

A photograph of a construction site at dusk or night. Several workers in high-visibility yellow-green clothing and hard hats are working. One worker is on a lift bucket near a large metal structure. Another worker is on the ground. A green crane or lift is visible in the center. The background shows some buildings and trees under a dark sky.

# REVENUE INCREASED BY 29% – ORDER BACKLOG REMAINED AT A HIGH LEVEL

TIMO VIKSTRÖM, PRESIDENT & CEO  
MIKKO LAINE, CFO

19 JULY 2023

KREATE GROUP PLC/HALF-YEAR REPORT 1-6/2023

**KREATE**  
THE FUTURE IS BUILT TODAY

# H1 2023 IN BRIEF

1.

Order backlog amounted to EUR  
**264.9** (204.4) million

3.

EBITDA was EUR **5.0** (5.6) million, amounting to **3.3%** (4.8%) of revenue

5.

Free cash flow from operating activities was EUR **-1.6** (-1.6) million

2.

Revenue was EUR  
**151.6** (117.4) million

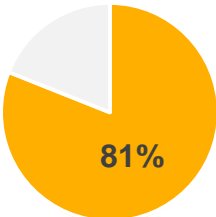
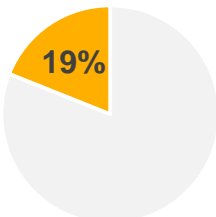
4.

EBITA was EUR **2.2** (3.5) million, amounting to **1.4%** (3.0%) of revenue

6.

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

# SPECIALISATION HELPS IN TOUGHER COMPETITION

BUSINESS FUNCTIONS	MARKET DEVELOPMENT Q2/2023 AND 12-MONTH OUTLOOK*	SHARE OF KREATE'S REVENUE	KREATE'S POSITION AND MEASURES
<b>STRUCTURAL ENGINEERING</b>			
Bridge construction	→		In the structural engineering business function the market is challenging 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.
Foundation and engineering construction	↘		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.
Special foundation construction	→		
Circular economy	→		
Special infrastructure construction in Sweden	↗		In Sweden, particularly the rock engineering and concrete construction market, which demands special expertise and suits Kreate, continues to be strong.
<b>TRANSPORT INFRASTRUCTURE CONSTRUCTION</b>			
Railway construction	↘		In the transport infrastructure construction business, the number of road and street construction projects remained close to the normal level. The rapidly rising interest rates caused uncertainty, especially with regard to decisions to launch industrial and railway investments. Due to the investments included in the Government Programme, a positive turn is expected in the railway construction market from spring 2024.
Road and street construction	→		
<b>OVERVIEW</b>			Projects relating to the Finnish Government's transport investment programme and the green transition provide continuity, even though the outlook for 2023 is downbeat.



# SIGNIFICANT GROWTH POTENTIAL IN THE OPERATING ENVIRONMENT OF INFRASTRUCTURE CONSTRUCTION

The outlook for construction in 2023 is downbeat, especially in housing construction. Based on the recovered Swedish market, the Finnish Government Programme as well as the planned green transition and industrial projects, growth is expected in the infrastructure market in Finland and Sweden.



Inflation and consumer uncertainty caused by rising interest rates have had a weakening effect, especially on the housing construction market.



The postponement of projects, persistently high inflation, wage development in the industry and changes in the construction market have tightened competition.



**Growth is expected in the infrastructure construction market in the next few years.**



The Finnish Government intends to implement a transport investment programme of approximately EUR 3 billion to develop the transport and railway network and reduce the maintenance backlog. In addition, several cities have plans for tram line projects.



Finland has the opportunity to apply for CEF project funding of up to 50% of the costs of the planning and construction of infrastructure projects.



Due to the long permit processes, green transition projects will launch in both Finland and Sweden at the earliest in 2024.



Industrial companies have a willingness to invest, and projects are expected to launch at the latest once the economic situation has improved.

Specialising in demanding and versatile infrastructure has helped Kreate cope well with the back-to-back crises that have rocked the world and the construction industry in recent years. By continuing to strengthen our special technical expertise and taking care of the well-being of our personnel, we ensure our strong capability to execute even the most challenging future projects.

# HIGHLIGHTS FOR APRIL–JUNE 2023



We won the Poikkimaantie improvement project in Oulu valued at nearly EUR 30 million. We are building 4.5 km of transport infrastructure, 10 new and 5 bridges to be repaired as well as diverse railway projects.

4

The exceptionally large-scale casting work at both the Finkensilta bridge and Kesko's Onnela logistics centre succeeded in an excellent way. On a general level, large projects progressed as expected.



Kreate Rata Oy merged with Kreate in May. The merger clarifies the organisational structure and makes operations more efficient.

5

We won two railway contracts between Kytömaa and Ainola as part of the massive Helsinki–Riihimäki project. Together with the electric railway contract won in June, the total value of the projects is approximately EUR 18 million.



In the circular economy business, the crushed concrete developed and produced by Kreate received a certificate of no longer being waste (EEJ). The high-quality recycled product is also CE marked.

6

Winning the electric railway contract between Kytömaa and Ainola as an Early Contractor Involvement project is proof of the investments made in the railway business and strengthens our competitiveness in tenders for future electric railway projects.



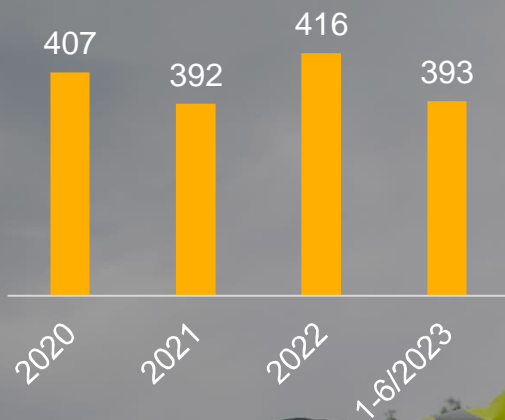
## FOCUSING ON TECHNICALLY DEMANDING INFRASTRUCTURE CARRIED US THROUGH IN A CHALLENGING MARKET

- In the second quarter, we consistently won tenders in various types of construction. The electric railway contract, which includes the planning stage, from the massive Helsinki–Riihimäki project diversifies and strengthens the railway and track construction business.
- Our large and technically challenging projects progressed as planned. In addition to the strong order backlog, projects progressing even faster than predicted contributes to the growth in revenue in 2023.
- Kreate continued and intends to continue to strengthen its technical expertise also in the future, as the Finnish Government's infrastructure investment package of EUR 3 billion, winning green transition projects for Finland as well as ensuring companies' reliability of operation, Finland's accessibility and security of supply require a great deal of construction in the coming years.





## PERSONNEL ON AVERAGE



LOST-TIME INJURY  
FREQUENCY 12 MO  
ROLLING

2.3

(0 accidents in 1-6/2023)

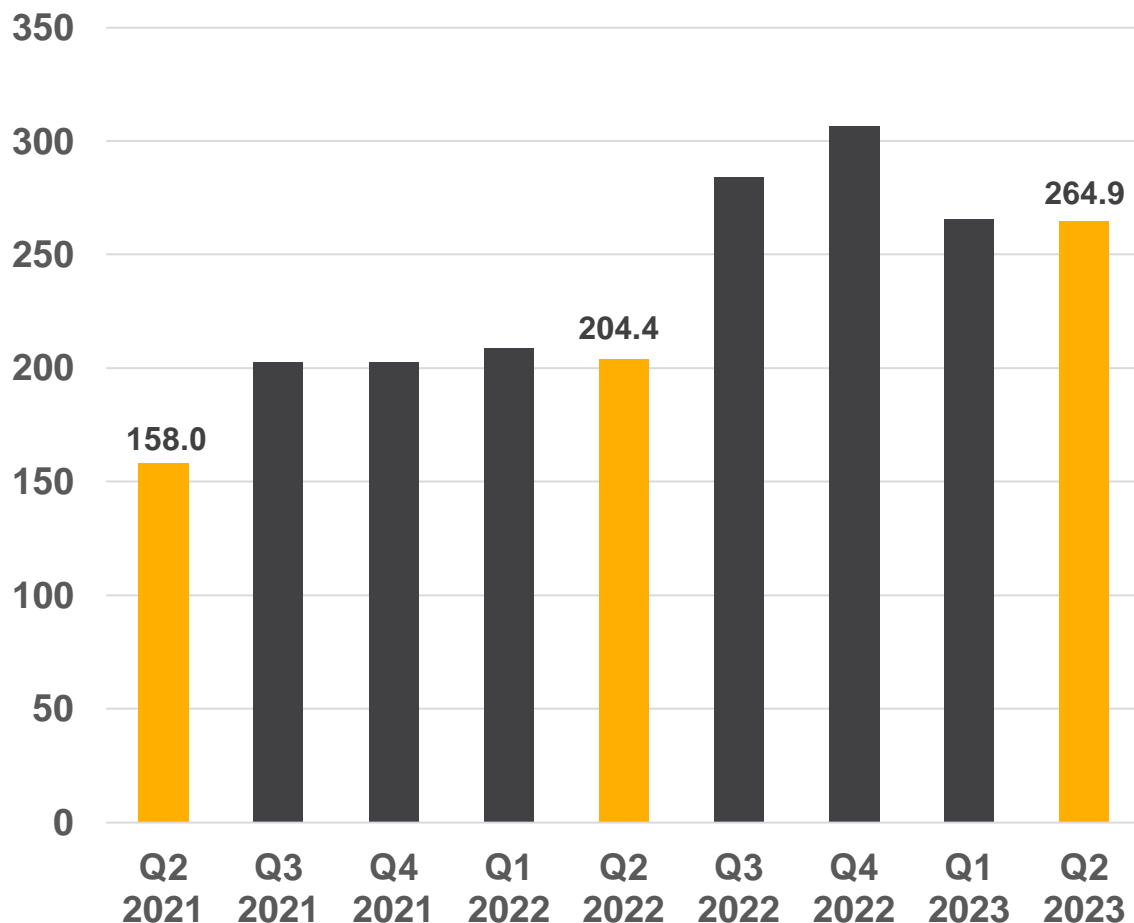
7

## COMMENTS BY THE PERSONNEL:

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

# TENDERING PICKED UP AND SUPPORTED THE ORDER BACKLOG

ORDER BACKLOG Q2/2021–Q2/2023, EUR MILLION

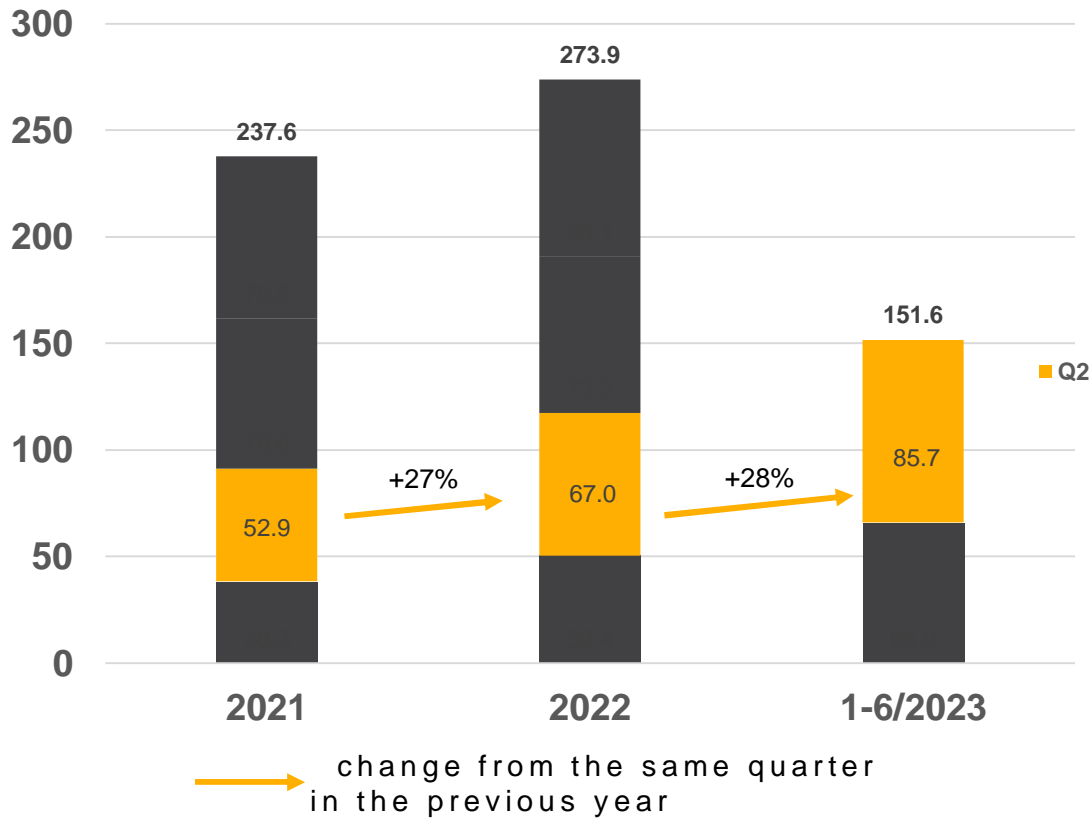


- At the end of June 2023, the order backlog amounted to EUR 264.9 (204.4) million
- The order backlog was on the same level as at the end of the first quarter
- Tendering picked up after the first quarter, and this was positively reflected in the order backlog
- At the end of June 2023, the order backlog in Sweden amounted to EUR 10.7 million



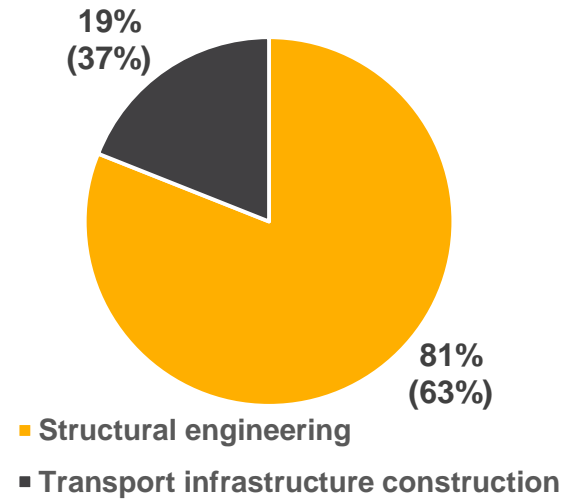
# REVENUE INCREASED BY 29% IN JANUARY–JUNE 2023

REVENUE, EUR MILLION

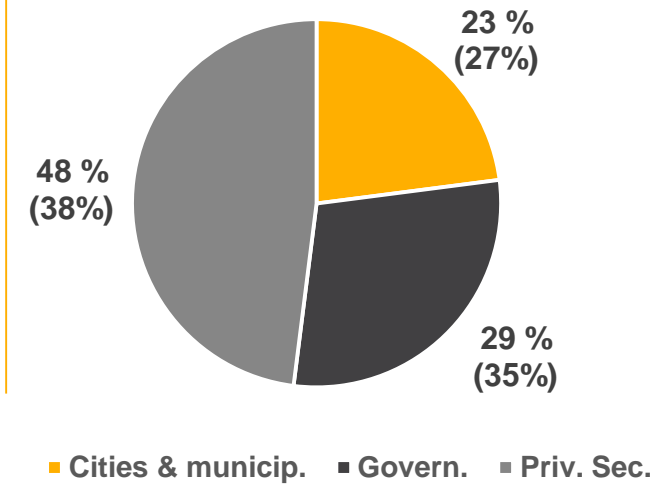


REVENUE DISTRIBUTION 1–6/2023 (1–6/2022)

BY BUSINESS FUNCTION



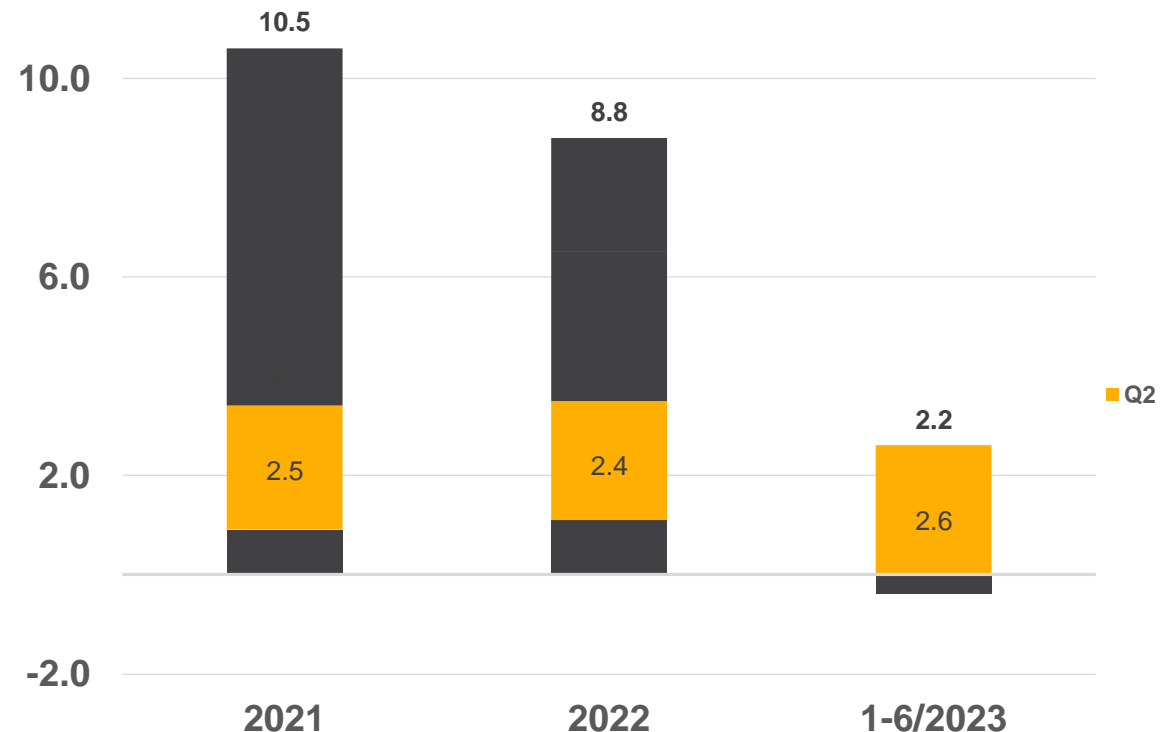
BY CUSTOMER GROUP



# SECOND QUARTER EBITA ALMOST AT PREVIOUS YEARS' LEVEL

- In January–June 2023, EBITA decreased compared to the reference period as was expected, amounting to EUR 2.2 (3.5) million
- In April–June 2023, EBITA grew compared to the reference period, amounting to EUR 2.6 (2.4) million
- The persistently high level of inflation during the first part of the year, wage development in the industry as well as changes in the total construction market have weakened relative profitability

EBITA (EUR MILLION)







# FINANCIAL REPORT

MIKKO LAINE, CFO

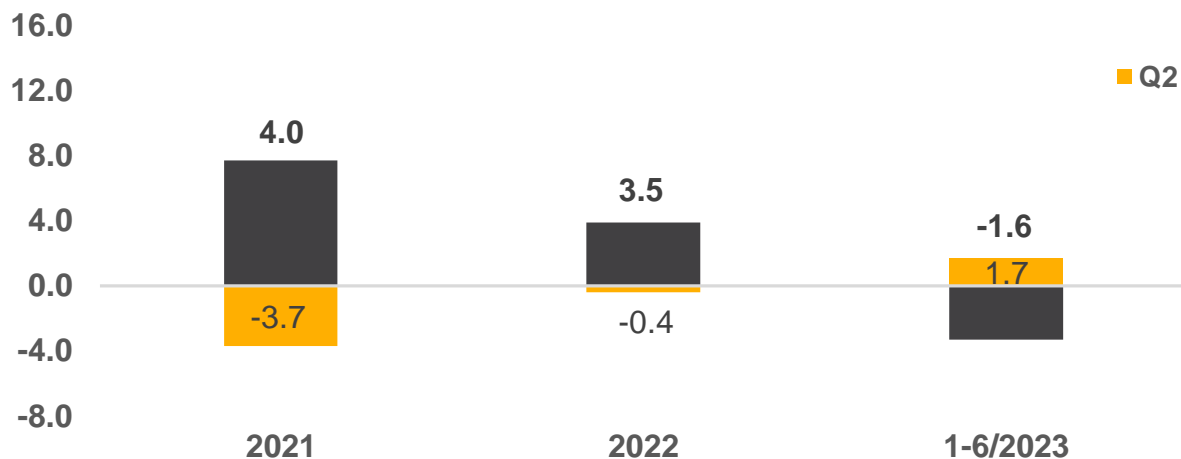
# KEY FIGURES: JANUARY–JUNE 2023

EUR million	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Order backlog			264.9	204.4	306.9
Revenue	85.7	67.0	151.6	117.4	273.9
EBITDA	4.0	3.5	5.0	5.6	13.6
EBITDA, %	4.7	5.3	3.3	4.8	5.0
EBITA	2.6	2.4	2.2	3.5	8.8
EBITA, %	3.0	3.6	1.4	3.0	3.2
Operating profit	2.5	2.4	2.1	3.4	8.6
Operating profit, %	2.9	3.5	1.4	2.9	3.2
Result for the period	1.5	1.6	0.8	2.3	5.6
Return on capital employed, %			9.8	16.0	12.5
Free cash flow from operating activities	1.7	-0.4	-1.6	-1.6	3.5
Net working capital			6.9	3.6	4.7
Net debt			39.1	29.4	33.4
Net debt/EBITDA			3.0	2.0	2.5
Net debt/EBITDA pro forma			3.0		2.4
Equity ratio, %			28.2	31.6	31.6
Earnings per share, undiluted, €	0.17	0.19	0.10		0.64
Personnel at the end of the period			504		447



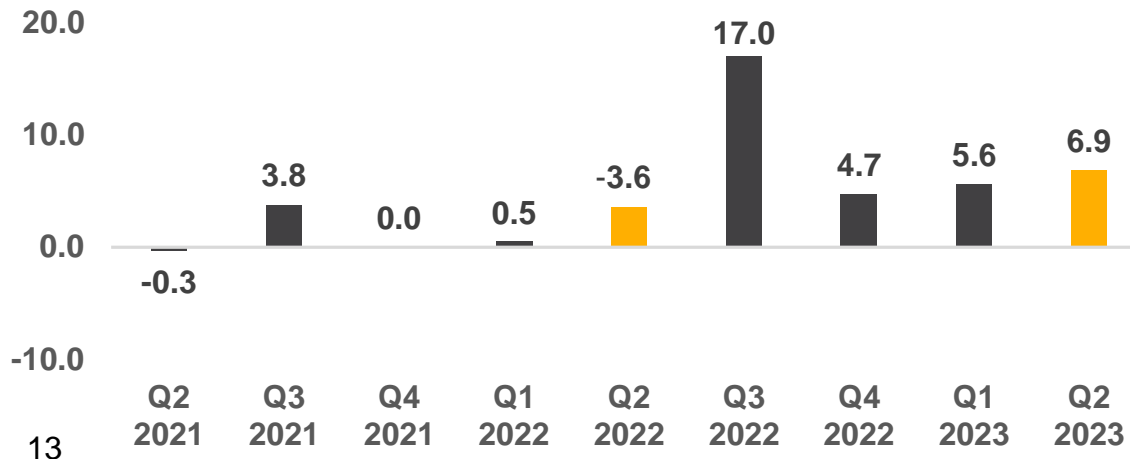
# CLEARLY POSITIVE CASH FLOW IN THE SECOND QUARTER

## FREE CASH FLOW FROM OPERATING ACTIVITIES, EUR MILLION



- Free cash flow from operating activities was EUR -1.6 (-1.6) million in January–June 2023
- Contrary to normal seasonal variation, free cash flow from operating activities was clearly positive in April–June
- The company's net investments in January–June amounted to EUR 4.3 (2.8) million, mainly comprising machinery and equipment for business purposes. Investments were larger than usual in January–March, relating to large projects that started and the equipment needed for them
- Efforts have been made towards the management of working capital and liquidity, and the effect of normal seasonal variation was quite minor in April–June 2023

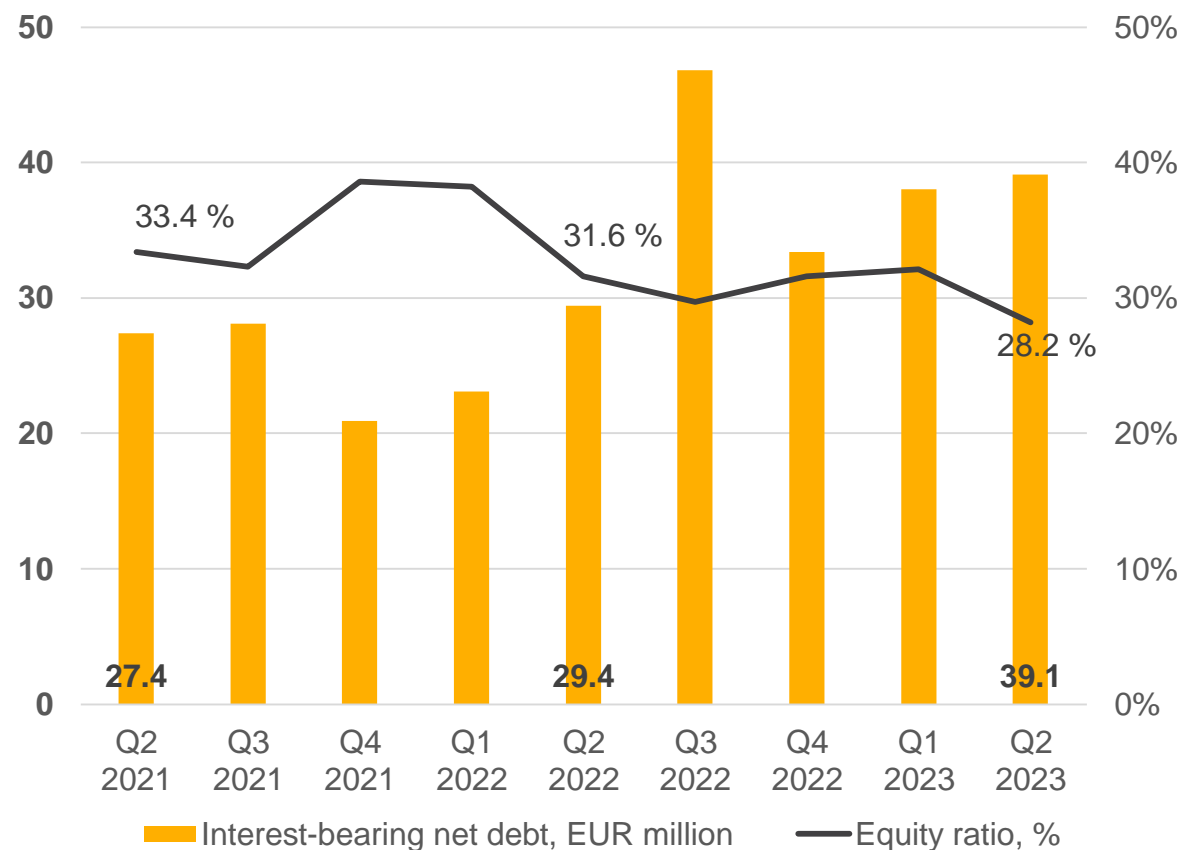
## NET WORKING CAPITAL, EUR MILLION



## INTEREST-BEARING NET DEBT AND EQUITY RATIO

- Kreate's interest-bearing net debt on 30 June 2023 was EUR 39.1 (30 June 2022: 29.4) million
- Interest-bearing debt amounted to EUR 48.6 million on 30 June 2023, of which EUR 5.0 million constituted issued commercial papers
- Equity ratio was 28.2% on 30 June 2023 (30 June 2022: 31.6%)
- Compared to the corresponding period of 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

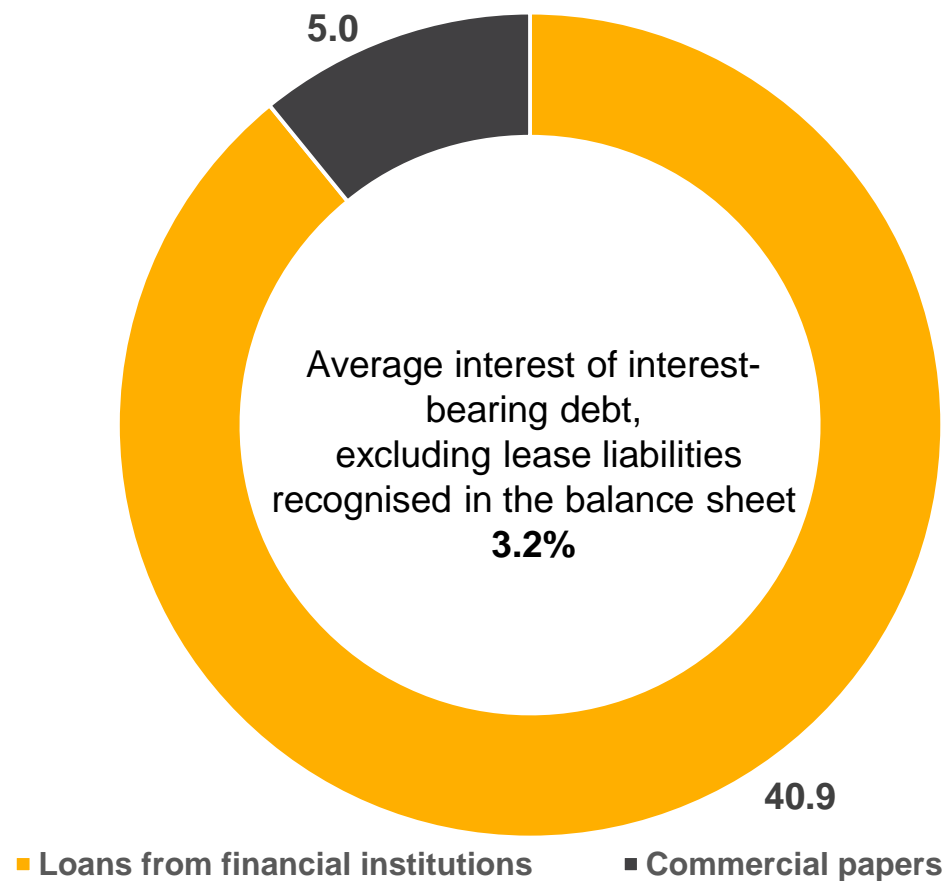
INTEREST-BEARING NET DEBT (EUR MILLION) AND EQUITY RATIO (%)



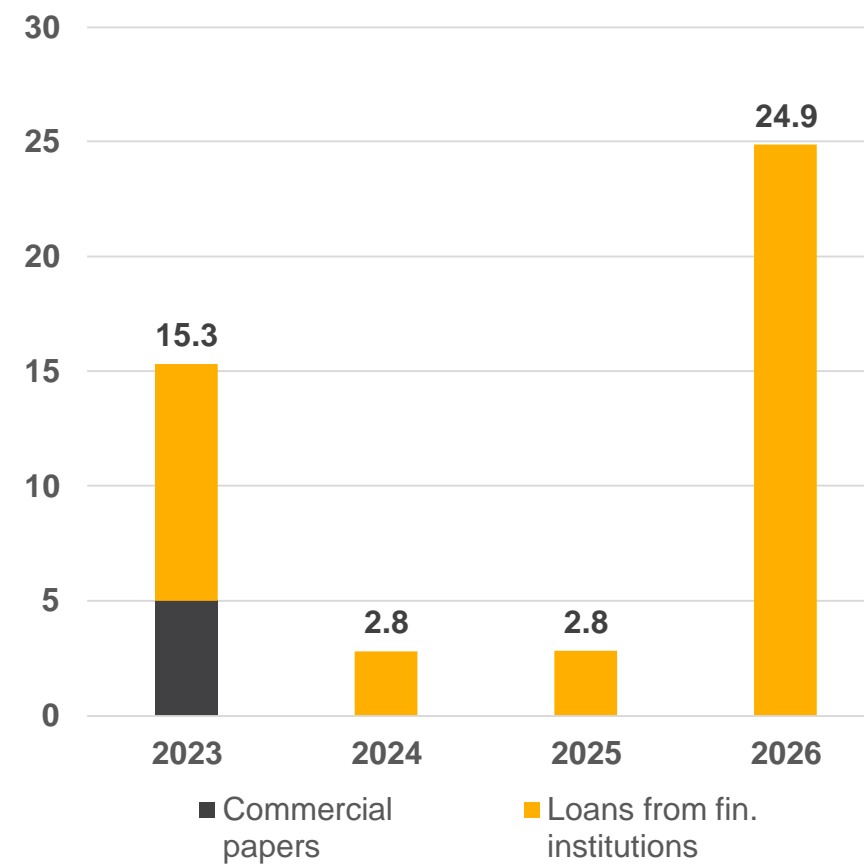


# INTEREST-BEARING DEBT – MATURITY AND AVERAGE INTEREST

LOAN PORTFOLIO ON 30 JUNE 2023, EUR MILLION



REPAYMENT SCHEDULE FOR INTEREST-BEARING DEBT ON 30 JUNE 2023, EUR MILLION



# OUTLOOK FOR 2023

PUBLISHED ON 6 JULY 2023

- Kreate estimates that its revenue (2022: EUR 273.9 million) will be EUR 300–325 million. EBITA (2022: EUR 8.8 million) is estimated to be at the level of EUR 7.0–8.5 million.
- **Justifications:** The strong order backlog and systematic execution of projects, in some cases even faster than predicted, have increased Kreate's revenue in the first half of the year. The same trend is expected to continue in the second half of the year as well, with which revenue is estimated to grow to a higher level than previously estimated.

At the same time, the persistently high level of inflation during the first part of the year, wage development in the industry as well as changes in the total construction market have affected profitability. Moreover, in contrast to the previous estimate, projects not bound to an index from previous years resulted in negative margin effects, weakening profitability in 2023. In railway construction, the postponement of projects estimated to start early in the year has strained the market and that has had a weakening effect on the estimated volume and profitability of this business.



**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

**< 2.0**

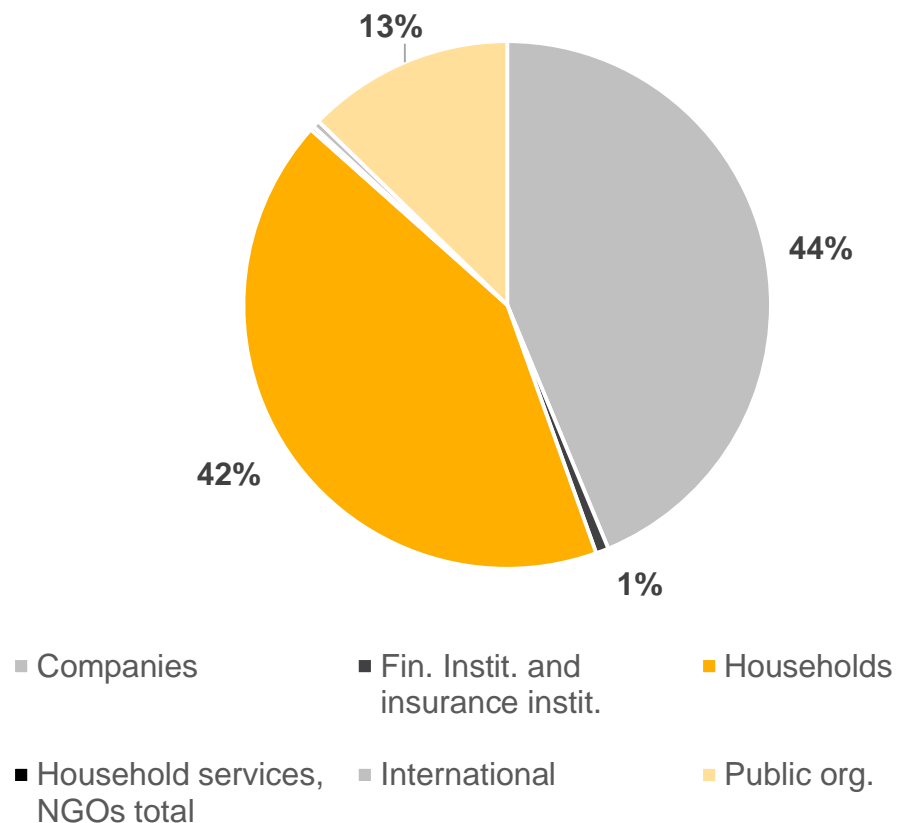
## KREATE'S DIVIDEND POLICY

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



# KREATE'S SHAREHOLDERS ON 30 JUNE 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 Company	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.	Tradeka-Sijoitus Oy	90,261	1.0
14.	Kreate Group Plc	90,000	1.0
15.	Petri Rignell	2,032	0.0
	via Prirock Oy	69,908	0.8
16.	Kulmala Teuvo Kalle Olavi	67,966	0.8
17.	Hat Invest Oy	66,588	0.7
18.	Karjalainen Jarmo Juhani	65,580	0.7
19.	Beachfish Invest Oy	55,796	0.6
20.	Säästöpankki Kotimaa -Mutual fund	54,924	0.6
	<b>TOP 20 TOTAL</b>	<b>5,990,806</b>	<b>66.7</b>
	<b>All SHARES TOTAL</b>	<b>8,984,772</b>	