

A construction site at dusk. In the foreground, there is a grassy area. In the middle ground, several workers in high-visibility yellow-green clothing are working on a large metal structure. Two workers are on a lift on the left, and two are on a lift on the right. A third worker is on the ground in the center. The background shows a building and trees under a twilight sky. Overhead power lines and a large metal truss structure are visible.

Half-year Report January-June 2023

Kreate Group Plc

KREATE
THE FUTURE IS BUILT TODAY

KREATE'S HALF-YEAR REPORT: REVENUE INCREASED BY 29% – ORDER BACKLOG REMAINED AT A HIGH LEVEL

Kreate Group Plc, half-year report for January–June 2023, 19 July 2023 at 8:30 a.m.

April–June in brief

- Order backlog amounted to EUR 264.9 (204.4) million, increase 29.6%
- Revenue grew compared to the reference period, amounting to EUR 85.7 (67.0) million
- The year-on-year change in revenue was 28.0% (26.6%)
- EBITDA was EUR 4.0 (3.5) million, amounting to 4.7 (5.3) per cent of revenue
- EBITA was EUR 2.6 (2.4) million, amounting to 3.0 (3.6) per cent of revenue
- Earnings per share were EUR 0.17 (0.19)
- Free cash flow from operating activities was EUR -1.7 (-0.4) million
- Interest-bearing net debt was EUR 39.1 (29.4) million
- Guidance updated 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.

January–June in brief

- Revenue grew compared to the reference period, amounting to EUR 151.6 (117.4) million
- The year-on-year change in revenue was 29.1% (28.7%)
- EBITDA was EUR 5.0 (5.6) million, amounting to 3.3 (4.8) per cent of revenue
- EBITA was EUR 2.2 (3.5) million, amounting to 1.4 (3.0) per cent of revenue
- Earnings per share were EUR 0.10 (0.26)
- Free cash flow from operating activities was EUR -1.6 (-1.6) million

Development of the operating environment

In looking at the Government Programme published by the Finnish Government, the infrastructure construction market can be expected to grow in the coming years, even though the outlook for the current year is more downbeat. Both the Confederation of Finnish Construction Industries and the Ministry of Finance's RAKSU construction trends group have estimated a drop of 3–4 per cent for the entire construction sector in 2023, but the gloomy situation in housing construction has recently stirred estimates of an even greater decline. The traditionally steady infrastructure construction segment is still estimated to fall by two per cent in 2023.

There is an acute need in Finland for the planning and construction of infrastructure that is functional and attracts foreign investments. New industrial and energy projects require not only the development of infrastructure locally, but also the improvement of transport infrastructure, especially in the north and on the west coast, in order to ensure accessibility and security of supply. Logistical reliability, which is important for business life, is achieved with a road and railway network, including bridges, that can be used safely. Furthermore, Finland's geopolitical position and NATO membership require adequate road, railway, airport and port infrastructure to Scandinavia and the northern Baltic Sea.

The Finnish Government intends to implement an extensive transport investment programme of nearly EUR 3 billion: A package of investments totalling approximately EUR 1.6 billion has been planned for developing the transport network and reducing the maintenance backlog, and rail transport will be made more competitive with a package of EUR 1.4 billion. The new Government

Programme takes into account several infrastructure projects, such as improvements to main road 5 and main road 4, launching the one-hour Helsinki–Turku rail link project as well as multiple main line development projects. So far, only a few of the large projects in the long-term investment programme and the transport system plan have been launched, which has meant that the infrastructure maintenance backlog has further increased as well. The goal of the new Government is to reverse the increase in the maintenance backlog and develop the infrastructure network in order to ensure Finland's accessibility, competitiveness and security of supply.

In addition to the state's infrastructure projects, the City of Vantaa has decided on the construction of an approximately 19-kilometre tram line, with the project estimated to start already in autumn 2024. There are several other similar plans in the Helsinki metropolitan area, Tampere and Turku for the next few years.

It is possible to apply for funding for the planning and construction of the infrastructure network from the military mobility package of the European Union's CEF financial instrument, but this must be done by September 2023. Due to Finland's NATO membership and geopolitical location, Finland has good grounds to receive funding of up to 50 per cent of the costs of planning and construction. The Government intends to make full use of the CEF project funding and plans to make proposals for projects in the 2023 supplementary budget process.

Willingness to invest is high in industry, but inflation and rising interest rates have contributed to the postponement of initiation decisions. Once realised, they will also boost the construction industry. Green transition investments will launch at the earliest in 2024 due to the long permit processes, and their total value is estimated at approximately EUR 100 billion. Not all of the planned green transition investments will go ahead as Finland is competing for them with other countries, but with the planned volumes being huge, the launch of even just some of them will create a significant market as well as opportunities for infrastructure operators.

Business premises and repair construction has remained approximately at the previous year's level, but housing construction has plummeted. Construction market expert company Forecon predicted in the spring that housing construction will decrease by more than 20 per cent in 2023. At the moment, new apartments are still being completed in large numbers, but in the meanwhile demand is sluggish, thereby causing an oversupply in the market for new apartments. The number of housing projects started has been reduced this year, which weakens the outlook for housing construction for 2024 as well. However, the slowdown in the rise in construction costs and even a slight drop in the prices of some materials is a positive signal.

The long-term outlook of infrastructure construction in Finland is stable and, with the realisation of the above-mentioned needs and plans, positive. In Sweden, the house construction segment and house sales were on the decline during the first quarter of the year as the house prices fell more than in Finland. In the second quarter, house sales have picked up in Sweden, and the decline in prices has come to a halt or turned upward in places. In spite of the reductions in total volume, favourable developments continue in the Swedish infrastructure market; in particular, the rock engineering and concrete construction market, which demands special expertise and suits Kreate, is estimated to remain very strong in the next few years.

In its strategy, Kreate has chosen its business functions according to areas of structural engineering and transport infrastructure construction supported by the megatrends that will grow in the long term. 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. Kreate's strategic specialisation in demanding infrastructure projects and good order backlog will lead to revenue growth in 2023.

Key figures

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
Year-on-year change in revenue, %	28.0	26.6	29.1	28.7	15.3
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
Capital employed			80.8	68.5	75.9
Return on capital employed, %			9.8	16.0	12.5
Return on equity, %			10.4	20.9	13.8
Net investments in operating activities	-1.1	-1.0	-4.3	-2.8	-4.2
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, rolling 12 months			3.0	2.0	2.5
Net debt/EBITDA, rolling 12 months pro forma*			3.0		2.4
Equity ratio, %			28.2	31.6	31.6
Earnings per share, diluted, €	0.17	0.19	0.10	0.26	0.63
Earnings per share, undiluted, €	0.17	0.19	0.10	0.26	0.64
Personnel at the end of the period			504	424	447
Personnel on average	460	407	424	393	416

*) The pro forma for the reporting period includes the EBITDA of the acquisition from 1 July to 31 August 2022

President & CEO Timo Vikström:

“The first half of 2023 in the infrastructure construction industry was marked by steadiness offering no surprises – regardless of the drastic drop in housing construction, the deterioration of the economic situation and changes on the global stage, infrastructure construction – and especially focusing on technically challenging infrastructure – carried us through. We continued our targeted efforts in the management of working capital and cash flow in a challenging market environment, and we have succeeded well in managing liquidity and receivables. Tendering also picked up after the first quarter, and this was positively reflected in Kreate’s order backlog, which stood at EUR 264.9 (204.4) million at the end of the reporting period.

In the second quarter, we consistently won tenders in various types of construction. We took on several small contracts in bridge and transport infrastructure construction, and our foundation construction professionals started the construction of the Kokinniitty parking facility. In addition, our investments in railway construction are starting to show, with increases in the size and versatility of the projects won. We won three different contracts for the massive construction project between Kytömaa and Ainola in the Helsinki–Riihimäki rail project. Their total value is approximately EUR 18 million, and one is an electric railway contract that includes the planning stage.

Kreate’s revenue in the first half of 2023 was EUR 151.6 (117.4) million and EBITA decreased, amounting to EUR 2.2 (3.5) million. In July, we issued new result guidance, estimating that the revenue for 2023 will rise to between EUR 300 and 325 million and EBITA is estimated to be at the level of EUR 7.0–8.5 million. Our strong order backlog and systematic execution of projects, in some cases even faster than predicted, contribute to the growth in revenue. The persistently high inflation, wage development in the industry as well as changes in the total construction market have affected profitability. Moreover, in contrast to the estimate issued in 2022, some margin effects of projects not bound to an index from previous years were carried over to 2023. In railway construction, the postponement of projects estimated to start early in the year has strained the railway market during the first part of the year, weakening the volume and profitability of the railway construction business.

Finland is in a situation where both the internal and external accessibility should be improved as a matter of urgency. People and goods must be able to move smoothly, cost-effectively and with as low emissions as possible across the borders and within Finland. Mobility and security of supply are emphasised in crisis conditions. The improvement and construction of transport infrastructure has been inadequate for years. In order to secure the future, we should act immediately because the development and maintenance of infrastructure are vital to the functioning of our welfare society.

Green transition investments amounting to billions of euros have been featured a lot in the media, but there is still a long way to go before concrete construction projects are started. Currently, of projects related to the green transition, especially the construction of wind and solar power plants is progressing, but other countries are also competing for investments in the billions on hydrogen, for example. In addition to functional logistics, companies also need emission-free electricity, which places demands on improving the distribution network. In addition to investments in the green transition, there are investment plans in industry that will nevertheless have to wait for the cost level to stabilise, inflation to go down and the predictability of the interest rate environment to improve.

There would be things to build in the pipeline and there is sufficient interest in Finland, if only the plans could be turned into concrete projects. There are ways to get there if we just have the courage. The construction industry, which has acted as the driving force of the Finnish economy in the past as well, is ready to roll up its sleeves and get down to business. Bold calls and investment

decisions by the decision-makers will open up opportunities for applying for the EU's CEF funding, for example, which closes in September. Finland's logistics capabilities, safety and competitiveness can be ensured by creating functional financing models for large traffic investments and ensuring a sufficient level of investment for basic transport infrastructure maintenance. If realised, bold infrastructure investments will also have a knock-on effect on the entire infrastructure construction industry.

For 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. Building the future has a significant impact on employment, which will also be reflected positively in the state economy. We at Kreate continue to strengthen our special technical expertise and are ready to implement even the most challenging future investments. Our strategic focus on demanding construction will carry us through and keep us on a growth path in 2023 as well."

Result guidance 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.

Kreate Group's financial reporting

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

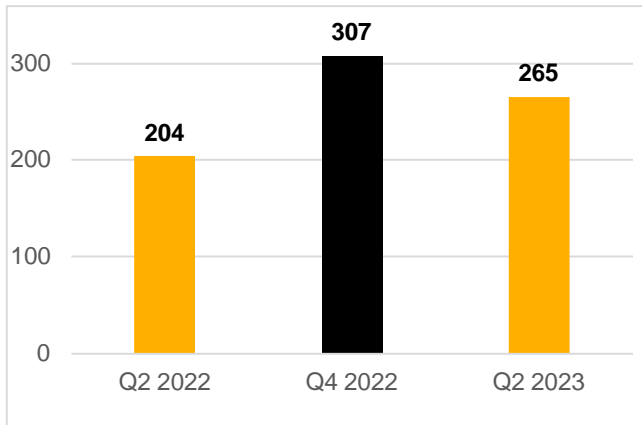
- Interim report for January–September 2023: 25 October 2023

Webcast event for analysts and media

A live webcast for analysts and media will be held today, 19 July 2023, at 11:00 a.m. The event will be held in Finnish. President & CEO Timo Vikström and Chief Financial Officer Mikko Laine will be presenting at the event. The webcast can be followed live in Finnish at <https://kreate.videosync.fi/2023-q2-tulosjulkistus/>. A recording of the webcast will be made available later at <https://kreate.fi/en/investor/releases-and-reports/reports/> and a summary in English will become available at <https://kreate.fi/en/investor/releases-and-reports/reports/>.

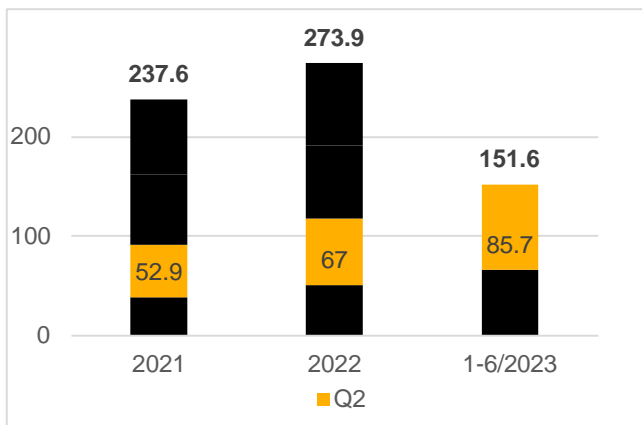
Key figures

Order backlog, EUR million



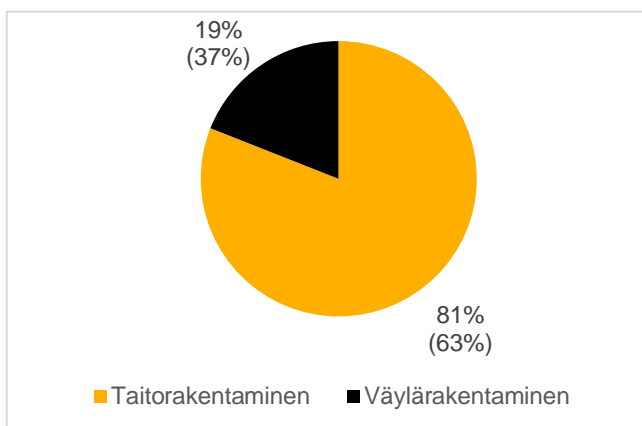
- **At the end of June 2023**, the order backlog grew by 30% compared to the reference period, amounting to EUR 264.9 (204.4) million.
- The order backlog remained unchanged compared to the situation in Q1 2023
- The most significant addition to the order backlog was the Poikkimaantie improvement project in Oulu valued at nearly EUR 30 million

Revenue, EUR million

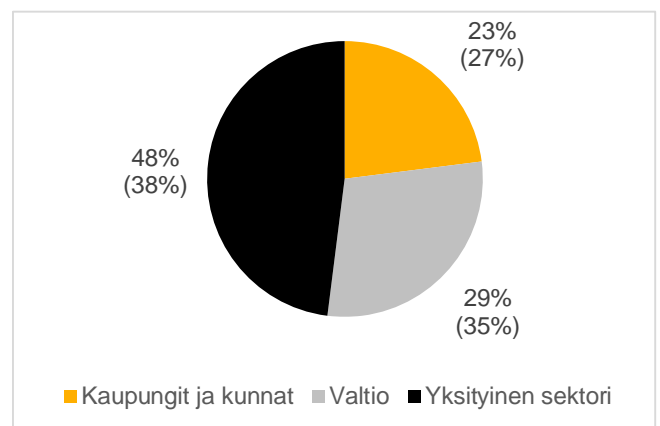


- **In April–June 2023**, revenue grew by 28% compared to the reference period, amounting to EUR 85.7 (67.0) million
- Revenue grew more than expected thanks to the good order backlog and systematic execution of projects, in some cases even faster than predicted, in the early year
- The share of Kreate’s revenue from its Swedish business was EUR 9.5 million
- **In January–June**, revenue was EUR 151.6 (117.4) million

Revenue by business function 1-6 2023 (1-6 2022)

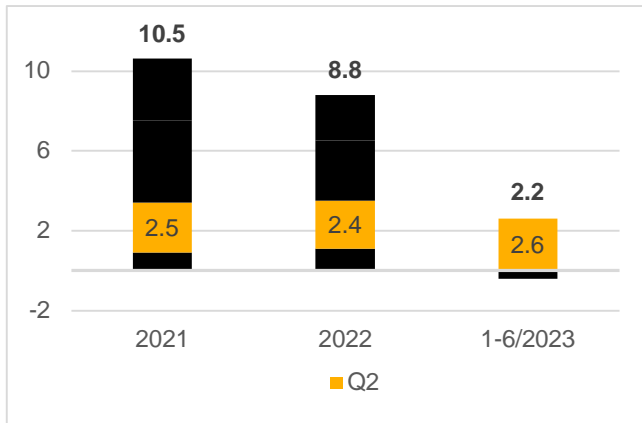


Revenue by customer group 1-6 2023 (1-6 2022)



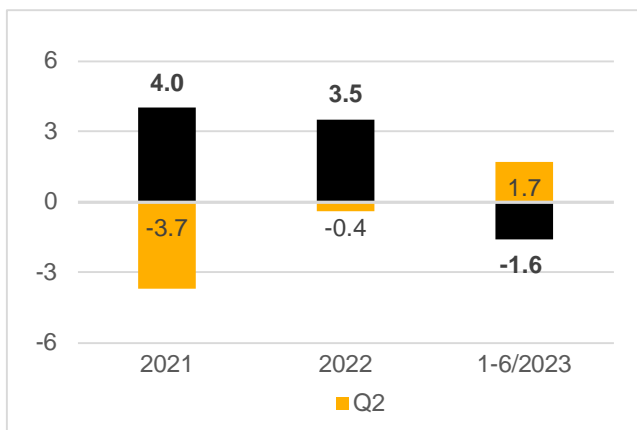
Transport infrastructure construction comprises Railway construction and Road and street construction. Structural engineering comprises Bridge construction and repair as well as Foundation and engineering construction.

EBITA, EUR million



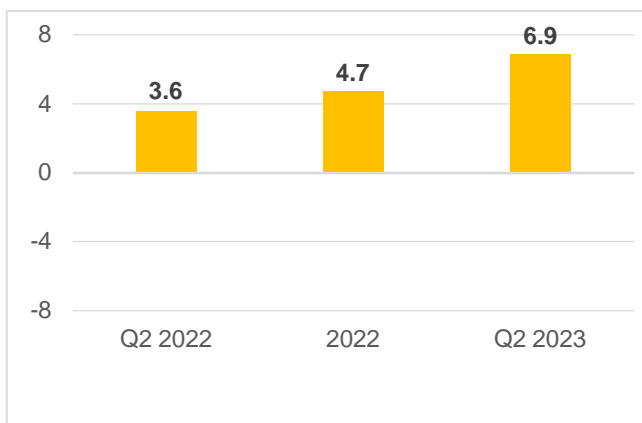
- **In April–June 2023**, EBITA grew compared to the reference period, amounting to EUR 2.6 (2.4) million
- **In January–June 2023**, EBITA decreased to EUR 2.2 (3.5) million
- The persistently high level of inflation during the first part of the year, wage development in the industry as well as changes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

Free cash flow from operating activities, EUR million



- **In April–June 2023**, free cash flow from operating activities was EUR 1.7 (-0.4) million, of which net investments amounted to EUR 1.1 (1.0) million
- **In January–June 2023**, free cash flow from operating activities was EUR -1.6 (-1.6) million, of which net investments amounted to EUR 4.3 (2.8) million
- Investments were larger than usual in the early part of the year, relating to the large projects that started and the equipment needed for them

Net working capital, EUR million



- **At the end of June 2023**, the company's net working capital was EUR 6.9 (3.6) million
- 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

Kreate's half-year report for January–June

Operating environment in January–June 2023

After a slow start in the first quarter, the infrastructure construction industry picked up almost to normal levels in the second quarter. Increase in tendering in the infrastructure construction market also had a positive effect on Kreate's order backlog. However, sluggishness was apparent in the launching of both private and public sector infrastructure projects. The rapidly rising interest rates caused uncertainty, especially with regard to decisions to launch industrial and railway investments.

Housing construction continued to stagnate, fuelled by inflation and the constant rise in interest rates. Due to the collapse in demand, not many housing investments were started, and the first half of the year saw mainly the continued implementation of projects that were already under construction. The quiet situation in housing construction accelerated the completion of housing projects and was reflected in the competitive situation of the entire construction market in Finland. In Sweden, house sales picked up slightly in the second quarter and the decline in house prices came to a halt.

The repair and business premises construction segments, which continued at a good level in the first half of the year, softened the decline caused by the slowdown in housing construction. Repair and business premises construction was maintained at a good level by public projects that are ongoing or about to start, such as projects related to schools and hospitals.

Looking at the Finnish construction market as a whole, the number of building permits, quotation requests and orders declined in the first half of 2023. The falling volume of construction, especially in the housing construction market, tightened the competition in all types of construction.

Kreate's strategic specialisation in executing demanding infrastructure projects continued to support the company's competitiveness in technically challenging projects that require special expertise. In addition, Kreate's good order backlog enabled the careful selection of projects put forward in a challenging operating environment.

Order backlog

The order backlog grew compared to the reference year and amounted to EUR 264.9 (204.4) million at the end of June 2023. The expected order backlog profitability was at a normal level compared to before. In the second quarter, the largest addition to the order backlog was the Poikkimaantie improvement project in Oulu valued at nearly EUR 30 million. In addition, as part of the massive Helsinki–Riihimäki project, Kreate won two railway contracts as well as an electric railway contract that includes the planning stage, the total value of which is approximately EUR 18 million.

Revenue

The Group's revenue by business function

EUR million	4–6/2023	4–6/2022	1–6/2023	1–6/2022	1–12/2022
Structural engineering ¹⁾	66.8	40.7	121.6	73.1	176.6
Transport infrastructure construction ²⁾	17.7	25.4	28.4	42.5	95.3
Other ³⁾	1.2	0.9	1.6	1.8	2.0
Total	85.7	67.0	151.6	117.4	273.9

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

April–June 2023

In April–June, the Group's revenue grew compared to the reference period, amounting to EUR 85.7 (67.0) million. Year-on-year, revenue grew in Structural engineering to EUR 66.8 (40.7) million and decreased in Transport infrastructure construction to EUR 17.7 (25.4) million. The revenue from Sweden is included in the Structural engineering business area, and it was EUR 5.8 million in April–June.

January–June 2023

In January–June, the Group's revenue grew compared to the reference period, amounting to EUR 151.6 (117.4) million. Year-on-year, revenue grew in Structural engineering to EUR 121.6 (73.1) million but decreased in Transport infrastructure construction to EUR 28.4 (42.5) million. The revenue from Sweden is included in the Structural engineering business area, and it was EUR 9.5 million.

In January–June, of the Group's total revenue, 23 (27) per cent came from cities and municipalities, 29 (35) per cent from the government and 48 (38) per cent from the private sector.

Profitability

EUR million	4–6/2023	4–6/2022	1–6/2023	1–6/2022	1–12/2022
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
Earnings per share, €	0.17	0.19	0.10	0.26	0.64

April–June 2023

In April–June, the Group's EBITDA was EUR 4.0 (3.5) million, amounting to 4.7 (5.3) per cent of revenue. EBITA was EUR 2.6 (2.4) million, amounting to 3.0 (3.6) per cent of revenue. The Group's operating profit was EUR 2.5 (2.4) million, amounting to 2.9 (3.5) per cent of revenue.

The Group's result before tax was EUR 1.9 (2.1) million. Tax for the reporting period amounted to EUR 0.4 (0.4) million. Result for the reporting period was EUR 1.5 (1.6) million. Earnings per share were EUR 0.17 (0.19).

January–June 2023

In January–June, the Group's EBITDA was EUR 5.0 (5.6) million, amounting to 3.3 (4.8) per cent of revenue. EBITA was EUR 2.2 (3.5) million, amounting to 1.4 (3.0) per cent of revenue. The Group's operating profit was EUR 2.1 (3.4) million, amounting to 1.4 (2.9) per cent of revenue.

The Group's result before tax was EUR 1.1 (2.8) million. Tax for the reporting period amounted to EUR 0.2 (0.5) million with the effective tax rate being 19.8 (18.3) per cent. Result for the reporting period was EUR 0.8 (2.3) million, of which the share attributable to the owners of the parent amounts to EUR 0.8 (2.3) million. Earnings per share were EUR 0.10 (0.26).

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

EUR million	4–6/2023	4–6/2022	1–6/2023	1–6/2022	1–12/2022
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

Free cash flow from operating activities was EUR 1.7 (-0.4) million in April–June. In January–June, free cash flow from operating activities was EUR -1.6 (-1.6) million. During the reporting period, net working capital increased to EUR 6.9 million from EUR 4.7 million at the end of the 2022 financial year.

EUR million	6/2023	6/2022	12/2022
Interest-bearing debt	48.6	37.8	42.8
Cash and cash equivalents	9.5	8.4	9.4
Net debt	39.1	29.4	33.4
Equity	41.8	39.1	42.5
Equity ratio, %	28.2	31.6	31.6
Return on capital employed, %	9.8	16.0	12.5

At the end of June, interest-bearing debt amounted to EUR 48.6 (31 Dec 2022: 42.8) million, of which EUR 2.9 (31 Dec 2022: 2.9) million constituted lease liabilities under IFRS 16. The company's cash and cash equivalents amounted to EUR 9.5 (31 Dec 2022: 9.4) million. In addition, the company had committed revolving overdraft and credit facilities of EUR 20.0 (31 Dec 2022: 20.0) million, of which EUR 9.0 (31 Dec 2022: 0.0) million were drawn. At the end of June, interest-bearing net debt was EUR 39.1 (31 Dec 2022: 33.4) million.

In addition, Kreate has in place a domestic commercial papers 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 30 June 2023, the company had issued commercial papers totalling EUR 5.0 (31 Dec 2022: 7.0) million.

The average interest of interest-bearing debt, excluding lease liabilities recognised on the balance sheet, was 3.2 (2.2) per cent in January–June of the reporting period.

At the end of the reporting period, the consolidated balance sheet total was EUR 148.8 (31 Dec 2022: 134.5) million and equity was EUR 41.8 (31 Dec 2022: 42.5) million. At the end of the reporting period, equity ratio was 28.2 (31 Dec 2022: 31.6) per cent and the company's return on capital employed was 9.8 (31 Dec 2022: 12.5) per cent.

Investments

During 2023, the company continued investing in equipment and the further improvement of equipment management.

Net investment cash flow was EUR 1.1 (1.0) million in April–June and EUR 4.3 (2.8) million in January–June. A considerable number of investments relating to the implementation of significant projects started in late 2022 took place in the early year, making the net investment amount exceptionally high.

Kreate's gross investments in tangible and intangible assets amounted to EUR 5.0 (3.1) million in the reporting period.

Personnel

At the end of June, Kreate Group employed 504 (424) persons. The average number of personnel in January–June was 424 (393).

Systematic advances in the area of developing personnel competence and well-being at work are apparent, for example, in the number of absences due to illness, the trend of which has been downward throughout the first half of the year. Kreate Group continued to identify and strengthen competence at all levels of management and to further facilitate discussions about issues relating to working ability. Developing the personnel's self-leadership skills was also continued. As part of the competence and performance process, job descriptions were reviewed with the personnel and development plans were prepared with the aim of ensuring the level of competence and development in the right direction. During the reporting period, employees were also offered individual well-being coaching as part of the well-being programme, with a focus on each individual's personal needs and starting points.

During the reporting period, effort was also put into the induction of the summer interns recruited in the first quarter. For construction students, familiarisation with work management and practical work is an important experience that helps those intending to enter the construction industry to commit to and plan their future career path. In the induction and internships of students, Kreate invests in both work in projects and the development of process competence. Varied and challenging tasks as well as providing support on a need basis ensure a successful internship. Making the versatility of infrastructure construction visible to students in the field of construction is important for both Kreate and the entire construction industry that suffers from a lack of skilled labour.

The training offering remained at a high level also in the second quarter and the personnel actively took advantage of the in-person, remote and online training opportunities available via KreateAkademia. The focus of personnel development was on improving the personnel's communication, financial and project skills.

In January–June 2023, Kreate Group's personnel had no accidents that affected the lost-time injury frequency and led to an absence. The 12-month rolling lost-time injury frequency proportional to the number of personnel was 2.3. Kreate's lost-time injury frequency remains better than the construction industry average.

The company's own 'Observation April' activation campaign to develop safety and the construction industry's joint safety week in May inspired Kreate Group's personnel to record many different kinds of safety observations. The extremely successful activation campaign not only supported the goal of increasing the number of safety observations, but also helped bring to light even seemingly minor observations. Communicating openly on safety observations and near misses supports the development of even safer work and working methods. In addition, the on-site safety rounds at worksites continued systematically in the first half of the year.

Company management

As of 30 June 2023, Kreate's Management Team included the following people: Timo Vikström, President & CEO; Tommi Hakanen, Vice President, Special Foundation Construction; Antti Kakko, Vice President, Bridge Construction and Repair; Jaakko Kivi, Vice President, Technical Office; Sami Laakso, Vice President, Transport Infrastructure Construction; Mikko Laine, Chief Financial Officer; Timo Leppänen, Vice President, Railway Construction and Katja Pussinen, Vice President, HR.

Short-term risks and risk management

Kreate Group's risk management aims at 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 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 the effects of rising costs.

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 joint ventures and associated companies could hamper Kreate's ability to get the joint venture to act in favour of Kreate and to refrain from acting against Kreate's interests.

Operational and accident risks

Kreate may fail in executing its strategy or adapting it to changes in the operating environment, or the strategy itself may be unsuccessful. The successful execution of Kreate's strategy is also dependent on other factors, many of which are at least partially outside of Kreate's influence. Therefore, Kreate may not necessarily be able to define, execute or adjust its business strategy successfully, as needed.

Failure to hire qualified personnel or losing key persons, or the company's execution partners or subcontractors experiencing problems with resources, may have an adverse effect on Kreate's ability to conduct business.

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

Kreate's business is highly project-based. Successful project management has a considerable impact on the profitability of Kreate's business. Unsuccessful projects and project management may, for instance, impact future project availability and, thereby, have a material adverse effect on Kreate's business. Kreate's project management also takes into account the potential counterparty and liquidity risks of clients and other partners.

Kreate's key information systems are related to tender calculation, project monitoring, building information 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, currency, 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. In addition, the company has various levels of internal controls and regular reporting in place with the aim of preventing and detecting risks related to liquidity, in particular.

On each closing date, the Group considers whether there is evidence of impairment of financial assets or financial asset groups. The need for asset impairment is assessed both individually and at the asset group level.

Possible impairments of Kreate's property, plant and equipment as well as intangible assets could have an adverse effect on Kreate's financial standing and business result.

More information on the company's financing risks is also available in note 3.4 to the Financial statements for 2022.

Resolutions of the Annual General Meeting

Kreate Group Plc's Annual General Meeting was held on 29 March 2023. The Annual General Meeting adopted the financial statements for the financial year 2022 and granted the members of the Board of Directors and the President & CEO release from liability for the financial year 2022.

The Annual General Meeting decided that, based on the balance sheet verified for the financial year ending on 31 December 2022, a dividend of EUR 0.46 is issued per share for shares held outside the company. The dividend is paid in two instalments. The first instalment of the dividend, EUR 0.23 per share, was paid on 12 April 2023 to shareholders that were recorded in the company's list of shareholders maintained by Euroclear Finland Oy on the date of record for dividend payment which was 31 March 2023. The second instalment of the dividend, EUR 0.23 per share, is paid in October 2023.

The Annual General Meeting approved the remuneration policy and remuneration report of the governing bodies. The decision is advisory.

The Annual General Meeting decided that the following fees are to be paid to the members of the Board of Directors: the Chair of the Board is to be paid a monthly fee of EUR 5,250 and other members of the Board are to be paid a monthly fee of EUR 2,500. 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 the audit firm KPMG Oy Ab as the Auditor of the company, with Authorised Public Accountant Turo Koila as the principal auditor. The Auditor shall be paid a reasonable fee in accordance with an invoice approved by the Board of Directors.

The Annual General Meeting decided that Article 8 of the Articles of Association will be amended so that it allows for a General Meeting to be held outside of the Company's domicile (Helsinki, Espoo, Vantaa or Tuusula) and for a General Meeting to be held without a specific location, as a remote meeting, if the Board of Directors decides to do so.

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 2024. 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 2024. The authorisation revokes any previous unused authorisations for the repurchase and acceptance as a pledge of the company's own shares.

On 29 March 2023, Kreate Group issued a stock exchange release with the decisions taken by the Annual General Meeting and Board of Directors, which is available at:

<https://kreate.fi/en/stockrelease/decisions-taken-by-kreate-group-plcs-annual-general-meeting-and-board-of-directors-3/>.

Organisation of the Board of Directors

The Annual General Meeting on 29 March 2023 confirmed that the Board of Directors shall have six (6) members. Petri Rignell, Timo Kohtamäki, Elina Rahkonen, Timo Pekkarinen, Jussi Aine and Petra Thorén were re-elected as members of the Board. The term of office of all members of the Board shall end at the end of the 2023 Annual General Meeting.

In its constituent meeting held after the Annual General Meeting, the Board of Directors elected Petri Rignell as the Chair from the members of the Board. Furthermore, the Board of Directors elected the following members of the Audit Committee from the members of the Board: Elina Rahkonen (Chair), Jussi Aine and Petra Thorén. The following members of the Remuneration and Nomination Committee were elected: Petri Rignell (Chair), Timo Pekkarinen and Timo Kohtamäki.

Shares and trading

Treasury shares

Kreate did not purchase any treasury shares in the reporting period. On 30 June 2023, 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 30 June 2023, 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 2022. 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 provider 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 June was EUR 80,000. The total number of outstanding shares in the company on 30 June 2023 was 8,984,772 shares, of which the company held 90,000 shares as treasury shares.

514,662 of Kreate's shares were traded on the Helsinki Stock Exchange in January–June. The highest trading price was EUR 9.46, and the lowest price was EUR 7.40. The volume weighted average price of Kreate's shares during the reporting period was EUR 8.47.

The share's closing price on the last trading day of the reporting period, 30 June 2023, was EUR 7.60. Based on the closing price of the reporting period, the market value of the company's shares, excluding the treasury shares reported on the consolidated balance sheet (143,506), was EUR 67.2 million.

Events after the reporting period

No relevant events have occurred after the reporting period.

Tuusula, 19 July 2023

Kreate Group Plc

Board of Directors

NOTES

Calculation formulas for key figures

Tables for the January–June 2023 Half-year Report

Key figures by quarter

EUR million	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21
Order backlog	264.9	265.7	306.9	284.2	204.4	208.8	202.8	202.8	157.5
Revenue	85.7	65.8	83.1	73.3	67.0	50.4	75.8	70.6	52.9
Change in revenue, %	30.2	-20.8	13.3	9.5	32.8	-33.4	7.4	33.4	38.0
EBITDA	4.0	1.0	3.8	4.2	3.5	2.1	4.1	5.1	3.4
EBITDA, %	4.7	1.5	4.5	5.7	5.3	4.2	5.4	7.2	6.3
EBITA	2.6	-0.4	2.3	3.0	2.4	1.1	3.1	4.1	2.5
EBITA, %	3.0	-0.6	2.8	4.1	3.6	2.2	4.1	5.8	4.7
Operating profit	2.5	-0.4	2.3	2.9	2.4	1.0	3.0	4.1	2.4
Operating profit, %	2.9	-0.7	2.8	4.0	3.5	2.1	4.0	5.8	4.6
Result for the period	1.5	-0.7	1.3	2.1	1.6	0.6	2.4	3.1	1.8
Capital employed	80.8	79.9	75.9	88.0	68.5	64.9	62.0	66.7	63.0
Return on capital employed, %	9.8	9.9	12.5	12.1	16.0	17.4	17.8	15.3	15.7
Return on equity, %	10.4	10.3	13.8	17.0	20.9	19.9	20.4	15.6	16.6
Net investments in operating activities	-1.1	-3.2	-0.5	-0.8	-1.0	-1.8	-1.5	-0.6	-2.1
Free cash flow from operating activities	1.7	-3.3	15.2	-10.1	-0.4	-1.2	7.7	-0.2	-3.7
Net working capital	6.9	5.6	4.7	17.0	3.6	0.5	-0.0	3.8	-0.3
Net debt	39.1	38.0	33.4	46.8	29.4	23.1	20.9	28.1	27.4
Net debt/EBITDA, rolling 12 months	3.0	3.0	2.5	3.4	2.0	1.6	1.5	2.1	2.1
Equity ratio, %	28.3	32.1	31.6	29.7	31.6	38.2	38.6	32.3	33.4
Earnings per share, €	0.17	-0.08	0.14	0.23	0.19	0.07	0.28	0.34	0.20
Personnel at the end of the period	504	455	447	450	424	379	385	392	412
Personnel on average	460	453	449	428	407	378	389	398	396

Additional information on alternative performance measures

EUR million	4–6/2023	4–6/2022	1–6/2023	1–6/2022	1–12/2022
Outstanding shares on average, diluted (1,000 pcs)	8895	8895	8895	8895	8895
Outstanding shares on average, undiluted (1,000 pcs)	8841	8858	8841	8876	8859
Amortisations from intangible assets	-0.0	-0.0	-0.1	-0.1	-0.2
Depreciations	-	-	-	-	-
Prepayments received	-	-	-	-	-

EUR million	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21
Outstanding shares on average, diluted (1,000 pcs)	8895	8895	8895	8895	8895	8895	8062	7365	7365
Outstanding shares on average, undiluted (1,000 pcs)	8841	8841	8841	8841	8858	8895	8895	8895	8895
Amortisations from intangible assets	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0
Depreciations	-	-	-	-	-	-	-	-	-
Prepayments received	-	-	-	-	-	-	-	-	-

Calculation formulas for key figures

Kreate publishes alternative performance measures to describe the profitability of its business and the financial standing of the Group. The alternative performance measures are not defined or specified in IFRS and they should not be viewed in isolation or as a substitute to the IFRS-compliant key figures. The calculation formulas for the alternative performance measures are presented below.

PERFORMANCE MEASURE	CALCULATION FORMULA
IFRS-compliant key figures	
Earnings per share	$\frac{\text{Result for the period attributable to the owners of the parent – interest and expenses of the equity loan recorded on the period adjusted with a tax impact}}{\text{Weighted average number of outstanding shares during the period}}$
Alternative performance measures	
EBITDA	Operating profit + depreciation, amortisation and impairment
EBITA	Operating profit + amortisation of intangible assets + impairments
Order backlog	Amount of unrecognised revenue from customer contracts at the end of period
Capital employed	Equity + net debt
Return on capital employed, %	$\frac{\text{Operating profit, rolling 12 months}}{\text{Average capital employed}} \times 100$
Return on equity, %	$\frac{\text{Result for the period, rolling 12 months}}{\text{Average equity}} \times 100$
Net investments in operating activities	Investments in tangible and intangible assets – disposals of tangible and intangible assets
Free cash flow from operating activities	Cash flow from operations before financial items and taxes + net investments in operating activities
Net working capital	Inventories + (current trade and other receivables – loan receivables – interest receivables) – (current trade and other payables – interest liabilities)
Net debt	Interest-bearing debt – cash and cash equivalents
Net debt/EBITDA	$\frac{\text{Net debt}}{\text{EBITDA, rolling 12 months}}$
Equity ratio, %	$\frac{\text{Equity}}{\text{(Balance sheet total – prepayments received)}} \times 100$

Half-year Report for January–June 2023: Table section

Consolidated statement of income

EUR million	4–6/2023	4–6/2022	1–6/2023	1–6/2022	1–12/2022
Revenue	85.7	67.0	151.6	117.4	273.9
Other operating income	0.3	0.3	0.4	0.6	1.3
Materials and services	-68.4	-51.7	-121.7	-90.7	-216.6
Employee benefit expenses	-9.8	-9.5	-18.1	-16.5	-33.3
Other operating expenses	-3.8	-2.7	-7.3	-5.6	-12.3
Share of associates' and joint ventures' profit or loss	0.0	0.0	0.2	0.4	0.7
Depreciation, amortisation and impairment	-1.5	-1.2	-3.0	-2.2	-5.0
Operating profit	2.5	2.4	2.1	3.4	8.6
Financial income	-0.0	0.0	0.0	0.0	0.0
Financial expenses	-0.6	-0.3	-1.0	-0.6	-1.9
Financial income and expenses	-0.6	-0.3	-1.0	-0.6	-1.9
Result before taxes	1.9	2.1	1.1	2.8	6.7
Income taxes	-0.4	-0.4	-0.2	-0.5	-1.1
Result for the period	1.5	1.6	0.8	2.3	5.6
Profit attributable to:					
Shareholders of parent	1.5	1.6	0.8	2.3	5.8
Non-controlling interests	0.0		0.0		-0.1
Earnings per share calculated from the income attributable to shareholders of the parent					
Undiluted, €	0.17	0.19	0.10	0.26	0.64
Diluted, €	0.17	0.19	0.10	0.26	0.63
Consolidated statement of comprehensive income					
Result for the period	1.5	1.6	0.8	2.3	5.6
Items that may be reclassified subsequently to the statement of income:					
Foreign exchange rate differences	0.0	0.0	0.0	0.0	0.0
Total comprehensive income for the period	1.5	1.6	0.9	2.3	5.7
Comprehensive income attributable to:					
Shareholders of parent	1.5	1.6	0.8	2.3	5.8
Non-controlling interests	0.0		0.0		-0.1

Consolidated balance sheet

EUR million	6/2023	12/2022	6/2022
ASSETS			
Non-current assets			
Intangible assets	0.6	0.7	0.8
Goodwill	39.7	40.0	35.6
Tangible assets	21.5	19.9	19.2
Right-of-use assets	2.8	2.9	2.2
Investments in associated companies and joint ventures	10.2	10.0	9.3
Other receivables	0.2	0.2	0.3
Deferred tax assets	1.6	1.2	0.7
Total non-current assets	76.7	74.9	68.0
Current assets			
Trade and other receivables	61.7	49.8	47.2
Income tax receivables	0.5	0.4	0.1
Cash and cash equivalents	9.5	9.4	8.4
Total current assets	71.7	59.6	55.8
Total assets	148.4	134.5	123.7
EQUITY			
Equity attributable to the shareholders of the parent			
Share capital	0.1	0.1	0.1
Reserve for invested unrestricted equity	19.7	19.7	19.7
Treasury shares	-0.5	-0.5	-0.5
Foreign exchange rate differences	0.0	0.0	0.0
Retained earnings	22.6	23.4	19.8
Total equity attributable to the shareholders of the parent	41.9	42.6	39.1
Share of non-controlling interests	-0.1	-0.1	
TOTAL EQUITY	41.8	42.5	39.1
LIABILITIES			
Non-current liabilities			
Interest-bearing debt	30.9	32.1	22.6
Deferred tax liabilities	1.4	1.5	1.2
Total non-current liabilities	32.3	33.5	23.8
Current liabilities			
Interest-bearing debt	17.6	10.7	15.2
Trade payables and other liabilities	55.2	45.5	43.6
Income tax liabilities	0.0	0.4	0.0
Provisions	1.4	1.9	2.1
Total current liabilities	74.3	58.5	60.9
Total liabilities	106.6	92.0	84.7
Total equity and liabilities	148.4	134.5	123.7

Consolidated cash flow statement

EUR million	4–6/2023	4–6/2022	1–6/2023	1–6/2022	1–12/2022
Result for the period	1.5	1.6	0.8	2.3	5.6
Depreciation, amortisation and impairment	1.5	1.2	3.0	2.2	5.0
Financial income and expenses	0.6	0.3	1.0	0.6	1.9
Income taxes	0.4	0.4	0.2	0.5	1.1
Other adjustments	0.7	0.0	0.6	-0.4	-0.8
Total adjustments	3.2	1.9	4.8	2.9	7.2
Change in trade and other receivables	-12.6	-16.7	-12.0	-12.9	-13.4
Change in trade payables and other liabilities	10.8	13.8	9.5	9.4	9.1
Change in provisions	-0.2	-0.1	-0.4	-0.5	-0.8
Total change in working capital	-1.9	-2.9	-2.9	-4.0	-5.1
Cash flow from operations before financial items and taxes	2.8	0.6	2.8	1.2	7.7
Interest paid in operating activities	-0.2	0.0	-0.3	-0.1	-0.3
Interest received in operating activities	0.0	0.0	0.0	0.0	0.0
Other financial items	-0.2	-0.1	-0.3	-0.2	-0.7
Taxes paid	-0.1	-0.3	-0.6	-0.1	-0.7
CASH FLOW FROM OPERATIONS	2.3	0.2	1.6	0.8	6.0
Investments in tangible and intangible assets	-1.5	-1.0	-5.0	-3.1	-4.6
Disposals of tangible and intangible assets	0.4	0.0	0.7	0.2	0.4
Acquisition of the subsidiary less cash and cash equivalents on the date of acquisition					-5.9
CASH FLOW FROM INVESTING ACTIVITIES	-1.1	-1.0	-4.3	-2.8	-10.1
Acquisition of treasury shares		-0.5		-0.5	-0.5
Drawdown of non-current loans	0.2		0.2		29.9
Repayment of non-current loans	-0.1		-0.1		-21.3
Drawdown of current loans	20.0	7.0	27.0	13.0	44.6
Repayment of current loans	-13.0	-3.5	-21.3	-3.5	-40.1
Drawdown/repayment of the credit limit	-0.1				0.0
Repayment of lease liabilities	-0.3	-0.2	-0.5	-0.4	-0.9
Interest and other loan expenses	-0.4	-0.5	-0.4	-0.5	-0.5
Dividends paid	-2.0	-4.0	-2.0	-4.0	-4.0
CASH FLOW FROM FINANCING ACTIVITIES	4.7	-1.7	2.8	4.1	7.3
CHANGE IN CASH AND CASH EQUIVALENTS	5.9	-2.5	0.1	2.1	3.1
Cash and cash equivalents at the beginning of the period	3.6	10.9	9.4	6.3	6.3
Change in cash and cash equivalents	5.9	-2.5	0.1	2.1	3.1
Impact of the changes in foreign exchange rates	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents at the end of the period	9.5	8.4	9.5	8.4	9.4

Consolidated statement of changes in equity

<i>EUR million</i>	Share capital	Reserve for invested unrestricted equity	Treasury shares	Foreign exchange rate differences	Retained earnings	Equity attributable to the shareholders of the parent	Share of non- controlling interests	Total equity
Equity as at 1 January 2022	0.1	19.7			21.3	41.1		41.1
Items of comprehensive income								
Result for the period					2.3	2.3		2.3
Foreign exchange rate differences				0.0				
Total comprehensive income				0.0	2.3	2.3		2.3
Transactions with the owners								
Acquisition of treasury shares			-0.5			-0.5		-0.5
Dividend					-4.0	-4.0		-4.0
Share-based awards					0.1	0.1		0.1
Total transactions with the owners	0.0	0.0	-0.5	0.0	-4.0	-4.5		-4.5
Equity as at 30 June 2022	0.1	19.7	-0.5	0.0	19.8	39.1		39.1

<i>EUR million</i>	Share capital	Reserve for invested unrestricted equity	Treasury shares	Foreign exchange rate differences	Retained earnings	Equity attributable to the shareholders of the parent	Share of non-controlling interests	Total equity
Equity as at 1 January 2023	0.1	19.7	-0.5	0.0	23.4	42.6	-0.1	42.5
Items of comprehensive income								
Result for the period					0.8	0.8	0.0	0.8
Foreign exchange rate differences				0.0		0.0	0.0	0.0
Total comprehensive income				0.0	0.8	0.8	0.0	0.9
Transactions with the owners								
Acquisition of treasury shares								
Dividend					-2.0	-2.0		-2.0
Share-based awards					0.4	0.4		0.4
Other change								
Total transactions with the owners	0.0	0.0	0.0	0.0	-1.6	-1.6	0.0	-1.6
Equity as at 30 June 2023	0.1	19.7	-0.5	0.0	22.6	41.9	-0.1	41.8

EUR million	Share capital	Reserve for invested unrestricted equity	Treasury shares	Foreign exchange rate differences	Retained earnings	Equity attributable to the shareholders of the parent	Share of non-controlling interests	Total equity
Equity as at 1 January 2022	0.1	19.7			21.3	41.1		41.1
Items of comprehensive income								
Result for the period					5.8	5.8	-0.1	5.6
Foreign exchange rate differences				0.0		0.0	0.0	0.0
Total comprehensive income				0.0	5.8	5.8	-0.1	5.7
Transactions with the owners								
Acquisition of treasury shares			-0.5			-0.5		-0.5
Dividend					-4.0	-4.0		-4.0
Share-based awards					0.2	0.2		0.2
Other change								
Total transactions with the owners	0.0	0.0	-0.5	0.0	-4.0	-4.3		-4.3
Equity as at 31 December 2022	0.1	19.7	-0.5	0.0	23.4	42.6	0.0	42.5

Notes

Key accounting principles and basis for preparation

The Group's Half-year Report has been prepared in accordance with the IAS 34 Half-year Reports standard. The Half-year Report should be read together with Kreate Group's consolidated financial statements for the financial year 2022.

The information presented in the Half-year Report is unaudited.

The Half-year Report has been prepared in euros and presented in millions of euros unless stated otherwise. The figures have been rounded to the nearest million with one decimal place and, therefore, the sums of individual figures may differ from the presented total amounts.

The Half-year Report has been prepared in accordance with the key accounting principles presented in Kreate Group's consolidated financial statements for the financial year 2022, except for the revised IFRS standards that came into effect on 1 January 2022. The revised standards did not have an impact on the consolidated financial statements.

Kreate Rata Oy has been merged to Kreate Oy on May 22, 2023.

The preparation of a half-year report according to the IFRS requires the management's discretion as well as using estimates and assumptions that affect the amount of assets and liabilities and the amount of income and expenses reported for the reporting period. Such estimates and assumptions by the management are based on previous experience and other justified factors.

Kreate Group has applied estimates and discretion in factors that create a significant risk of changes in the carrying amounts of assets and liabilities:

- Recognition of income from projects: The Group recognises sales income from project contracts over time. Recognition of sales income is based on the management's estimates on the sales income and expenses of projects as well as a comprehensive estimate of the progress and degree of completion of projects. The management estimates the probability of the income when determining the sales proceeds. Should estimates on a project's outcome change, the revenue recognition is adjusted in the reporting period when the change first became known.
- Recognition of provisions: At the end of the reporting period, the Group estimates if it has a probable payment obligation, whether legal or constructive, in the future. The Group recognises a provision for warranty upon the delivery of projects including a warranty obligation. The amount of the provision for a warranty is based on the Group management's historical information on the number of realised warranty provisions and their timing.
- Testing of goodwill for impairment: The Group has one cash-generating unit, Kreate Group, and it is the lowest level where goodwill is monitored. The Group carries out an impairment test annually, or if signs of impairment are detected. The Group has not detected signs of impairment in the reporting period.
- Leases: The management assesses the use of extension, termination or purchase options related to leases and the lease term of leases valid until further notice. In addition, the management estimates the amount of the discount rate for each right-of-use asset.
- Recognition of deferred tax assets: Deferred tax assets from the confirmed losses of the previous financial periods or undeducted interest liabilities of associated companies are recognised only if the management estimates that a sufficient amount of taxable income can be generated in the future against which the unused taxation losses and undeducted interest liabilities of associated companies can be utilised.

- Share awards: Share awards are measured at fair value at the time of their issue and recognised on the income statement as expenses in equal tranches for the vesting period. The expense determined at the time of issue is based on the management’s estimate of the number of shares, and the related vesting is assumed to occur at the end of the vesting period. The Group shall update the assumption on the final amount on each balance sheet date.

Segments

The company has one operating segment: Infrastructure Construction. The segment’s business operations mainly consist of infrastructure construction projects. The Group’s highest decision-makers, i.e. the Board of Directors and the President & CEO, monitor the entire Group together and verify that the figures for the segment match the Group’s figures.

Revenue from customer contracts

Infrastructure construction projects in Finland and Sweden make up a significant part of Kreate Group’s revenue from contracts with customers. More than 90% of the Group’s revenue is generated in Finland.

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

EUR million	1–6/2023	1–6/2022	1–12/2022
Structural engineering ¹⁾	121.6	73.1	176.6
Transport infrastructure construction ²⁾	28.4	42.5	95.3
Other ³⁾	1.6	1.8	2.0
Total	151.6	117.4	273.9

¹⁾ Includes, among others, foundation and engineering construction

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

³⁾ Includes intra-Group eliminations

The revenue from transport infrastructure construction has fallen compared to the reference period. The share of structural engineering has grown in line with Kreate’s strategy.

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

	1–6/2023	1–6/2022	1–12/2022
Cities and municipalities	23%	27%	26%
Government	29%	35%	38%
Private sector	48%	38%	36%

The seasonality of the infrastructure projects delivered by the company has an impact on the timing of the company’s result and cash flows. The private sector share of the revenue has remained constant between the financial periods. The share of cities, municipalities and the government varies according to the ongoing projects.

Working capital

EUR million	6/2023	12/2022	6/2022
Trade receivables	36.4	20.6	22.0
Assets based on contracts with customers	24.4	27.5	24.6
Loan receivables	0.0	0.0	
Other receivables	0.6	0.7	0.6
Accrued income	0.4	1.1	0.0
Total trade and other receivables	61.7	49.8	47.2
Accrued personnel costs	0.0	0.0	0.0
Other accrued income	0.4	1.1	0.0
Total accrued income	0.4	1.1	0.0
Trade payables	21.7	16.2	18.3
Liabilities based on contracts with customers	16.2	14.3	9.9
Other liabilities	6.6	4.8	4.6
Accrued liabilities	10.8	10.1	10.8
Total trade payables and other liabilities	55.2	45.5	43.6
Interest liabilities	0.4	0.4	0.0
Accrued personnel costs	8.2	8.8	9.7
Other accrued liabilities	2.2	1.0	1.1
Total accrued liabilities	10.8	10.1	10.8

Financial assets and liabilities

EUR million	30 June 2023	Carrying amount	Fair value
Financial assets measured at amortised cost			
	Non-current receivables	0.2	0.2
	Non-current financial assets	0.2	0.2
	Trade and other receivables	36.9	36.9
	Current financial assets	36.9	36.9
	Cash and cash equivalents	9.5	9.5
	Total financial assets	46.6	46.6
Financial liabilities measured at amortised cost			
	Loans from financial institutions	28.6	28.8
	Hire purchase liabilities	0.5	0.5
	Lease liabilities	1.8	
	Non-current interest-bearing liabilities	30.9	
	Loans from financial institutions	11.6	11.6
	Commercial papers	5.0	5.0
	Hire purchase liabilities	0.0	0.0
	Lease liabilities	1.0	
	Current interest-bearing liabilities	17.6	
	Trade payables and other liabilities	28.2	28.2
	Other current financial liabilities	28.2	28.2
	Total financial liabilities	76.8	

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

Loans from financial institutions are classified to hierarchy level 2 of the fair value classification. The carrying amount of short-term trade receivables and liabilities is assumed to be the same as their fair value due to their nature.

The Group has only had financial assets and liabilities measured at amortised cost for the financial years 2023 and 2022.

Changes in tangible assets

EUR million	6/2023	12/2022	6/2022
Acquisition cost as at 1 January	34.2	28.1	28.1
Exchange rate differences	-0.1	-0.1	
Increases	5.0	4.6	3.1
Business acquisitions		2.3	
Decreases	-1.9	-0.7	-0.1
Acquisition cost at the end of the period	37.1	34.2	31.0
Accrued depreciation, amortisation and impairment as at 1 January	-14.2	-10.2	-10.2
Exchange rate differences	0.1	0.0	
Accrued amortisation on the decreases	0.9	0.6	0.1
Business acquisitions		-0.8	
Amortisation for the period	-2.3	-3.9	-1.7
Accrued depreciation, amortisation and impairment at the end of the period	-15.6	-14.2	-11.9
Carrying amount at the end of the period	21.5	19.9	19.2

Changes in right-of-use assets

EUR million	6/2023	12/2022	6/2022
Acquisition cost as at 1 January	5.0	2.9	2.9
Exchange rate differences	0.0	0.0	
Increases	0.6	2.5	1.5
Business acquisitions		0.2	
Decreases	-0.3	-0.5	-0.2
Acquisition cost at the end of the period	5.3	5.0	4.2
Accrued depreciation, amortisation and impairment as at 1 January	-2.2	-1.7	-1.7
Exchange rate differences			
Accrued amortisation on the decreases	0.2	0.4	0.2
Business acquisitions		0.0	
Accrued amortisation on the transfers		0.1	
Amortisation for the period	-0.6	-0.9	-0.4
Accrued depreciation, amortisation and impairment at the end of the period	-2.5	-2.2	-2.0
Carrying amount at the end of the period	2.8	2.9	2.2

Changes in intangible assets

EUR million	6/2023	12/2022	6/2022
Acquisition cost as at 1 January	5.2	5.2	5.2
Increases		0.0	0.0
Decreases			
Acquisition cost at the end of the period	5.2	5.2	5.2
Accrued depreciation, amortisation and impairment as at 1 January	-4.5	-4.3	-4.3
Accrued amortisation on the decreases			
Amortisation for the period	-0.1	-0.2	-0.1
Accrued depreciation, amortisation and impairment at the end of the period	-4.6	-4.5	-4.4
Carrying amount at the end of the period	0.6	0.7	0.8

Collateral and contingent liabilities

EUR million	6/2023	12/2022
Collateral given on behalf of joint project ventures	10.6	10.6
Guarantee liabilities from project contracts	48.3	43.5
Lease liabilities from short-term assets with a low value	0.9	0.9
VAT liability	0.3	0.3

Related-party transactions

The Group's related parties include the parent company, subsidiaries, the joint venture KFS Finland Oy and the associated company Karell Schakt AB. Related parties also include key management personnel, their close family members and communities where these persons exercise direct or indirect control. Key management personnel include the members of the Board of Directors, President & CEO, Senior Vice President and the members of the Group's Management Team. The question of whether communities where shareholders or key management personnel exercise control are considered to be related parties is examined case-specifically taking into account the factual conditions.

EUR million	1–6/2023 Income	Expenses	6/2023 Receivables	Liabilities
Associate and joint venture	0.8	-9.6	0.0	2.1
Other related parties ¹⁾				

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

EUR million	1–6/2022 Income	Expenses	6/2022 Receivables	Liabilities
Associate and joint venture	1.2	-4.4	0.1	0.7
Other related parties ¹⁾		-0.0		

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.

Events after the reporting period

No relevant events have occurred after the reporting period.