



REVENUE GREW 30% – INVESTMENTS IN GROWTH WEAKENED PROFITABILITY

TIMO VIKSTRÖM, PRESIDENT & CEO
MIKKO LAINE, CFO

28 APRIL 2023

KREATE GROUP PLC/INTERIM REPORT 1-3/2023

KREATE
THE FUTURE IS BUILT TODAY

JANUARY–MARCH 2023 IN BRIEF

1.

Order backlog amounted to EUR
265.7 (208.8) million

3.

EBITDA was EUR **1.0** (2.1) million, amounting to **1.5%** (4.2%) of revenue

5.

Free cash flow from operating activities was EUR **-3.3** (-1.2) million

2.

Revenue was EUR
65.8 (50.4) million

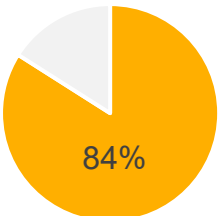
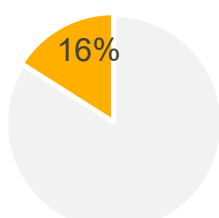
4.

EBITA was EUR **-0.4** (1.1) million, amounting to **-0.6%** (2.2%) of revenue

6.

Revenue grew 30% and order backlog grew 27% higher than the reference period. Operating profit decreased as expected.

SPECIALISATION HELPS IN TOUGHER COMPETITION

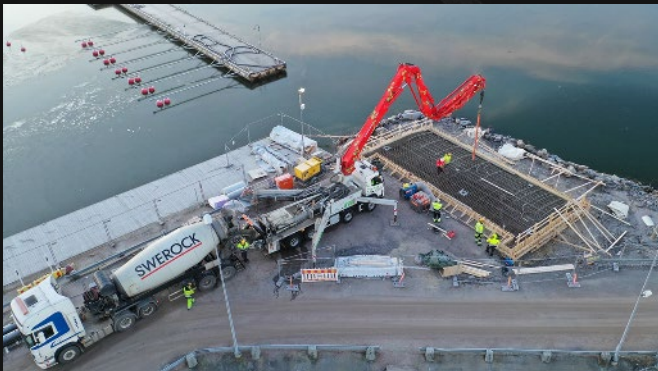
BUSINESS FUNCTIONS	MARKET DEVELOPMENT Q1/2023 AND 12-MONTH OUTLOOK*	SHARE OF KREATE'S REVENUE	KREATE'S POSITION AND MEASURES
STRUCTURAL ENGINEERING	→	 84%	<p>In the structural engineering business function, competition has increased especially in bridge and special foundation construction. The share of revenue of structural engineering has been increased by ongoing large bridge and foundation construction projects.</p> <p>The slowdown in the housing market will have the highest impact on the foundation construction market. Kreate's specialisation in demanding infrastructure continues to support operations in an increasingly competitive situation and in projects requiring technical expertise.</p> <p>Housing construction has also slowed down in Sweden, but the rock engineering and concrete construction market, which demands special expertise and suits Kreate, will continue to be strong.</p>
Bridge construction	→		
Foundation and engineering construction	↘		
Special foundation construction	→		
Circular economy	→		
Special infrastructure construction in Sweden	↗		
TRANSPORT INFRASTRUCTURE CONSTRUCTION	→	 16%	<p>In the transport infrastructure construction business, the number of road and street construction projects remained close to the normal level. Tendering picked up in railway construction with normal seasonal variation towards the spring. The investments planned for the development of the railway network in accordance with the Transport 12 planning period investment programme 2023–2030 are expected to start as planned.</p>
Railway construction	↗		
Road and street construction	→		
OVERVIEW	→		<p>Green transition projects and industrial investments provide continuity despite the current inflation and rising interest rates slowing down their launch.</p>

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

- ↑ Very strong market in the following 12 months
- ↗ Strengthening market in the following 12 months
- Stable market in the following 12 months
- ↘ Weakening market in the following 12 months
- ↓ Very weak market in the following 12 months

* Source: Kreate Group management estimate

HIGHLIGHTS OF JANUARY–MARCH 2023



There were many successes during the reporting period and our large projects progressed at a good pace. For example, the bow door loading dock in Teersalo harbour was completed ahead of schedule.

1

Customer satisfaction was at a high level and we received good feedback about the Kemi bioproduct mill project complex completed for Kreate's part during the reporting period.



During the reporting period, we invested in our personnel's well-being at work by increasing personal meetings in addition to the ongoing well-being programmes.

3

We published a more extensive report on our sustainability efforts than before as part of the annual review. We will continue to define the sustainability goals and to develop the sustainability metrics as part of the process of updating our strategy, which is starting.



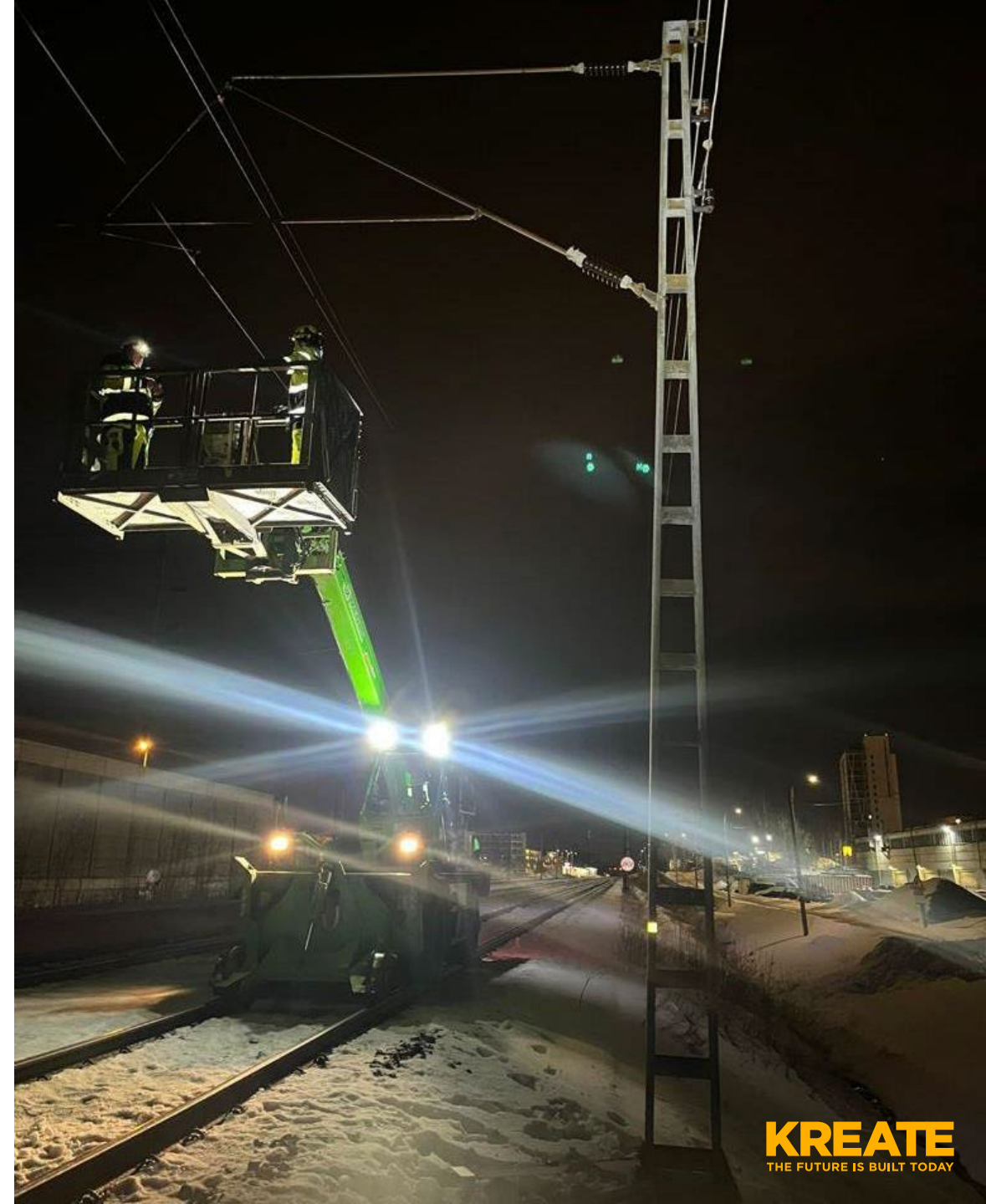
In March, we started the demanding construction of an embankment at Neste's Kilpilahti port as well as the execution of a few other private investments.

3

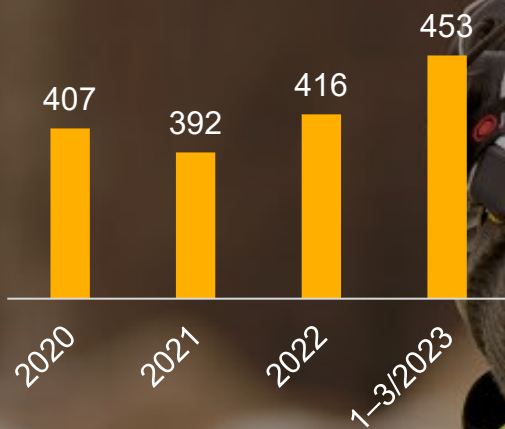
We organised an Annual General Meeting that shareholders could attend in person for the first time.

STRATEGIC STRENGTHENING IN AN INCREASINGLY COMPETITIVE LANDSCAPE

- In line with the strategy, we strengthened the Swedish and railway construction operations in Q1, which also had an impact on the development of the operating result.
- In Sweden, the market for demanding rock engineering and concrete construction, which suits Kreate, is expected to continue to be strong in the next few years as well. The Bohusbana contract valued at EUR 8 million signed by the Swedish subsidiary at the end of 2022 will start in the second quarter.
- The expansion of railway construction to electric railways and safety devices offers opportunities to also carry out work on the railways in winter, when traditional railway construction slows down. With the electric railway and safety device business, in Q1 we executed, for example, contracts to straighten poles as well as overhead line repairs and relocations to new portals.



PERSONNEL ON AVERAGE



**LOST-TIME INJURY
FREQUENCY 12 MO
ROLLING**

7.0

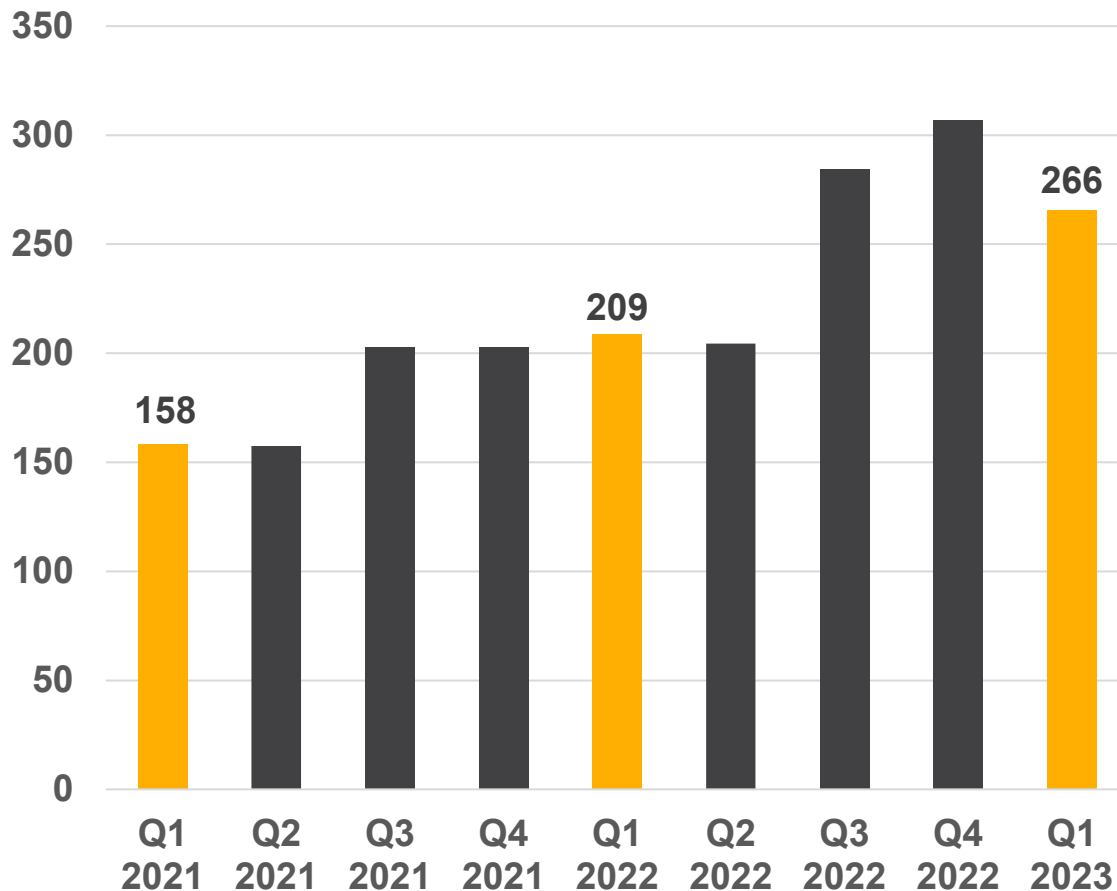
(0 accidents 1-3/2023)

COMMENTS BY THE PERSONNEL:

"You get to work with competent professionals who also give enough space to others to show their abilities."

ORDER BACKLOG DECREASED AS EXPECTED FROM THE SITUATION AT THE END OF THE YEAR

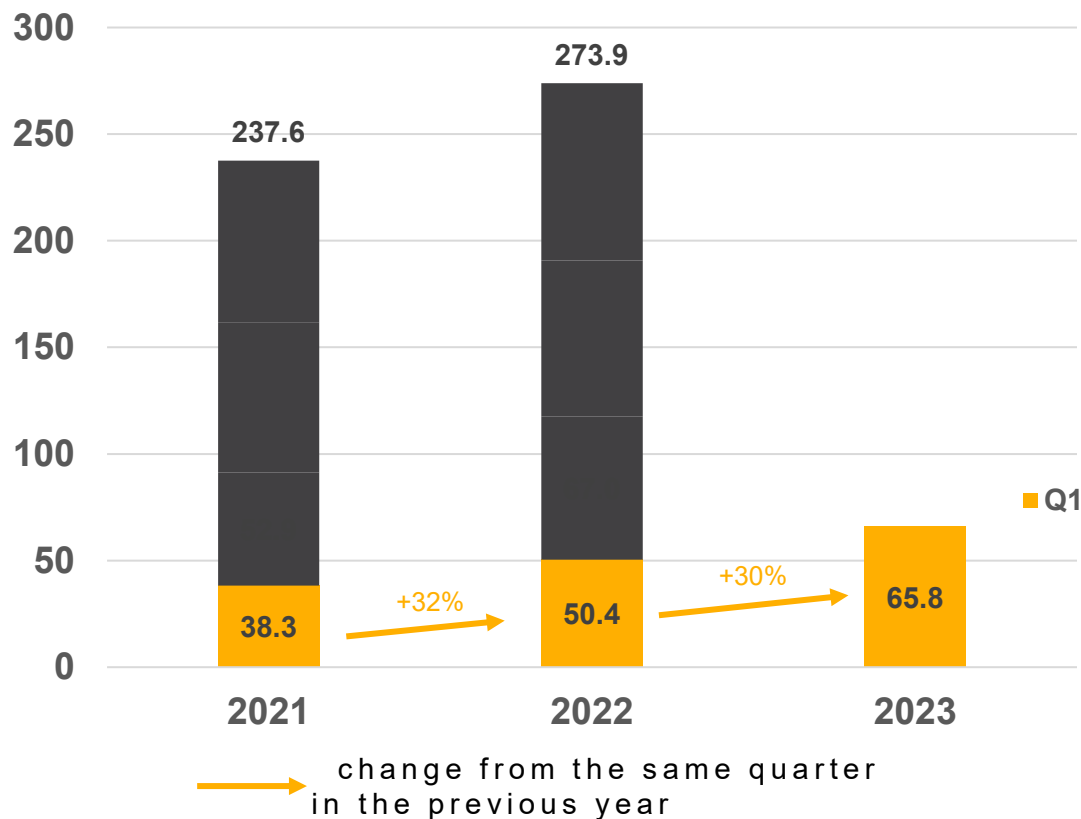
ORDER BACKLOG Q1/2021–Q1/2023, EUR
MILLION



- At the end of March 2022, the order backlog amounted to EUR 265.7 (208.8) million
- Kreate continued to exercise its own prudent line in the tougher Finnish market
- At the end of March 2023, the order backlog in Sweden amounted to EUR 12.9 million

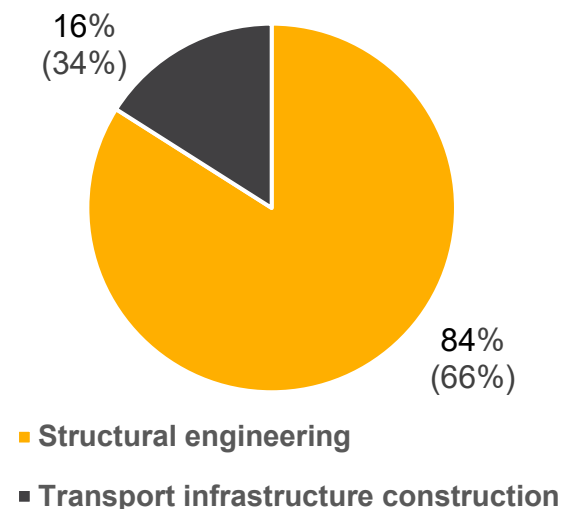
REVENUE CONCENTRATED IN STRUCTURAL ENGINEERING IN EARLY 2023

REVENUE, EUR MILLION

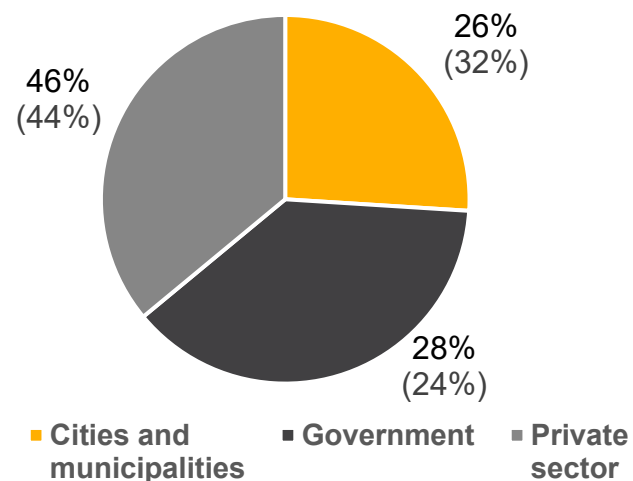


REVENUE DISTRIBUTION 1-3/2023 (1-3/2022)

BY BUSINESS FUNCTION



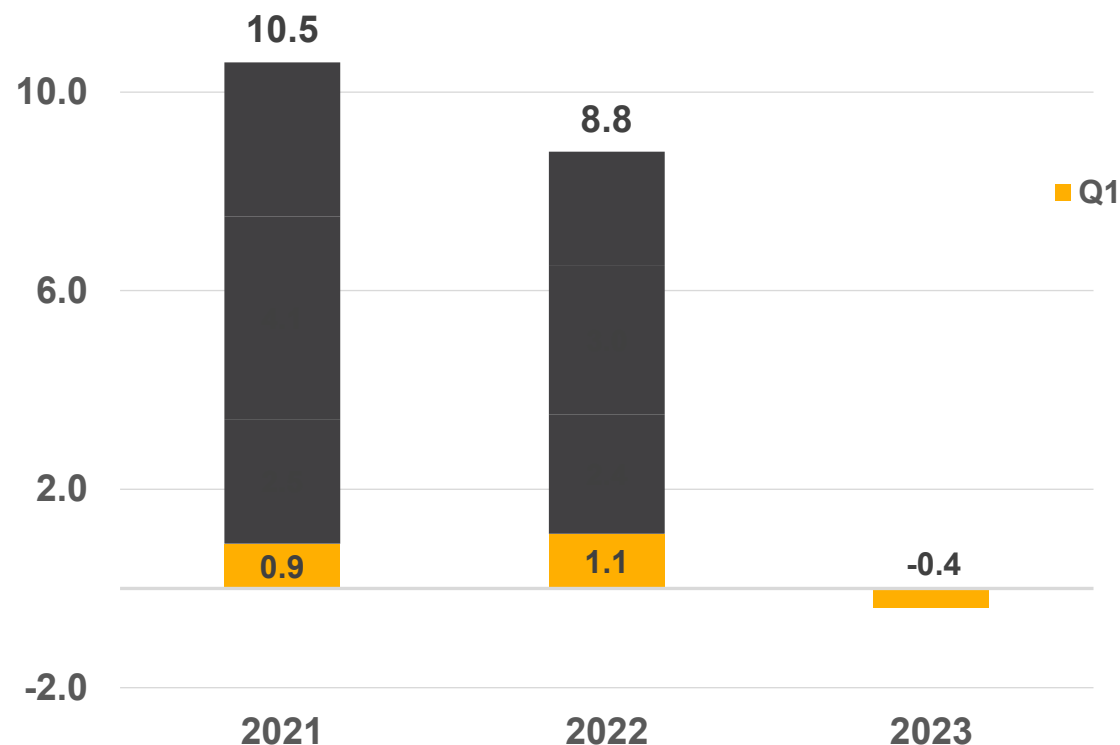
BY CLIENT GROUP



PROFITABILITY WEAKENED COMPARED TO THE PREVIOUS YEAR

- EBITA decreased as expected in January–March 2023 compared to the reference period, amounting to EUR -0.4 (1.1) million
- The accumulation of result in infrastructure construction is typically concentrated at the end of the year
- Large projects in their early stages had an impact on profitability in the reporting period
- In addition, investments in growth in the railway business and in Sweden, in particular, affected profitability during the reporting period

EBITA (EUR MILLION)



A large construction site is visible in the background under a clear blue sky. Several yellow tower cranes are positioned around the site. In the foreground, a large yellow crawler crane stands on a gravelly area. To the right, modern multi-story apartment buildings are under construction. The scene is reflected in a body of water in the lower foreground.

FINANCIAL REPORT

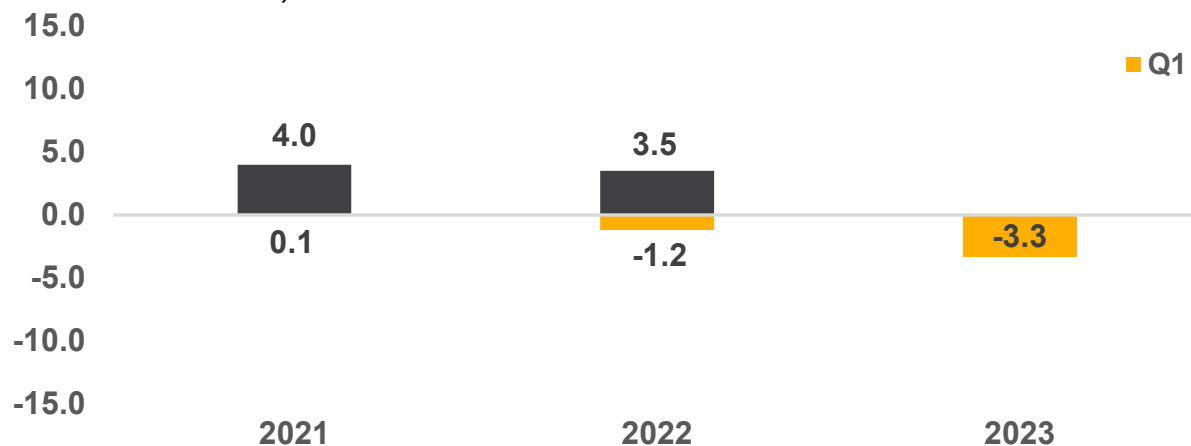
MIKKO LAINE, CFO

KEY FIGURES: JANUARY–MARCH 2023

EUR million	1–3/2023	1–3/2022	1–12/2022
Order backlog	265.7	208.8	306.9
Revenue	65.8	50.4	273.9
EBITDA	1.0	2.1	13.6
EBITDA, %	1.5	4.2	5.0
EBITA	-0.4	1.1	8.8
EBITA, %	-0.6	2.2	3.2
Operating profit	-0.4	1.0	8.6
Operating profit, %	-0.7	2.1	3.2
Result for the period	-0.7	0.6	5.6
Return on capital employed, %	9.9	17.4	12.5
Free cash flow from operating activities	-3.3	-1.2	3.5
Net working capital	5.6	0.5	4.7
Net debt	38.0	23.1	33.4
Net debt/EBITDA	3.0	1.6	2.5
Net debt/EBITDA pro forma	3.1		2.4
Equity ratio, %	32.1	38.2	31.6
Earnings per share, undiluted, €	-0.08	0.07	0.64
Personnel at the end of the period	455	379	447

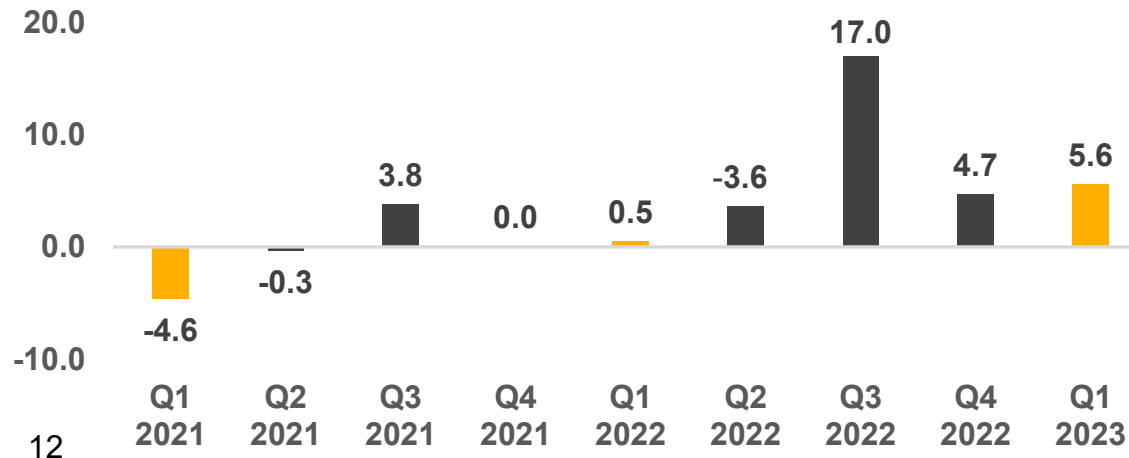
INVESTMENTS IN Q1 HIGHER THAN NORMALLY

FREE CASH FLOW FROM OPERATING ACTIVITIES, EUR MILLION



- Free cash flow from operating activities was EUR -3.3 (-1.2) million in January–March 2023
- The company's net investments in January-March amounted to EUR -3.2 (-1.8) million, mainly comprising machinery and equipment for business purposes. Investments have been larger than usual, relating to large projects that started and the equipment needed for them
- No significant change in Net working capital during the reporting period

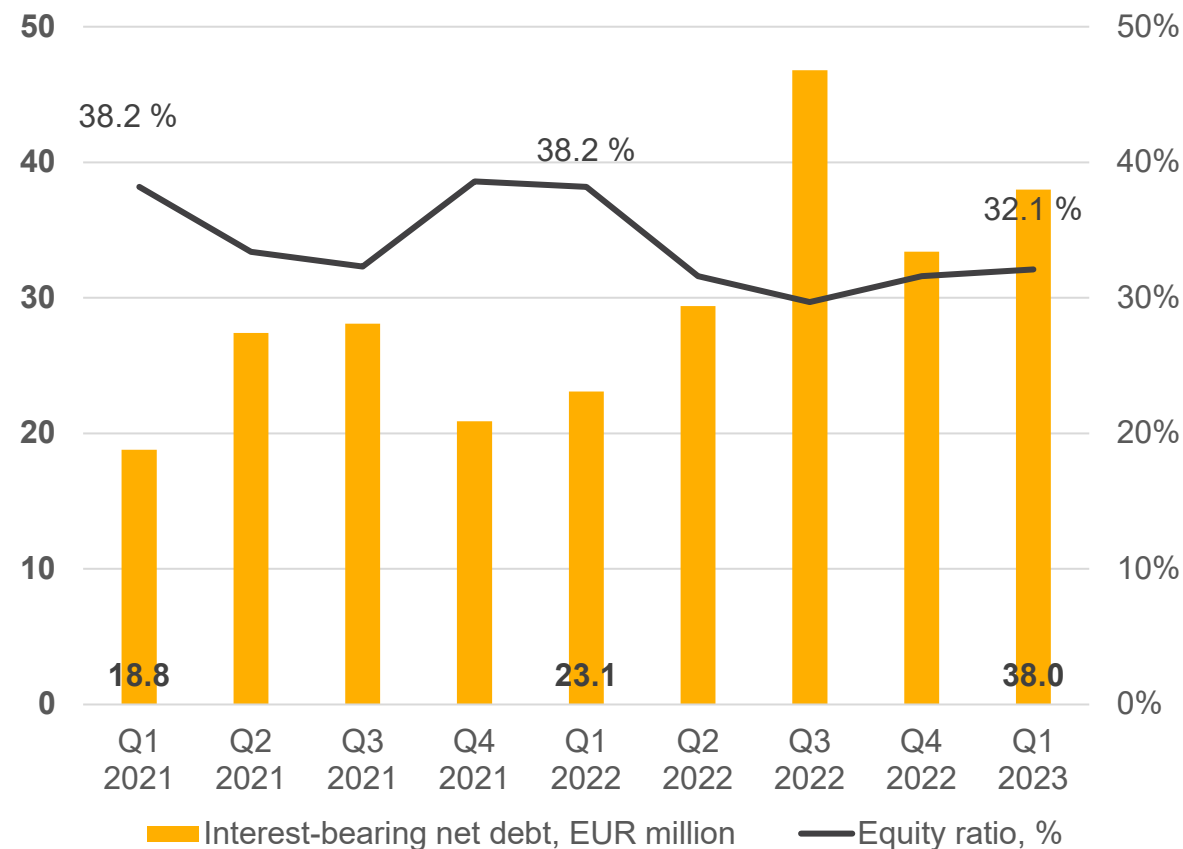
NET WORKING CAPITAL, EUR MILLION



INTEREST-BEARING NET DEBT AND EQUITY RATIO

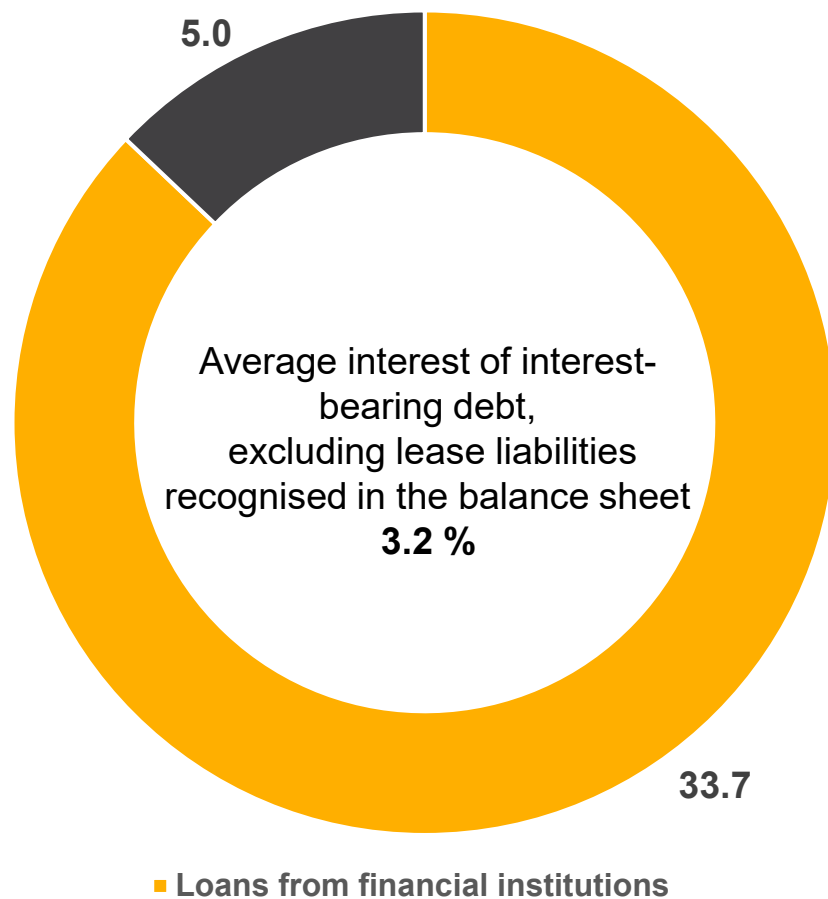
- Kreate's interest-bearing net debt on 31 March 2023 was EUR 38.0 (31 March 2022: 23.1) million
- Interest-bearing debt amounted to EUR 41.6 million on 31 March 2023, of which EUR 5.0 million constituted issued commercial papers
- Equity ratio was 32.1% on 31 March 2023 (31 March 2022: 38.2%)
- Compared to the previous year, the change in working capital and the Swedish business acquisition are the most significant factors with regard to the increase in net debt

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

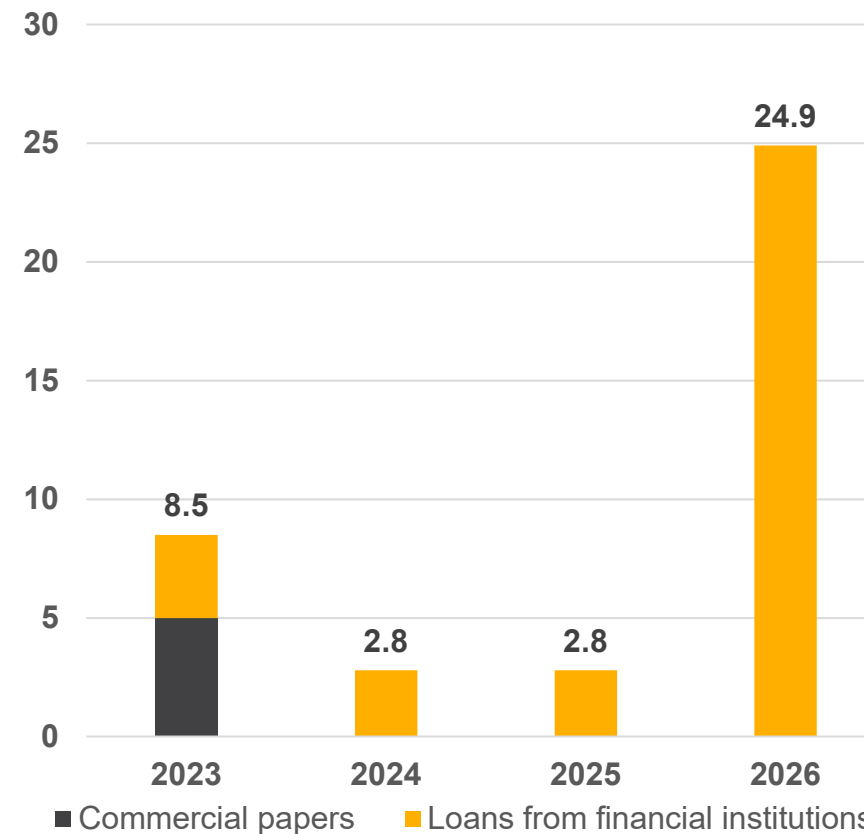


INTEREST-BEARING DEBT – MATURITY AND AVERAGE INTEREST

LOAN PORTFOLIO ON 31 MARCH 2023, EUR
MILLION



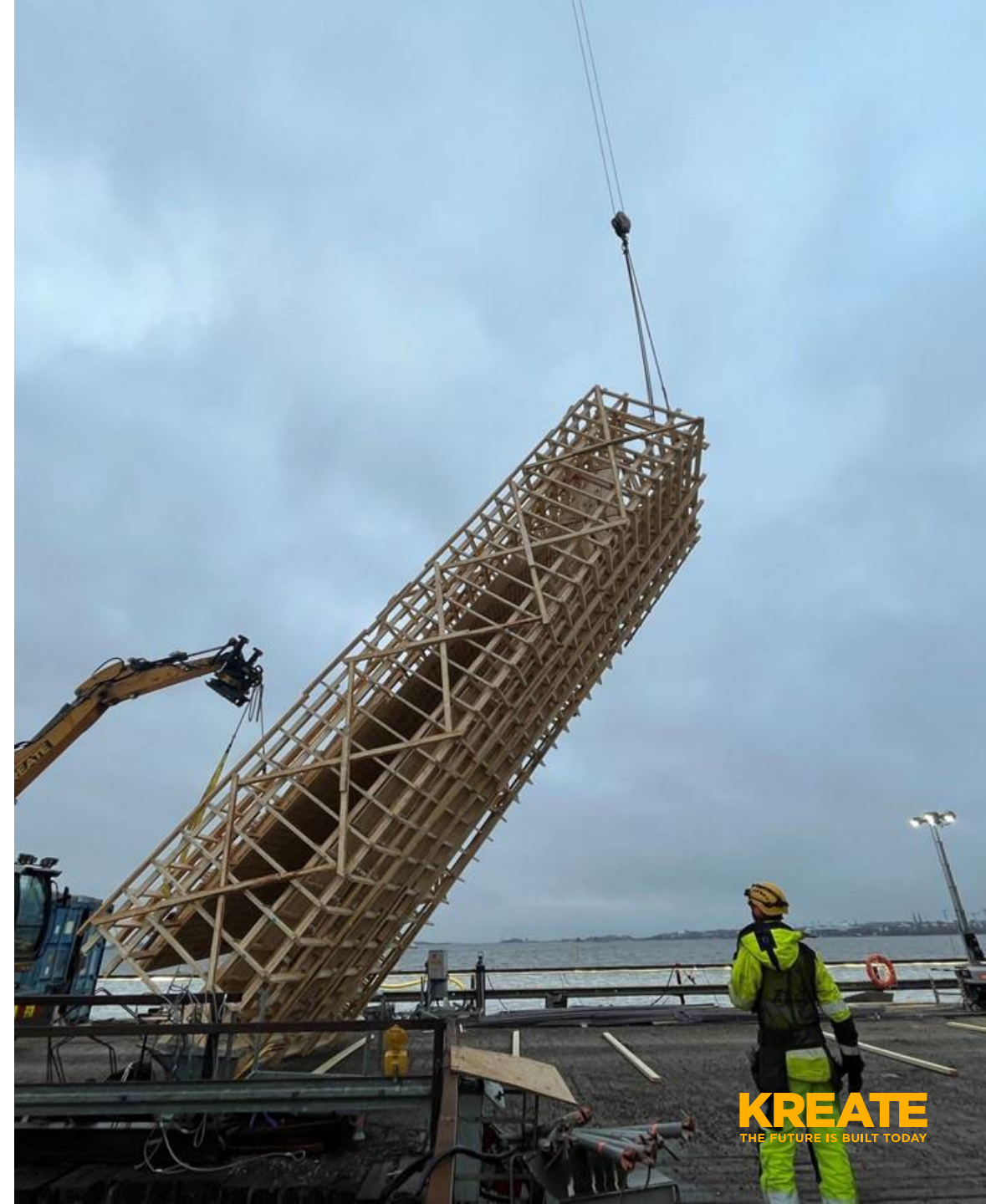
REPAYMENT SCHEDULE FOR INTEREST-BEARING
DEBT ON 31 MARCH 2023, EUR MILLION



OUTLOOK FOR 2023

PUBLISHED ON 31 JANUARY 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.



**THE FUTURE IS
BUILT TODAY**

A CLEAR STRATEGY WITH A VIEW TO CONTINUED PROFITABLE GROWTH

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

1

POSITIONING IN
GROWING MARKET
SEGMENTS

2

EXPANDING AND
STRENGTHENING
CUSTOMER ACCOUNTS
AND OFFERING

3

SUPPORTING THE
STRATEGY WITH
SELECTED
ACQUISITIONS

4

CONTINUOUS IMPROVEMENT OF OPERATIONAL EFFICIENCY AND PROFITABILITY

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



SOCIETY

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

LEGISLATION

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

POLITICS

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

ECONOMY

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

THE ENVIRONMENT

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

TECHNOLOGY

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

SUSTAINABILITY

Driving forces continue to have a significant impact on the construction industry, guiding the operations of both Kreate and the industry as a whole. Kreate intends to capitalise on the changing market conditions with a clear strategy, competent and strengthening organisation, sustainable operations as well as specialisation in technically challenging projects and demanding conditions.

KREATE'S LONG-TERM GOALS

GROWTH

Growing the revenue

to EUR 300 million

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

PROFITABILITY

EBITA margin

> 5%

in the medium term

DEBT TO EQUITY RATIO

Net debt/EBITDA

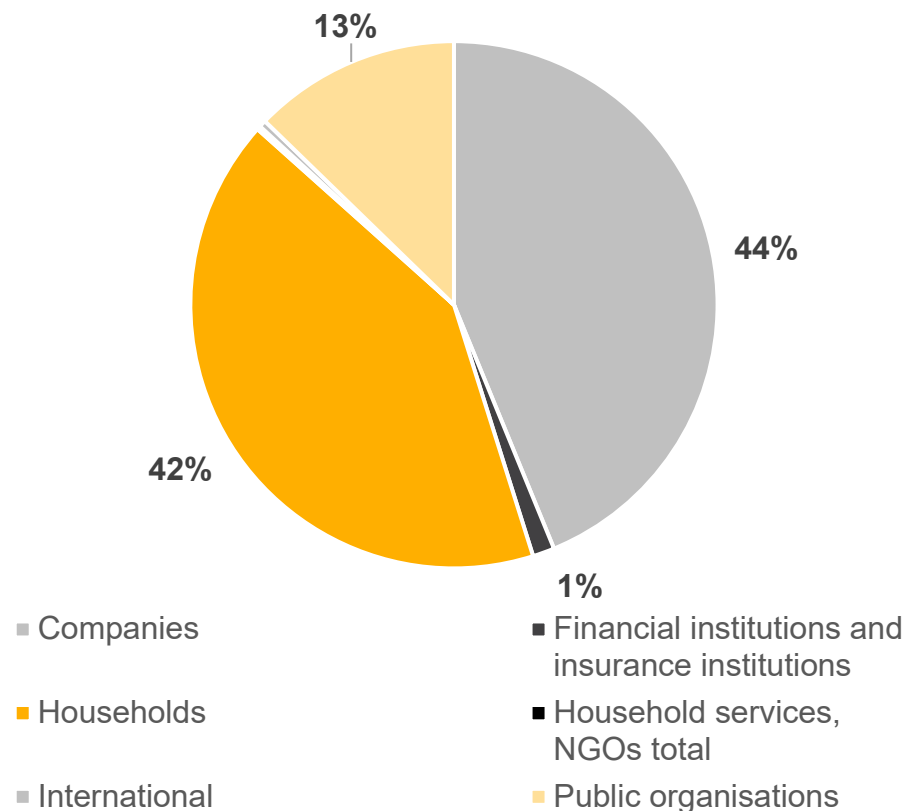
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KREATE'S DIVIDEND POLICY

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

KREATE'S SHAREHOLDERS ON 31 MARCH 2023

SHAREHOLDERS BY SECTOR



Shareholder	Shares	% of shares
1. Harjavalta Oy	1,783,689	19.9
2. Tirinom Oy	1,000,000	11.1
3. Ilmarinen Mutual Pension Insurance	425,000	4.7
4. Valtonen Seppo Timo Johannes	412,101	4.6
5. Varma Mutual Pension Insurance	359,000	4.0
6. Mutual Fund Säästöpankki pienyhtiöt	350,000	3.9
7. Rantala Sami Kalle Antero	273,534	3.0
8. Inkala Tero Antero	208,396	2.3
9. Elo Mutual Pension Insurance Company	180,000	2.0
10. Pensionsförsäkringsaktiebolaget Veritas	175,000	1.9
11. Salminen Juha Petri	160,512	1.8
12. Neva-Aho Ronnie Juhani	100,519	1.1
13. Kreate Group Plc	90,000	1.0
14. Tradeka-Sijoitus Oy	94,750	1.1
15. Petri Rignell	2,032	0.0
via Prirock Oy	69,908	0.8
16. Hat Invest Oy	71,193	0.8
17. Kulmala Teuvo Kalle Olavi	67,966	0.8
18. Karjalainen Jarmo Juhani	65,580	0.7
19. * Skandinaviska Enskilda Banken Ab	56,364	0.6
20. Beachfish Invest Oy	55,796	0.6
TOP 20 TOTAL	6,001,340	66.8
ALL SHARES TOTAL	8,984,772	

* Nominee registered