027→	Total
EUR thousand					
Loans from financial institutions	3,431	6,668	25,048		35,147
Hire purchase liabilities	249	354	89		693
Commercial papers	7,000				7,000
Lease liabilities	1,005	1,572	416		2,993
Trade payables and other liabilities	21,034				21,034

2021	2022	2023	2024-2025	2026→	Total
EUR thousand					
Loans from financial institutions	4,543	22,761			27,305
Hire purchase liabilities					
Lease liabilities	574	347	254		1,175
Trade payables and other liabilities	9,230				9,230

3.5. Management of the capital structure

Equity at the time of the financial statements consists of the share capital, the reserve for invested unrestricted equity and retained earnings. The aim of the Group's capital management is to ensure the normal preconditions for business operations.

The capital structure is primarily influenced by steering investments and the amount of working capital employed in operations. Through capital management, the Group aims to ensure, among other things, that it remains compliant with the covenants related to its interest-bearing debt in order to achieve its targets. The most important key figure concerning the management of capital is the ratio of net interest-bearing debt to EBITDA, which was 2.5 (1.5) at the end of the financial year.

Net debt

EUR thousand	31 Dec 2022	31 Dec 2021
Interest-bearing debt	42,807	27,203
Cash and cash equivalents	9,403	6,328
Net debt	33,404	20,875

EBITDA

EUR thousand	31 Dec 2022	31 Dec 2021
Operating profit	8,630	10,356
Depreciation, amortisation and impairment	4,976	3,856
EBITDA	13,606	14,212

3.6. Changes in debt due to financing

Debts from financing activities

2022

EUR thousand

	Opening balance	Cash flows (drawdown/repayment)	Transfers between non-current and current balance sheet items	Company acquisitions	Other changes with no cash flow effect	Closing balance
Loans from financial institutions	22,055	8,650	-1,000		9	29,714
Hire purchase liabilities			-241	687	-28	418
Lease liabilities	590		-1,005	182	2,172	1,939
Non-current interest-bearing liabilities	22,645	8,650	-2,246	869	2,153	32,072
Loans from financial institutions	4,000	-2,400	1,000			2,600
Commercial papers		7,000				7,000
Hire purchase liabilities		-62	241			179
Lease liabilities	558	-905	1,005		298	956
Current interest-bearing liabilities	4,558	3,633	2,246		298	10,735
Total debt from financing activities	27,203	12,283		869	2,451	42,807

2021

EUR thousand

	Opening balance	Cash flows (drawdown/repayment)	Transfers between non-current and current balance sheet items	Company acquisitions	Other changes with no cash flow effect	Closing balance
Loans from financial institutions	29,252	-6,333	-1,000		136	22,055
Hire purchase liabilities	281		-281			
Lease liabilities	852		-574		313	590
Non-current interest-bearing liabilities	30,385	-6,333	-1,855		449	22,645
Loans from financial institutions	4,667	-1,667	1,000			4,000
Commercial papers						
Hire purchase liabilities	317	-598	281			
Lease liabilities	636	-691	574		39	558
Current interest-bearing liabilities	5,620	-2,956	1,855		39	4,558
Total debt from financing activities	36,005	-9,289			488	27,203

4. Working capital

4.1. Trade and other receivables

EUR thousand	31 Dec 2022	31 Dec 2021
Trade receivables	20,600	17,312
Assets based on contracts with customers	27,522	15,739
Loan receivables	0	
Other receivables	654	1,110
Accrued income	1,053	1
Total trade and other receivables	49,829	34,162
Accrued income		
Accrued personnel costs	1	0
Other accrued income	1,052	1
Total accrued income	1,053	1

More information on the risks related to receivables and the accounting policies applied to impairment is available in Notes 3.3 and 3.4 concerning financial items.

4.2. Trade payables and other liabilities

EUR thousand	31 Dec 2022	31 Dec 2021
Trade payables	16,241	12,426
Liabilities based on contracts with customers*	14,321	4,779
Other liabilities	4,792	5,601
Accrued liabilities	10,104	11,673
Total trade payables and other liabilities	45,458	34,478
Accrued liabilities		
Interest liabilities	356	269
Accrued personnel costs	8,759	10,926
Other accrued liabilities	990	477
Total accrued liabilities	10,104	11,673

* Liabilities based on customer contracts do not include items more than 12 months old. .

5. Tangible and intangible assets

5.1. Property, plant and equipment

Accounting policy applied in the financial statements – Tangible assets

Tangible assets are carried at acquisition cost less depreciation and impairment. Acquisition cost includes all expenses arising directly from the acquisition of an asset, including reliably verifiable installation and transportation costs. Acquisition cost does not include any interest expenses arising from hire purchase financing.

Capital gains and losses arising from the disposal of tangible assets are included in other operating income or other operating expenses.

Depreciation is calculated by amortising the acquisition cost less residual value over the estimated useful life of the assets as follows:

Straight-line depreciation

■ Buildings	30 to 50 years
■ Structures	20 years
■ Technical equipment in buildings	20 years
■ Machinery and equipment	5 years
■ Heavy machinery	5/10 years
■ Sheet piling and metal	4 years
■ Trucks and vans	5 years
■ Equipment and other movable assets	5 years
■ Other tangible assets	4 to 10 years

The Group has tools that are recognised as annual expenses due to their nature. The servicing and maintenance costs relating to fixed assets are recognised as expenses for the period. Significant upgrades and additional investments are recorded as an asset's acquisition cost and depreciated over the remaining useful life of the main asset.

Mortgages on properties are presented in Note 8.2.

When recognising straight-line depreciation, a temporary difference arises between the carrying amount and depreciation in taxation; a deferred tax item is presented for this in Note 6.2.

Changes in tangible assets

2022 EUR thousand	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and acquisitions in progress	Total intangible assets
Acquisition cost as at 1 Jan	1,372	4,272	20,480	1,616	28,094	28,094
Exchange rate differences		-2	-100	0		-103
Increases			3,808		789	4,597
Business acquisitions		47	2,263	10		2,320
Decreases			-750			-750
Transfers between items		179	514	161	-853	0
Acquisition cost as at 31 Dec	1,372	4,496	26,215	1,787	288	34,158
Accrued depreciation, amortisation and impairment as at 1 Jan	-38	-1,650	-7,175	-1,351		-10,215
Exchange rate differences		0	39	0		39
Accrued amortisation on the decreases			596			596
Business acquisitions		-9	-738	-6		-753
Amortisation for the period		-149	-3,613	-130		-3,893
Accrued depreciation, amortisation and impairment as at 31 Dec	-38	-1,808	-10,891	-1,487		-14,225
Carrying amount as at 31 Dec	1,334	2,688	15,323	300	288	19,934
2021 EUR thousand	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and acquisitions in progress	Total intangible assets
Acquisition cost as at 1 Jan	1,372	3,395	16,123	1,616	725	23,233
Increases	0	0	4,963		504	5,467
Decreases			-606			-606
Transfers between items		876			-876	0
Acquisition cost as at 31 Dec	1,372	4,272	20,480	1,616	353	28,094
Accrued depreciation, amortisation and impairment as at 1 Jan	-38	-1,523	-4,692	-1,208		-7,461
Exchange rate differences						
Accrued amortisation on the decreases			231			231
Amortisation for the period		-128	-2,714	-143		-2,984
Accrued depreciation, amortisation and impairment as at 31 Dec	-38	-1,650	-7,175	-1,351		-10,215
Carrying amount as at 31 Dec	1,334	2,621	13,306	265	353	17,879

5.2. Leases

Accounting policy applied in the financial statements - Leases, the Group as lessee

Leases and service contracts are separated on the basis of whether a contract includes a specified asset controlled by the customer. A lessee recognises a right-of-use asset and a lease liability on all leases (i.e. all leases have an impact on the balance sheet), except short-term leases and leases where the underlying asset has a low value.

The right-of-use asset is measured at the commencement of the lease at cost, which consists of an amount corresponding to the initially measured lease liability, and subsequently at cost less accrued depreciation and impairment losses, adjusted for the effects of any remeasurement of the lease liability. The lease liability is measured at lease commencement at the present value of lease payments that have not yet been paid on that date. In measuring the lease liability, future fixed lease increases are taken into account; increases bound to variable indexes are only taken into account as they materialise. The amount of the lease liability is subsequently impacted by, among other factors, the interest accrued on the lease liability, lease payments made and revisions to the lease.

The Group recognises an interest expense on lease liabilities and depreciation on right-of-use assets on the income statement. In the cash flow statement, the Group presents the interest paid on a lease liability under cash flow from operating activities. The principal portion of a lease liability is presented under the cash flow from financing activities. Payments related to short-term or low-value leases, as well as variable lease payments that are not accounted for when measuring the lease liability, are presented under the cash flows for operating activities.

Asset groups in the Group include business premises and vehicles leased under the normal terms and conditions. The lease agreements for the Group's business premises are mainly valid until further notice and their estimated durations vary between two and four years. The Group has not identified any service contracts under which there are identifiable assets that should be recognised separately. The Group treats all project-specific assets as short-term leases. Computers, tablets, printers and similar equipment are treated as assets of low value. The Group does not apply IFRS 16 to intangible assets.

When the internal interest of leases is difficult to determine, the Group uses as a discount rate for the lease liability the incremental borrowing rate estimated on the basis of the cost of debt for the company, the components of which are the reference rate and the credit risk margin. The rate is determined either on the date of entering into a lease or, for leases that began before 1 January 2017, on the transition date.

Management discretion - Leases

The management uses significant estimates and discretion when measuring the value of leases on the balance sheet. The management regularly assesses the use of extension, termination or purchase options related to leases and the lease term of leases valid until further notice based on the strategic need for premises, among other factors. In addition, the management estimates the amount of discount rate for each right-of-use asset.

Changes in right-of-use assets

2022 EUR thousand	Buildings and structures	Machinery and equipment	Total right-of-use assets
Acquisition cost as at 1 Jan	1,231	1,636	2,867
Exchange rate differences	-1	-7	-8
Increases	1,511	1,005	2,516
Business acquisitions	27	155	182
Decreases	-87	-432	-519
Acquisition cost as at 31 Dec	2,681	2,357	5,037
Accrued depreciation, amortisation and impairment as at 1 Jan	-798	-942	-1 740
Exchange rate differences	0	1	
Accrued amortisation on the decreases		392	392
Business acquisitions			
Accrued amortisation on the transfers	87		87
Amortisation for the period	-370	-528	-898
Accrued depreciation, amortisation and impairment as at 31 Dec	-1,080	-1,076	-2,156
Carrying amount as at 31 Dec	1,600	1,281	2,881

2021 EUR thousand	Buildings and structures	Machinery and equipment	Total right-of-use assets
Acquisition cost as at 1 Jan	1,247	1,632	2,879
Increases	-15	390	374
Decreases		-386	-386
Acquisition cost as at 31 Dec	1,231	1,636	2,867
Accrued depreciation, amortisation and impairment as at 1 Jan	-573	-843	-1,416
Accrued amortisation on the decreases		364	364
Amortisation for the period	-225	-463	-688
Accrued depreciation, amortisation and impairment as at 31 Dec	-798	-942	-1,740
Carrying amount as at 31 Dec	433	694	1,127

Notes concerning leases

EUR thousand	2022	2021
Lease liability		
Current	956	558
Non-current	1,939	590
Total outgoing cash flow due to leases*	2,435	2,422
Leases the Group is committed to that will commence at a later date, undiscounted lease liability		1,219

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

The interest expenses of leases are presented in Note 3.2 and the maturity distribution of lease payments is presented in Note 3.4. The expenses from short-term leases and leases where the underlying asset has a low value are presented in Note 2.3.

5.3. Intangible assets and goodwill

Accounting policy applied in the financial statements - Intangible assets and goodwill

Intangible assets are initially recognised on the balance sheet at acquisition cost in cases where the item meets the definition of an intangible asset, the acquisition cost can be determined reliably and it is probable that the expected financial benefit of the asset will accrue to the Group.

Intangible assets acquired in connection with business acquisitions are recognised on the balance sheet separately from goodwill if they fulfil the criteria for intangible assets, i.e. they are identifiable, contractual or based on legal rights. Intangible assets recognised in connection with business acquisitions consists of, among other things, the value of customer relationships and the order backlog. They have a limited useful life, ranging from two to ten years.

The goodwill arising in business combinations is recognised to the extent that the total of the consideration given, non-controlling interests in the acquired business and the previously held share exceeds the fair value of the acquired net assets. Goodwill is not amortised but instead is tested annually for impairment.

The Group's intangible assets consist of IT system licences, the deployment costs of software and systems, gravel quarrying rights, landfilling permits and customer relationships. Intangible assets with a limited useful life are amortised through profit or loss over their estimated useful life.

- Intangible assets, excluding those stated below 4 years
- Gravel quarrying rights According to use
- Customer relationships and order backlog 2-10 years

The group does not have any development costs that need to be recognised.

Changes in intangible assets and goodwill

2022

EUR thousand	Intangible rights	Order backlog	Customer relationships	Other intangible assets	Prepayments and acquisitions in progress	Intangible assets	Goodwill	Intangible assets and goodwill in total
Acquisition cost as at 1 Jan	189	3,456	941	415	209	5,211	35,594	40,805
Exchange rate differences							-204	-204
Increases					12	12		12
Business acquisitions							4,599	4,599
Transfers between items				221	-221			
Acquisition cost as at 31 Dec	189	3,456	941	636	0	5,223	39,989	45,211
Accrued depreciation, amortisation and impairment as at 1 Jan	-140	-3,456	-398	-352		-4,340		-4,340
Exchange rate differences								
Business acquisitions								
Amortisation for the period	-29		-94	-70		-193		-193
Accrued depreciation, amortisation and impairment as at 31 Dec	-169	-3,456	-486	-422		-4,532		-4,532
Carrying amount as at 31 Dec	21	0	455	215	0	690	39,989	40,679

2021

EUR thousand	Intangible rights	Order backlog	Customer relationships	Other intangible assets	Prepayments and acquisitions in progress	Intangible assets	Goodwill	Intangible assets and goodwill in total
Acquisition cost as at 1 Jan	182	3,456	941	415	125	5,119	35,594	40,713
Increases	7			0	85	92		92
Acquisition cost as at 31 Dec	189	3,456	941	415	209	5,211	35,594	40,805
Accrued depreciation, amortisation and impairment as at 1 Jan	-106	-3,456	-298	-296		-4,156		-4,156
Amortisation for the period	-34		-94	-56		-184		-184
Accrued depreciation, amortisation and impairment as at 31 Dec	-140	-3,456	-392	-352		-4,340		-4,340
Carrying amount as at 31 Dec	49	0	549	63	209	871	35,594	36,465

5.4. Impairment testing

Accounting policy applied in the financial statements - Impairment

Goodwill and intangible assets with an indefinite useful life are not amortised but instead are tested for impairment annually or more frequently if events or changes in circumstances indicate signs of impairment. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may exceed its recoverable amount.

The amount by which the carrying amount exceeds the recoverable amount is recognised as an impairment loss. The recoverable amount of an asset is the higher of its fair value less cost of disposal or its value in use. For the purpose of impairment testing, assets are grouped at the lowest level where identifiable cash flows arise largely independently (cash-generating units) of the cash flows of other assets or asset groups.

Tangible and intangible assets as well as right-of-use assets - excluding goodwill - for which an impairment loss is recognised are tested at the end of each reporting period to determine whether the impairment should be reversed. However, impairment losses are only reversed up to the carrying amount of the asset before any impairment losses were recognised.

Management discretion - Impairment

The management uses significant estimates and discretion when determining the level at which goodwill is tested and whether there are signs of its impairment.

When using cash flow estimates in the calculation and selecting calculation parameters, the management uses discretion based on the Group's history, the prevailing market conditions and predictive assessments made at the end of each reporting period. When testing for impairment, the management uses discretion regarding, for example, changes in the operating environment due to cost inflation, rising interest rates and economic cycles.

The Group's goodwill amounted to EUR 40.0 million in 2022 (2021: EUR 35.6 million). The Group has one cash-generating unit, Kreate Group, which is the lowest level where goodwill is monitored. The Group's goodwill was increased by the acquisition made during the financial year on 2 September 2022, which is disclosed in Note 7.1.

Impairment testing

The Group tests the impairment of goodwill annually or whenever there are indications that the recoverable amount may be less than the carrying amount. Consolidated goodwill was tested on 30 November 2022.

In impairment testing, the recoverable amounts of cash-generating units are defined based on value in use. The cash flow estimates are based on the confirmed yearly plan for 2023 and on forecasts derived from the strategy for 2024 and 2025. Key assumptions for the forecast period are the company's estimates of the development of the infrastructure market, the profitability of projects and the need for working capital. Cash flows that extend beyond the three-year forecast period have been calculated using the terminal value method. The management's conservative estimates of long-term growth in cash flows have been used when determining growth in the terminal value. The growth factor used for the terminal value is

an annual growth of 0.2% (2021: 0.2%). The estimate of future development is based on the company's prior experience of the market's development, and market forecasts from various public research institutions are utilised when estimates are made.

The cash flow discount rate is determined using the weighted average cost of capital (WACC). The key elements of the WACC are risk-free interest rate, market risk premium, sector-specific beta factor, cost of debt and the ratio of equity to debt. The median of the peer group of Nordic listed companies has been used in the determination of the beta factor, and the beta factor has been calculated from weekly observations from 2 years of history. The Group has determined a pre-tax and a post-tax discount rate. In its calculations, the Group has used a pre-tax WACC of 8.5% (2021: 9.4).

The WACC calculation methodology has been partially changed compared to previous financial years: It has been possible to replace the methodology previously applied by the company with one based on the company's own market data and that of similar Nordic peers when the company has been publicly listed for a sufficient period of time. The WACC used is, therefore, not fully comparable with previous financial years.

Based on the impairment tests carried out, no impairment losses have been recognised on the income statement. The recoverable amount of the Group's cash-generating unit exceeded its carrying amount significantly, and the company has estimated that no reasonably possible change in its key assumptions would lead to a situation where the carrying amount of the cash-generating unit would exceed its recoverable amount.

6. Income taxes

Accounting policy applied in the financial statements – Income taxes

The tax paid on taxable income for the financial period using the income tax rate in each country, adjusted for changes in deferred tax assets and liabilities resulting from temporary differences and unused tax losses, is presented as a tax expense or tax income for the period.

Deferred taxes are recognised in full on all the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements using the liability method. However, the deferred tax liability arising from the initial recognition of goodwill is not recognised. Furthermore, deferred tax liabilities are not recognised if they are caused by the initial recognition of an asset or liability and the item is not related to a business combination and the transaction will not affect the accounting totals or the taxable revenue during its implementation. Deferred taxes are determined on the basis of the tax rates (and tax laws) enacted or substantively enacted by the end of the reporting period and that are expected to be applied when the deferred tax asset is realised or the deferred tax liability is performed.

Deferred tax assets are only recognised when it is probable that an adequate amount of taxable income is available in the future against which the confirmed losses of previous financial periods or other temporary differences can be utilised. Deferred tax liabilities are recognised in full.

Taxes and deferred taxes based on the taxable income for the period are recognised on the income statement unless they are related to items of other comprehensive income or items recognised directly in equity. In such cases, the taxes are recognised under other comprehensive income or directly in equity, respectively.

Management discretion – Taxes

When recording taxes, the most significant management estimate concerns the basis for the 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.

The management assesses the rates reported on tax returns in situations where tax legislation leaves room for interpretation. In such situations, the tax liabilities recognised are based on the management's estimates. Estimating the total income taxes at the Group level may require discretion, which is why there may be uncertainty related to the final amount of tax.

6.1. Income taxes on the income statement

EUR thousand	2022	2021
Tax based on taxable income for the period	1,289	910
Taxes for previous years	0	-0
Change in deferred taxes	-212	401
Total income taxes	1,077	1,310

Reconciliation of taxes calculated on the basis of the tax expenses on the income statement and the parent company's tax rate (20%)

EUR thousand	2022	2021
Profit/loss before taxes	6,715	8,225
Taxes calculated based on the Finnish tax rate (20%)	1,343	1,645
Taxes allocated to previous years	0	0
Utilisation of undeducted interest liabilities of associated companies from previous years	-120	-159
Non-deductible expenses	6	5
Previously unrecognised deferred tax assets	-200	-61
Tax-free income	0	-0
Share of the joint venture's profit	108	-117
Losses for which deferred tax has not been recognised	-102	
Difference between the tax rates of different countries	2	
Tax expense on the income statement	1,077	1,310
Other items	-56	-3
Effective tax rate	16.0%	15.9%

6.2. Deferred taxes on the balance sheet

Deferred tax assets and liabilities on the balance sheet

EUR thousand	1 Jan 2022	Recorded in the income statement	Recorded in equity	Acquisitions	31 Dec 2022
Deferred tax assets					
Deferred tax asset from the loss for the period		304			304
Provisions		67			67
Undeducted interest liabilities of associated companies	501	61			562
Other items	197	54			251
Total deferred tax assets	698	486			1,184
Deferred tax liabilities					
Difference between book and tax depreciation	1,090	274		56	1,420
Financial items	39	-2			37
Other items	1	2			3
Total deferred tax liabilities	1,130	274		56	1,460

EUR thousand	1 Jan 2021	Recorded in income statement	Recorded in equity	Acquisitions	31 Dec 2021
Deferred tax assets					
Undeducted interest liabilities of associated companies	440	61			501
Other items	23	-81	255		197
Total deferred tax assets	463	-20	255		698
Deferred tax liabilities					
Difference between book and tax depreciation	684	407			1,090
Financial items	66	-27			39
Other items		1			1
Total deferred tax liabilities	750	380			1,130

In its taxation, the Group utilised undeducted interest liabilities of associated companies from previous years, against which it allocated previously recognised deferred tax assets. Furthermore, the Group recognised tax assets of EUR 0.3 (2021: 0.1) million for previously accrued and undeducted interest liabilities of associated companies. After the recognition, the Group has EUR 1.8 million (2021: EUR 2.7 million) of undeducted interest liabilities of associated companies for which a deferred tax asset has not been recognised. According to the current legislation, there is no deadline for making the deduction in the taxation of subsequent years.

7. Group structure

The Group executes projects through its subsidiaries or together with other parties either as joint ventures or joint functions. In order to determine the method of processing in accounting (e.g. subsidiary, joint venture, joint function or associated company), the Group considers, among other things, the company’s decision-making mechanisms, legal structure and financing of the arrangements and their impact on the consolidation.

7.1. Subsidiaries

Accounting policy applied in the financial statements – Subsidiaries

Subsidiaries are all companies in which the Group exercises control. The Group exercises control in a company if, by participating, the Group is exposed or entitled to the company’s variable income and is able to influence this income by exercising its power relating to the company. Subsidiaries are fully consolidated in the financial statements as of the date on which the Group obtained control in them. They are no longer consolidated once control ceases.

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.

Business combinations are accounted for using the acquisition method. The total consideration paid for the acquisition of a subsidiary is determined as the fair value of the assets transferred, the liabilities assumed and any equity instruments issued by the Group. The expenses related to the acquisition are recognised as they arise. The individual acquired assets and assumed liabilities and conditional liabilities are measured at fair value on the date of the acquisition (fair value hierarchy level 3). The amount of the paid consideration that cannot be allocated to identifiable individual assets is recognised as goodwill.

Intra-Group transactions, receivables, liabilities and gains are eliminated in the preparation of the consolidated financial statements.

The Kreate Group Plc group comprises the parent company Kreate Group Plc and its wholly-owned Finnish subsidiaries as well as its Swedish subsidiaries in which it has a 75% holding.

The acquired individual assets and assumed liabilities of the acquisitions are recognised at fair value on the date of their acquisition, i.e. when the controlling interest is transferred to Kreate. In some situations, e.g. when an acquisition takes place close to the end of the period, its accounting treatment may not be completed by the end of the reporting period in question. In such cases, Kreate will present in its financial statements preliminary

amounts for the items of the acquisition whose accounting treatment is incomplete. If necessary, the Group will later retroactively adjust the preliminary amounts recorded during the review period, which is a maximum of 12 months from the date of the acquisition. Adjustments may be due to new information obtained about the facts and circumstances prevailing on the date of the acquisition, for example.

The share of non-controlling interests is presented as a separate item in equity. This item includes the shares of non-controlling interests of the subsidiaries’ net assets determined when preparing the consolidated financial statements. The item comprises both the net assets on the date of emergence of the non-controlling interests and changes in equity after that. Changes in the share of non-controlling interests resulting from changes in the subsidiary’s holding are treated as transactions within equity.

Group structure	Registered office	Parent company	Group holding	
			31 Dec 2022	31 Dec 2021
Parent company				
Kreate Group Plc	Helsinki			
Subsidiaries				
Kreate Oy	Helsinki	Kreate Group Plc	100%	100%
Kreate Rata Oy	Helsinki	Kreate Oy	100%	100%
Kreate Sverige Holding AB	Stockholm	Kreate Group Plc	75%	
Kreate Sverige AB	Nynäshamn	Kreate Sverige Holding AB	75%	
Estrock AB	Stockholm	Kreate Sverige Holding AB	75%	
EAI Kreate Holding Oy	Helsinki	Kreate Group Plc	0%	

The Group has had no changes in the group structure during the 2021 reference period.

Changes in the group structure during the financial period

On 2 September 2022, the Swedish subsidiary Kreate Sverige Holding AB, 100% owned by the parent company Kreate Group Plc, 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 (EUR 6.5 million converted according to the exchange rate at the time of transaction) 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

EUR million	Total
Purchase price	6,819
Fixed assets	1,595
Shares in associated companies	515
Receivables	2,105
Cash and cash equivalents	959
Total assets	5,173
Non-current liabilities	680
Current liabilities	2,004
Deferred tax liabilities	58
Total liabilities	2,742
Acquired identifiable net assets	2,432
Goodwill	4,388

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

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

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

Starting from the date of acquisition (2 September 2022), the acquisition has impacted the Group's revenue by EUR 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.

7.2. Joint ventures and associated companies

Accounting policy applied in the financial statements - Joint ventures and associated companies

Joint ventures are all companies in which the Group exercises joint control. Joint control refers to the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments made in joint ventures are initially recognised at acquisition cost and subsequently accounted for using the equity method.

Associated companies are companies in which the Group exercises significant influence but not control or joint control. Significant influence is the right to participate in decision-making related to the financial and operating policies of the investee, but it is not control or joint control over those policies. Typically, a significant influence is deemed to exist when the Group holds 20% or more of the voting power on the investee but not control.

When applying the equity method, investments are initially recognised at acquisition cost and subsequently adjusted by recognising the Group's share of the associate's profits or losses arising after the acquisition date on the income statement and recognising the Group's share of changes in the associate's items of other comprehensive income in the Group's items of other comprehensive income. Dividends received or to be received from joint ventures and associated companies reduce the carrying amount of the investment.

Where necessary, the accounting policies, which are used by the associates and accounted for by using the equity method, are adjusted in line with the accounting policies followed by the Group.

KFS Finland Oy is a joint venture which specialises in foundation construction. It is mutually owned with Keller Holdings Ltd., and neither owner has control over the joint venture. KFS Finland Oy purchased all the shares in NordPile Oy during the reference period.

The associated company Karell Schakt AB joined the Group in a business acquisition completed on 2 September 2022. Karell Schakt AB is an associated company operating in the infrastructure construction industry, with operations in Sweden. Kreate Sverige AB has a 34% holding in the company and the company's other two owners work in the company and hold the remaining 66% of its shares

	Registered office	Kreate Group's holding	
		31 Dec 2022	31 Dec 2021
Joint ventures and associated companies			
KFS Finland Oy	Tuusula	50%	50%
NordPile Oy ¹	Masku		50%
Karell Schakt AB	Ösmo	34%	

¹ NordPile Oy has merged with KFS Finland Oy on 21 July 2022

Investments in joint ventures and associated companies

EUR thousand	31 Dec 2022	31 Dec 2021
Shares in joint ventures	9,608	8,934
Shares in associated companies	431	

Summary of financial information on joint ventures and associated companies**2021**

EUR thousand	Joint ventures	Associated companies
Non-current assets	21,832	
Current assets	8,346, ¹⁾	
Non-current liabilities	12,720, ²⁾	
Current liabilities	8,614	
Net assets	8,843	
Revenue	40,039	
Operating profit	1,722, ³⁾	
Result for the period	1,124, ⁴⁾	

¹⁾ Current assets include cash and cash equivalents of EUR 2.2 (2020: 0.9) million

²⁾ Non-current liabilities include interest-bearing debts of EUR 11.3 (2020: 3.4) million

³⁾ Operating profit includes depreciations of EUR 2.2 (2020: 1.5) million

⁴⁾ Result for the period includes financial income of EUR 0.0 (2020: 0.0) million, financial expenses of EUR 0.2 million (2020: 0.1) million, and income tax of EUR 0.4 (2020: 0.4) million

2022

EUR thousand	Joint ventures	Associated companies
Non-current assets	18,359	245
Current assets	7,471 ¹⁾	521, ⁵⁾
Non-current liabilities	14,324, ²⁾	99, ⁶⁾
Current liabilities	6,002	188
Net assets	5,504	479
Revenue	40,729	425
Operating profit	1,090, ³⁾	148, ⁷⁾
Result for the period	220, ⁴⁾	147, ⁸⁾

Dividends from joint venture during the financial period

¹⁾ Current assets include cash and cash equivalents of EUR 1.5 (2021: 2.2) million

²⁾ Non-current liabilities include interest-bearing debts of EUR 10.2 (2021: 11.3) million

³⁾ Operating profit includes depreciations of EUR 2.2 (2021: 2.2) million

⁴⁾ Result for the period includes financial income of EUR 0.0 (2021: 0.0) million, financial expenses of EUR 0.4 million (2021: 0.2) million, and income tax of EUR 0.1 (2021: 0.4) million

⁵⁾ Current assets include cash and cash equivalents of EUR 0.2 million

⁶⁾ Non-current liabilities include interest-bearing debts of EUR 0.1 million

⁷⁾ Operating profit includes depreciations of EUR 0.0 million

⁸⁾ Result for the period includes financial income of EUR 0.0 million, financial expenses of EUR 0.0 million, and income tax of EUR 0.0 million

Reconciliation of joint venture's financial information with the carrying amount recognised by the Group and the Group's result

EUR thousand	2022	2021
Net assets of joint ventures	5,504	8,843
Group's share of net assets (50%)	2,752	4,422
Adjustments under IFRS and by the Group on net assets of joint venture	2,475	132
Fair value allocated to shares in joint ventures at acquisition	4,381	4,381
Shares in joint ventures in the Group	9,608	8,934
Investments in joint ventures	9,608	8,934
Joint venture's profit	220	1,124
The Group's share of joint venture's profit (50%)	110	562
Adjustments under IFRS and by the Group	563	22
Share of joint venture's profit in the Group	673	584

Reconciliation of the associated company's financial information with the carrying amount recognised by the Group and the Group's result

EUR thousand	2022	2021
Net assets of associated companies	479	
Group's share of net assets (34%)	163	
Adjustments under IFRS and by the Group on net assets of joint venture	-114	
Fair value allocated to shares in associated companies at acquisition	382	
Shares in associated companies in the Group	431	
Investments in associated companies	431	
Associated company's profit	147	
The Group's share of associated company's profit (34%)	50	
Adjustments under IFRS and by the Group		
Share of associated company's profit in the Group	50	

KFS Finland Oy prepares its financial statements in accordance with the Finnish Accounting Standards (FAS) and Karell Schakt AB in accordance with the Swedish Generally Accepted Accounting Principles (GAAP). The itemisations for the financial year concerning the joint venture are based on the figures in KFS Finland Oy's separate financial statements, and the figures for the reference period are based on the figures in the consolidated financial statements of KFS Finland Oy. The itemisations for the financial year concerning the associated company are based on the figures in Karell Schakt AB's separate financial statements.

When consolidated, the result and balance sheet of these companies are adjusted to comply with IFRS accounting principles. This consists of recognising leases, adjusting the acquisition cost calculation and accounting for the depreciation difference.

For KFS Finland Oy's acquisition of NordPile in the 2021 reference period, fair value has

been allocated for machines and equipment, and customer relationships as well as the order backlog have been identified as assets in earlier acquisitions. The effect of the amortisation of these items is recognised by the Group through profit or loss.

In the consolidated balance sheet, the fair value allocated to the shares of KFS Finland Oy and Karell Schakt AB at the time of acquisition is also included in shares in joint ventures and associated companies.

7.3. Joint functions

Accounting policy applied in the financial statements – Joint functions

The Group may also execute an individual, long-term project agreed in advance as a joint project venture together with another party. A joint project venture is not an independent legal unit; its parties have a contractual joint responsibility for the operations and obligations of the joint project venture. The joint project venture has a legal obligation to keep books, and the Group's share of the profit, expenses, assets and liabilities for a project executed in a joint project venture is consolidated into the reporting of the Group company participating in the joint project venture. Projects executed in a joint project venture are recognised over time in accordance with the Group's recognition principles.

8. Other notes

8.1. Provisions

Accounting policy applied in the financial statements – Provisions

A provision is recorded when the Group has a legal or constructive obligation based on an earlier event, it is likely that a payment obligation will occur and the amount of the obligation can be estimated reliably. Provisions are recognised at the present value of the costs required to cover the obligation according to the best estimate of the management. If it is possible to obtain compensation from a third party for some part of the obligation, the compensation is recognised as a separate asset but only when it is virtually certain that the company will receive it.

A provision is recognised on onerous (loss-making) contracts once the direct expenses necessary for fulfilling the obligations exceed the benefits received from the contract. The loss provision is reduced as income is recognised from the onerous project.

A warranty provision is recognised once a project including a warranty obligation is delivered. The amount of the warranty provision is based on experience in the realisation of these liabilities.

A possible restructuring provision is recognised when the amount of expenses can be estimated reliably, a binding decision on restructuring has been taken and a detailed plan has been prepared and it has been communicated to the affected parties.

Management discretion – Provisions

When recognising provisions, the management has to estimate if there is a legal or constructive obligation for which it is likely that a payment obligation will occur. In addition, the management must estimate the amount of the obligation and the time of its realisation. A provision may be recognised only if these can be estimated reliably.

Provisions

EUR thousand	Warranty provisions	Loss provisions	Total provisions
Provision as at 1 Jan 2022	2,647		2,647
Increases in provisions	1,767	342	2,110
Provisions used during the period	-1,099		-1,099
Provisions reversed during the period	-1,793		-1,793
Provision as at 31 Dec 2022	1,522	342	1,864

EUR thousand	Warranty provisions	Loss provisions	Total provisions
Provision as at 1 Jan 2021	1 452	30	1 482
Increases in provisions	1,698		1,698
Provisions used during the period	-208	-30	-238
Provisions reversed during the period	-296		-296
Provision as at 31 Dec 2021	2,647		2,647

8.2. Collateral and contingent liabilities

EUR thousand	2022	2021
Contingent liabilities outside the balance sheet		
Guarantees given on behalf of joint ventures		29
Guarantees given on behalf of joint project ventures	10,647	6,299
Other guarantees		20
Guarantee liabilities from project contracts	43,500	35,214
Lease liabilities from short-term assets with a low value	872	467
VAT liability	297	277

The warranty liabilities of construction contracts are normal liability commitments related to project operations that are given as collateral for the performance of a contract, for example.

Kreate Oy is obligated to revise the VAT deductions it has made on real estate investments in the modifications of the Tuusula office and the office yard area in the 2022 financial year, a warehouse building completed in Tuusula in 2021 and an office/maintenance building completed in Lappeenranta in June 2014 if the volume of operations subject to VAT at the properties decreases during the revision period. The last revision year for the modifications and construction work is 2031.

8.3. Related parties

The related parties of the Group's parent company Kreate Group Plc include the subsidiaries, the structured entity EAI Kreate Holding Oy, 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 control or joint control. Key management personnel include the parent company's Board members, President & CEO and other 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.

Until the IPO during the reference period, the related parties also included Intera Fund II Ky and the companies belonging to its group of companies. In connection with the IPO, Intera Fund II Ky's ownership decreased to less than 20%.

Related-party transactions

EUR thousand	1-12/2022 Income	Expenses	12/2022 Income	Liabilities
Associate and joint venture	3,243	-11,053	377	364
Other related parties ¹⁾		-15		

EUR thousand	1-12/2021 Income	Expenses	12/2021 Income	Liabilities
Intera Fund II Ky	6,674	-6,782	45	389
Muu lähijiiri ¹⁾		-195		

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

The joint ventures and associated companies have joint business transactions with the Group in relation to subcontracting and machinery. Guarantees given on behalf of the joint venture are presented in Note 8.2.

In the financial year, the Group has had very few transactions with the other related parties, mainly comprising the leasing of premises. The salaries and remunerations received by the related parties are presented in the table "Salaries and remunerations of key management personnel".

The Company's transactions with related parties are carried out on market terms.

Salaries and remunerations of key management personnel

EUR thousand	2022	2021
Fees of the Board of Directors	192	191
Salary and fees of the President & CEO	551	518
Salary and fees of the Management Team	1,761	1,672
Total	2,504	2,381

The Board of Directors decides on the remuneration of the President & CEO and the members of the Management Team. The members of the Management Team are insured under statutory pension insurance policies as well as voluntary supplementary pension insurance policies. In the financial year ended on 31 December 2022, the pension fees for the defined contribution scheme amounted to EUR 44.2 (2021: 43.1) thousand for the President & CEO and a total of EUR 117 (2021: 111) thousand for the members of the Management Team.

In addition, the Annual General Meeting on 29 March 2022 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, it was 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 term of notice for the Management Team members' employment contracts is three to six months. The President & CEO and six other members of the Management Team are, upon the termination of their employment contract or CEO contract and subject to certain conditions, entitled to receive a severance payment equivalent to a three to eight months' salary in addition to the salary for the notice period as compensation for the non-competition clause.

The itemisations relating to the Group's performance share plan are presented in Note 2.5.2.

8.4. 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.

Parent company's income statement (FAS)

EUR thousand	2022	2021	
REVENUE	757	475	
Materials and services			
Material, supplies and goods	-10	-1	
Personnel expenses			
Salaries and remuneration	-980	-832	
Personnel benefits			
Pension expenses	-186	-178	
Other personnel benefits	-170	-1,336	-166
Depreciation, amortisation and impairment			
Depreciation according to plan	-432	-361	
Other operating expenses	-460	-324	
OPERATING PROFIT/LOSS	-1,481	-1,387	
Financial income and expenses			
From Group companies	158	6	
From others			
Interest expenses and other financial expenses			
To Group companies		-26	
To others	-1,084	- 927	-1,665
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	-2,407	-3,073	
Appropriations			
Group contributions	7,000	8,100	
Income taxes	-818	-847	
PROFIT/LOSS FOR THE PERIOD	3,774	4,180	

Parent company's balance sheet (FAS)

EUR thousand	2022		2021	
Assets				
NON-CURRENT ASSETS				
Intangible assets				
Intangible rights			2	
Other long-term expenditures	497			926
Investments				
Shares in Group companies	52,031			52,024
TOTAL NON-CURRENT ASSETS	52,528			52,953
CURRENT ASSETS				
Non-current receivables				
Receivables from Group companies	7,007	7,007	8,100	
Current receivables				
Receivables from Group companies	7,989			
Other receivables			7	
Accrued income	344	8,332	571	8,678
Cash and cash equivalents	5,827		4,779	
TOTAL CURRENT ASSETS	21,166			13,458
Total assets	73,694		66,410	
Liabilities				
EQUITY				
Share capital	80		80	
Other reserves				
Reserve for invested unrestricted equity	20,702			20,702
Retained earnings	5,595			5,407
Profit/loss for the period	3,774			4,180
TOTAL EQUITY	30,151			30,370
LIABILITIES				
Non-current				
Loans from financial institutions	29,900	29,900	22,250	22,250
Current				
Loans from financial institutions	2,600			4,000
Commercial papers	7,000			
Trade payables	25			102
Liabilities to Group companies	3,279			8,797
Other liabilities	46			39
Accrued liabilities	693	13,643	852	13,791
TOTAL LIABILITIES	43,543			36,041
Total liabilities	73,694		66,410	

Parent company's cash flow statement

EUR thousand	2022	2021
Profit/loss for the period	3 774	4 180
Depreciation, amortisation and impairment	432	361
Financial income and expenses	927	1,686
Income taxes	818	847
Other adjustments	-7,000	-8,100
Total adjustments	-4,823	-5,206
Change in trade and other receivables	-386	51
Change in trade payables and other liabilities	-317	-728
Total change in working capital	-703	-678
Interest paid in operating activities	-220	-101
Interest received in operating activities	158	6
Other financial items	-281	-1,014
Taxes paid	-562	-2,103
CASH FLOW FROM OPERATIONS	-2,657	-4,915
Investments in tangible and intangible assets	-7,614	-1,144
CASH FLOW FROM INVESTING ACTIVITIES	-7,614	-1,144
Share issue		12,500
Dividends paid	-3,993	-3,914
Drawdown of non-current loans	29,900	
Repayment of non-current loans	-21,250	-6,333
Drawdown of current loans	44,600	24,047
Repayment of current loans	-40,000	-26,917
Drawdown/repayment of credit limit	-5,517	
Interest and other loan expenses	-521	-313
Group contributions	8,100	8,900
CASH FLOW FROM FINANCING ACTIVITIES	11,319	7,970
CHANGE IN CASH AND CASH EQUIVALENTS	1,048	1,911
Cash and cash equivalents on the opening balance sheet	4,779	2,869
Change in cash and cash equivalents	1,048	1,911
Cash and cash equivalents at the end of the period	5,827	4,779

Accounting policies applied in the parent company's financial statements

Information about the Group

Kreate Group Plc is the parent company of the Group. The parent company Kreate Group Plc owns 100% of the Group's subsidiary Kreate Oy and 75% of the subsidiary Kreate Sverige Holding AB.

Kreate Rata Oy, a wholly-owned subsidiary of Kreate Oy, and Kreate Sverige AB and Estrock AB, wholly-owned subsidiaries of Kreate Sverige Holding AB, are consolidated into the financial statements of Kreate Group Plc.

The parent company's consolidated financial statements are available at the following address: Kreate Group Plc, Haarakaari 42, FI-04360 Tuusula, Finland.

Valuation and accrual principles and methods

Measurement of non-current assets

Intangible assets are recognised on the balance sheet at acquisition cost less amortisation according to plan. The acquisition cost includes the variable expenses arising from acquisition and manufacturing. Intangible assets are amortised according to plan on a straight-line basis over their useful life.

The amortisation periods are:

Intangible assets 3 to 4 years

The acquisition cost of non-current assets with a probable useful life of less than 3 years as well as acquisitions of low value (below EUR 850) are recognised in full as an expense in the period in which they are acquired.

Financial assets and liabilities

Financial assets are measured at the lower of acquisition cost or the probable recoverable amount. The company presents subordinated loans under liabilities.

Notes to the parent company's financial statements

Notes to the income statement

Revenue

EUR thousand	2022	2021
Revenue	757	475

Notes concerning the personnel

Average number of personnel during the period	2022	2021
Office employees	3	3

Salaries, remunerations and pension expenses for the period

EUR thousand	2022	2021
Salaries and remuneration	980	832
Pension expenses	186	178
Other personnel benefits	170	166
Total	1,336	1,175
Fringe benefits (tax value)	35	41

Salaries and remunerations of the management

EUR thousand	2022	2021
Members of the Board	192	191

Depreciation, amortisation and impairment

EUR thousand	2022	2021
Depreciation according to plan	432	361

Other operating expenses

Auditors' fees EUR thousand	2022	2021
Audit	70	15
Other services	2	183
Total	72	198

Financial income and expenses

EUR thousand	2022	2021
Other interest income		
From Group companies	158	6
From others	0	0
Total interest income	158	6
Total financial income	158	6
Interest expenses		
To Group companies		-26
To others	-800	-650
Total interest expenses	-800	-677
Other financial expenses		
Other financial expenses	-284	-1,015
Total other financial expenses	-284	-1,015
Total financial expenses	-1,084	-1,692
Total financial income and expenses	-927	-1,686

Appropriations

EUR thousand	2022	2021
Group contributions	7,000	8,100

Income taxes

EUR thousand	2022	2021
Income taxes from operations	818	847

The company has EUR 4,621 thousand (2021: EUR 5,223 thousand) in undeducted interest liabilities of associated companies.

Notes to the balance sheet
Itemisation of non-current assets

Intangible assets EUR thousand	Intangible rights	Other long-term expenditures	Total
Acquisition cost as at 1 Jan 2022	13	1,293	1,306
Increases			
Transfers between items			
Acquisition cost as at 31 Dec 2022	13	1,293	1,306
Accrued depreciation, amortisation and impairment as at 1 Jan 2022	-11	-367	-378
Amortisation for the period	-2	-430	-432
Accrued depreciation, amortisation and impairment as at 31 Dec 2022	-13	-796	-810
Carrying amount as at 31 Dec 2022	0	497	497
Carrying amount as at 31 Dec 2021	2	926	929

Investments

EUR thousand	Other shares and interests	Total
Acquisition cost as at 1 Jan 2022	52,024	52,024
Increases	7	7
Acquisition cost as at 31 Dec 2022	52,031	52,031
Accrued impairment as at 1 Jan 2022		
Accrued impairment as at 31 Dec 2022		
Carrying amount as at 31 Dec 2022	52,031	52,031
Carrying amount as at 31 Dec 2021	52,024	52,024

Shares and holdings

	Company's ownership,%
Kreate Oy, Helsinki	100
Kreate Sverige Holding AB, Stockholm	75

Non-current receivables

EUR thousand	2022	2021
Receivables from Group companies		
Loan receivables	7,007	
Total	7,007	
Total non-current receivables	7,007	

Current receivables

EUR thousand	2022	2021
Receivables from Group companies		
Accrued income	7,989	8,100
Total	7,989	8,100
Receivables from others		
Other receivables		7
Accrued income	344	571
Total	344	578
Total current receivables	8,332	8,678

Equity

EUR thousand	2022	2021
Restricted equity		
Share capital as at 1 Jan	80	3
Increase in share capital		78
Share capital as at 31 Dec	80	80
Total restricted equity	80	80
Unrestricted equity		
Reserve for invested unrestricted equity as at 1 Jan	20,702	8,280
Share issue		12,500
Increase in share capital		-78
Reserve for invested unrestricted equity as at 31 Dec	20,702	20,702
Retained earnings as at 1 Jan	9,587	9,321
Distribution of dividends	-3,993	-3,914
Retained earnings as at 31 Dec	5,595	5,407
Profit (loss) for the period	3,774	4,180
Total unrestricted equity	30,071	30,290
Total equity	30,151	30,370

Distributable unrestricted equity

EUR thousand	2022	2021
Calculation of distributable unrestricted equity		
Retained earnings	5,595	5,407
Profit (loss) for the period	3,774	4,180
Reserve for invested unrestricted equity	20,702	20,702
Distributable equity	30,071	30,290

Non-current liabilities

EUR thousand	2022	2021
Loans from financial institutions	29,900	22,250

Current liabilities

EUR thousand	2022	2021
Liabilities to Group companies		
Group account liability	3,279	8,797
Other liabilities		
Total	3,279	8,797

Liabilities to others

Loans from financial institutions	2,600	4,000
Commercial papers	7,000	
Trade payables	25	102
Other liabilities	46	39
Accrued liabilities	693	852
Total	10,364	4,994

Material accrued expense items

EUR thousand	2022	2021
Salaries and remuneration, including social expenses	337	583
Interest	356	269
Total	693	852

Collateral and contingent liabilities
Collateral and guarantees given on behalf of Group companies

EUR thousand	2022	2021
Other guarantees	43,500	35,214

Collateral and guarantees given on behalf of joint project ventures

EUR thousand	2022	2021
Other guarantees	10,647	6,299

Collateral and guarantees given on behalf of key persons

EUR thousand	2021	2020
Other guarantees		20

Other contingent liabilities

EUR thousand	2022	2021
Credit card limit used	4	1

Pension liabilities

The company's pension liabilities are insured with external pension insurance companies. The pension liabilities are fully covered.

Board of Directors' proposal on the use of distributable funds

As at 31 December 2022, the distributable funds of the parent company Kreate Group Plc are:

Retained earnings	5,594,598.21
Profit (loss) for the period	3,774,335.89
Reserve for invested unrestricted equity	20,702,152.88
Distributable equity	30,071,086.98

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 is paid in two instalments of EUR 0.23, the first instalment 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 March 2023, 8,841,266 shares were held outside the company, which is equivalent to total dividends of EUR 4,066,982.36.

Signatures of the Report of the Board of Directors and the financial statements

Helsinki, 30 January 2023

Petri Rignell
Chair of the Board of Directors

Jussi Aine

Timo Kohtamäki

Petra Thorén

Timo Pekkarinen

Elina Rahkonen

Timo Vikström
President & CEO

Auditor's note

A report on the audit carried out has been submitted today.
Helsinki, 31 January 2023

KPMG Oy
Firm of Authorised Public Accountants

Turo Koila
Authorised Public Accountant KHT

Auditor's Report

To the Annual General Meeting of Kreate Group Plc

Audit of the financial statements

Opinion

We have audited the financial statements of Kreate Group Plc (Business ID 2601364-3) for the financial year 1 Jan–31 Dec 2022. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting principles as well as the parent company's balance sheet, income statement, cash flow statement and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with the statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland, and we have not provided any prohibited non-audit services as referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.4.1 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. We have determined materiality based on our professional judgement, and it helps us to determine the nature,

timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole. The level of materiality is based on our estimate of the scale of such misstatements that, individually or in aggregate, might reasonably be expected to influence the financial decisions made by the users of the financial statements. We have also considered such misstatements that, due to qualitative reasons, we regard as material to the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the period being audited. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Risks of material misstatement, as referred to in Article 10(2c) of Regulation (EU) No. 537/2014, are included in the key audit matters listed below.

We have addressed in our audit the risk of management override of internal controls. This has included the consideration of whether there was evidence of a management bias that represented a risk of material misstatement due to fraud.

KEY AUDIT MATTERS

HOW THE AUDIT ADDRESSED THE MATTERS IN QUESTION

Revenue – Accounting policies for consolidated financial statements and note 2.1

- | | |
|---|--|
| <ul style="list-style-type: none"> • The recognition of sales consists of the handover of goods and services as defined in project contracts to customers, with the total revenue standing at EUR 274 million. • Revenue reporting includes the risk of a misstated recognition date and amount due to management judgements concerning recognition and the large number of invoiced amounts. • Recognition of income from projects is mainly based on the degree of completion. The degree of completion is defined as the relative share of actualised costs from the total costs estimated by the management. Potential erroneous cost estimates would lead to misstated recognition. | <ul style="list-style-type: none"> • We have evaluated the company's sales recognition and calculation processes in relation to the principles defined in the IFRS standards. • We have tested the functionality of the key internal controls used to ensure the completeness and timing of sales reporting. • We have compared the total revenue estimates of projects recognised based on degree of completion with customer contracts. In addition, we have analysed estimated and actualised project costs and project margins. We have also examined the updating process concerning the cost estimates and degrees of completion as well as assessed its appropriateness. • Furthermore, we have carried out material auditing activities relating to the sales completeness and recognition date. |
|---|--|

KEY AUDIT MATTERS

HOW THE AUDIT ADDRESSED THE MATTERS IN QUESTION

Valuation of goodwill – Accounting policies for consolidated financial statements and notes 5.3 and 5.4

- Goodwill EUR 40 million represents a significant 30% share of the consolidated balance sheet total.
 - Goodwill is tested for impairment when there are indicators of impairment or annually at a minimum. Impairment testing is carried out by comparing the recoverable amount of the cash-generating unit to its carrying amount. Management estimates the recoverable amount of the cash-generating unit by using a discounted cash flows model. The cash flow estimates used as the basis for testing are subject to a significant number of management judgements particularly concerning revenue growth, profitability and the discount rate.
 - Due to the significance of the carrying amount and the significant management judgement relating to the estimates, goodwill valuation is a key audit matter.
- We have critically evaluated the management's principles and assumptions on which the cash flow estimates for future years have been made.
 - We have involved KPMG's valuation experts in the audit to evaluate the reasonableness of the discount rates, the technical correctness of the calculations and the assumptions used in relation to the market and industry data.
 - In addition, we have assessed the appropriate presentation of notes relating to impairment testing of goodwill in the financial statements.

Responsibilities of the Board of Directors and the President and CEO for the Financial Statements

The Board of Directors and the President and CEO are responsible for the preparation of the financial statements so that the consolidated financial statements give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and so that the financial statements give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with the statutory requirements. The Board of Directors and the President and CEO are also responsible for such internal control as they deem necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the President and CEO are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks as well as obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of the accounting policies used as well as the reasonableness of the accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the President and CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of the highest significance in the audit of the financial statements of the period under review and are, therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment information

We have served as the auditor elected by the Annual General Meeting uninterruptedly for four years as from 26 April 2019.

Kreate Group Plc has become a significant entity from the point of view of public interest on 19 February 2021.

Other Information

The Board of Directors and the President and CEO are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but it does not include the financial statements or our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified hereinabove and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 31 January 2023
KPMG OY AB

Turo Koila
Authorised Public Accountant KHT

Why invest in a company delivering demanding infrastructure projects

Kreate's ability to generate value for shareholders and other stakeholders is based on the company's strong profit-making ability as well as a stable market and highly sought-after special expertise. We aim for better-than-average profitability through skilled and motivated personnel, excellent references and satisfied customers.

A large market with stable growth prospects

The infrastructure construction market is expected to continue its stable development. In the coming years, the demand in the market will be driven by urbanisation, the large maintenance backlog and the public sector stimulus programme. Furthermore, the growth is expected to be supported by land use, housing and transport agreements as well as the Finnish 12-year National Transport System Plan.

Broad and specialised offering meeting customers' needs

Kreate's broad and specialised offering as well as pioneering approach in the use of digital tools and processes create a competitive advantage, as the infrastructure construction market focuses on the largest cities as a result of urbanisation. Dense, built-up urban environments require special competences, such as underground construction and the management of challenging soil conditions.

First-class references

Kreate has excellent references on demanding infrastructure contracts as well as competence and experience in highly demanding projects. The

references for prior work have an important role in the industry, so our successful references will continue to give us a competitive advantage.

Attractive employer and professional personnel

Our personnel have experience in hundreds of diverse and demanding infrastructure projects. Our capabilities are supported by our employees' high level of education and their motivation to develop. Our in-house personnel are usually the ones who carry out the most demanding tasks in our projects, while we partner with subcontractors in repetitive tasks. Using our in-house personnel enables better visibility and project management at our worksites. We attract and retain talent by offering challenging projects that require versatile competences, clear career paths and a lucrative remuneration system.

Satisfied customer base

Our diverse customer base consists of stable public sector organisations and different types of private companies. Kreate's customers are satisfied with the services we provide, indicated by the high Net Promoter Score of 71.

Efficient operating model

Thanks to our efficient processes, we are able to carry out projects as planned and in a profitable way. This is ensured by skilled project management, work planning and scheduling as well as consistent working methods that also enable the efficient utilisation of special expertise and equipment across Finland. We are systematically participating in calls for tenders and focusing on projects that are technically difficult or require special expertise. Our professional tendering helps our company to win contracts and ensure a good level of profitability in projects.

Strong financial position

We have achieved strong revenue growth while maintaining a good level of profitability and return on equity. The profitability and growth rate have exceeded the industry average. Return on capital employed has also been high; on average, it was at 16.5% between 2020 and 2022. Our free cash flow from operating activities has been strong, as profitability has been at a good level and the business model does not tie up a large amount of capital.

Financial targets 2021-2024

GROWTH

Our aim is to grow the revenue to EUR 300 million by 2024 through a balanced combination of organisational growth and selected acquisitions

PROFITABILITY

We aim for an EBITA margin of more than 5 per cent in the medium term.

GEARING

We aim for a Net debt/EBITDA of below 2.0.

DIVIDEND POLICY

We aim to distribute at least half of the annual net profit as dividends, taking into account our financial position, cash flow and growth opportunities.



Information for investors

Kreate publishes its financial information in Finnish and English on its website at: kreate.fi/en/investor.

Release of financial reports in 2023

- The interim report for 1-3/2023 will be published on 28 April.
- The half-year report for 1-6/2023 will be published on 19 July.
- The interim report for 1-9/2023 will be published on 25 October.

Quiet period

Kreate observes a 30-day quiet period before the publication of interim reports, half-year reports and financial statement bulletins. During the quiet period, the company's representatives do not comment on the company's financial standing or any questions related to the overall outlook or meet with investors and analysts.

General Meeting of shareholders

Kreate Group Plc's Annual General Meeting is scheduled for 29 March at 10 a.m.

Notifications of major shareholdings

According to the Securities Markets Act, a notification of major shareholding must be made without undue delay when ownership reaches, exceeds or falls below 5, 10, 15, 20, 25, 30, 50, 66.7 (2/3) or 90 per cent of the voting rights or shares in the company.

Notifications of major shareholding are submitted to Kreate by email to: flaggings@kreate.fi.

Analysts following Kreate

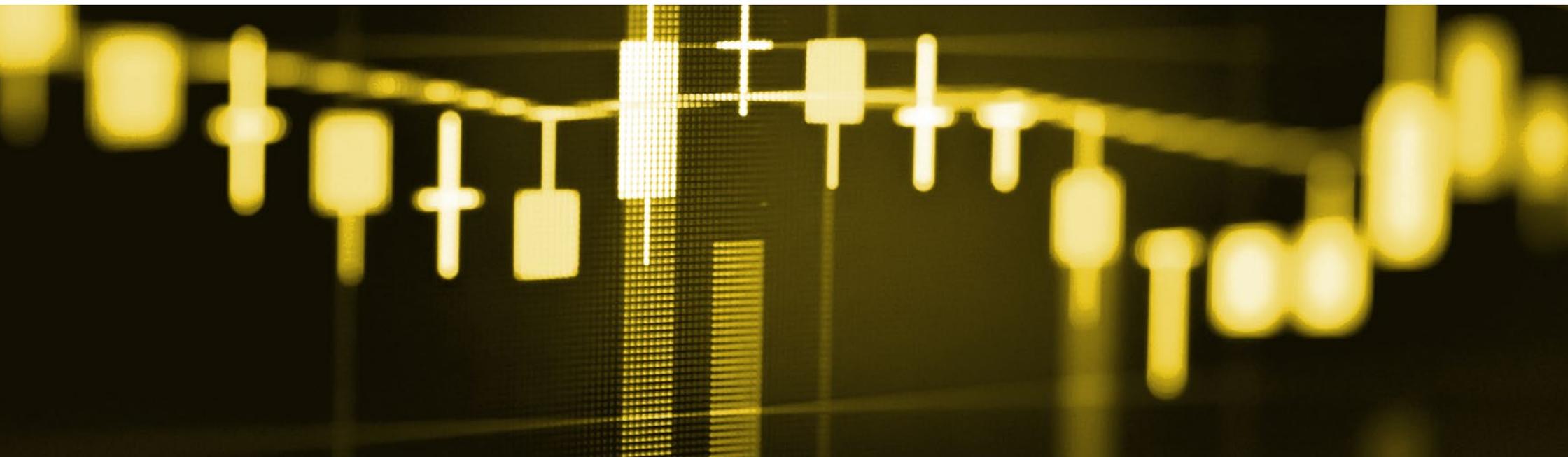
- Mika Karppinen, Danske Bank
- Olli Koponen, Inderes
- Juho Saarinen, OP

Contact details

For meeting requests and enquiries, please contact: ir@kreate.fi.

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KREATE
THE FUTURE IS BUILT TODAY