



# Financial Statement Bulletin 2021

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Kreate Group Plc

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## KREATE'S FINANCIAL STATEMENT BULLETIN: HIGH ORDER BACKLOG – WITH STRONG REVENUE AND OPERATING PROFIT

Kreate Group Plc, financial statement bulletin for January–December 2021, 26 January 2022 at 8:30 a.m.

### October–December in brief

- Order backlog amounted to EUR 202.8 (134.9) million
- Revenue grew compared to the reference period, amounting to EUR 75.8 (62.0) million
- EBITDA was EUR 4.1 (3.1) million, amounting to 5.4 (5.0) per cent of revenue
- EBITA was EUR 3.1 (2.3) million, amounting to 4.1 (3.8) per cent of revenue
- Earnings per share were EUR 0.28 (0.07)
- Free cash flow from operating activities was EUR 7.7 (7.2) million
- Interest-bearing net debt was EUR 20.9 (27.9) million

### January–December in brief

- Kreate Group Plc's shares were listed on Nasdaq Helsinki, and the company gained more than 18,600 new shareholders. Trading in Kreate's shares started on the pre-list of Nasdaq Helsinki Ltd on 19 February 2021 and on the stock exchange list on 23 February 2021.
- Revenue grew slightly compared to the reference period, amounting to EUR 237.6 (235.3) million
- EBITDA was EUR 14.2 (14.0) million, amounting to 6.0 (6.0) per cent of revenue
- EBITA was EUR 10.5 (10.5) million, amounting to 4.4 (4.5) per cent of revenue
- The company's IPO expenses were EUR 2.3 million. Of this sum, EUR 0.9 million encumber the result before tax for the reporting period.
- Earnings per share adjusted with IPO expenses were EUR 0.90.
- Earnings per share were EUR 0.80 (0.88)
- Free cash flow from operating activities was EUR 4.0 (9.7) million
- The Board of Directors proposes to the general meeting on 29 March 2022 that, based on the balance sheet verified for 2021, a dividend of EUR 0.45 (0.44) be issued per share for shares held outside the company at the time of dividend distribution.

### Operating environment in 2022

In 2021, the growth in construction was higher than expected. In its economic assessment issued in October, the Confederation of Finnish Construction Industries estimated that growth in construction will also continue in 2022. For the entire construction industry, the growth forecast is 2.5 per cent in 2022.

Historically, the Finnish infrastructure construction market has grown steadily. In 2020, the total size of the market was approximately EUR 7 billion, and the growth estimate was one per cent in 2021. The Confederation of Finnish Construction Industries estimated that infrastructure construction will decrease in 2022 by one per cent due to municipalities' weaker investment capacity and the concurrent completion of large projects.

Between the different infrastructure construction segments, the development varies from normal to positive. Particularly housing construction, which has reached record levels due to the low supply

of new apartments, and the construction of business premises starting to grow boost the foundation construction market in 2022. Repair construction and the repurposing of old buildings have also started to grow, which will be reflected in the special foundation construction market in the infrastructure segment. Furthermore, industrial investments important to infrastructure construction are estimated to grow. The bridge construction market continues to strengthen. In the railway construction segment, the number of smaller projects continues to grow, even though large rail investments cannot yet be seen in the railway construction volume. Overall, there is a very strong long-term trend of infrastructure construction experiencing stable growth and low volatility.

The National Transport System Plan is expected to bring long-term developments exceeding individual governments' terms in office to the development of the transport network, which will also have positive impacts on the infrastructure construction market. The Plan involves a 12-year action programme, which includes actions by the government and municipalities and a government funding programme for the transport system. However, one problem with the plan is the municipalities' growing share of construction costs, which may mean, at worst, that projects are not executed and the condition of the road and street network and railways deteriorates, for example. Furthermore, the budget cuts affecting the development of the transport system and basic transport infrastructure maintenance planned by the government would reduce the funding for 2023 and 2024. The current forecasts indicate that the company could get on a growth track after this.

The October economic assessment by the Confederation of Finnish Construction Industries states that industrial and public sector investments will continue at a high pace, but foundation work for housing construction will decrease in the long term. However, in the short term, particularly urbanisation, the infrastructure maintenance backlog and public sector projects are expected to drive growth and further strengthen Kreate's position in executing demanding projects. All in all, Kreate believes that, in 2022, the applicable structural engineering and transport infrastructure markets will at least remain on the 2021 level as Kreate focuses on the markets' growth areas.

## Result guidance for 2022

Kreate estimates that the company revenue (2021: EUR 237.6 million) and EBITA (2021: EUR 10.5 million) will grow compared to 2021.

### Justifications:

Kreate's strong order backlog and specialisation in demanding construction as well as the stable infrastructure construction market support the company's strategic growth forecast.

## Key figures

EUR million	10–12/2021	10–12/2020	1–12/2021	1–12/2020
Order backlog			202.8	134.9
Revenue	75.8	62.0	237.6	235.3
Year-on-year change in revenue, %	22.3	-14.0	1.0	6.4
EBITDA	4.1	3.1	14.2	14.0
EBITDA, %	5.4	5.0	6.0	6.0
EBITA	3.1	2.3	10.5	10.5
EBITA, %	4.1	3.8	4.4	4.5
Operating profit	3.0	2.3	10.4	10.4
Operating profit, %	4.0	3.7	4.4	4.4
Result for the period	2.4	1.8	6.9	7.8
Capital employed			62.0	54.5
Return on capital employed, %			17.8	19.2
Return on equity, %			20.4	24.7
Net investments in operating activities	-1.5	-1.7	-4.9	-4.6
Free cash flow from operating activities	7.7	7.2	4.0	9.7
Net working capital			-0.0	-5.4
Net debt			20.9	27.9
Net debt/EBITDA, rolling 12 months			1.5	2.0
Equity ratio, %			38.6	26.3
Earnings per share, €	0.28	0.07	0.80	0.88
Earnings per share adjusted with IPO expenses, €			0.90	
Dividend per share, €			0.45*	0.44
Personnel at the end of the period			385	383
Personnel on average	389	390	392	407

\* Board of Directors' proposal to the Annual General Meeting

## President & CEO Timo Vikström:

“Due to the project contracts acquired in Q4, our order backlog remained at a high level at EUR 203 million. In November, we increased our guidance concerning revenue for 2021 and estimated revenue and EBITA to be on the 2020 level. Our revenue for the year grew to EUR 237.6 million, with our operating profit reaching EUR 10.4 million. Our revenue and operating profit grew slightly higher compared to the previous year, and our relative profitability was still above the average of the infrastructure construction industry, which is seasonal in nature. Furthermore, as expected, Q4 was the second consecutive quarter during which we surpassed the reference period.

Overall, 2021 was a very successful year for Kreate. We acquired the strategically important projects that, according to our estimates, would strengthen our competitiveness either due to their technical demands or purchasing model. Significant megaprojects executed in joint project ventures – the Crown Bridges project, the technical construction for the Sulkavuori central wastewater treatment plant and the renovation of the Kirjalanlansalmi and Hessundinsalmi bridges – provide continuity across operating periods and offer interesting development opportunities for our professionals. In addition to these extensive projects, we have countless other ongoing projects that require special expertise and strengthen our position as an expert in infrastructure construction. Our success in project tendering was supported by the high professional skills of our personnel, our good visibility of the upcoming projects and the clear goals set based on plans.

In Q4, the contract for the technical construction for the Sulkavuori central wastewater treatment plant entered the execution stage and, thereby, our order backlog. In the second half of the year, we also won several smaller foundation, circular economy and bridge projects that grew our order backlog by more than EUR 20 million.

In October, we opened the section on National Road 5 between Nuutilanmäki and Juva for traffic. In November, we finished the highly praised project involving three wooden bridges in Varkaus and the Paciuksenkatu bridge in Helsinki. In December, we opened an impressive overpass in Hanko for traffic nearly four months ahead of schedule and under the original cost estimate. We also felt great about the Helsinki Airport’s T2 alliance being recognised as the worksite of the year – Kreate participated in the alliance for a few years, executing a highly demanding infrastructure project that amounted to tens of millions of euros. Kreate’s position as one of the most sustainable companies in the infrastructure industry was strengthened further by opening new circular economy areas and integrating the circular economy more clearly as part of the daily operations.

The cost level in construction grew during the year, but this had a very limited impact on Kreate’s business results. Successful tender calculation, project management and contractual measures that reduce the impact of cost changes allowed the execution of projects according to plan.

We continued our work in improving our personnel well-being and strategic reinforcement of our organisation. Over the course of the year, we developed Kreate’s working ability management measures through well-being coaching, supervisor training and personnel surveys. In Q4, we strengthened our organisation particularly by supplementing our expertise in special foundation, railway and bridge construction. Furthermore, we succeeded well in process improvement, utilising digitalisation and the related hiring.

During 2021, we further strengthened our competitiveness as a company delivering strategically demanding and technically challenging projects. We have an excellent outset for the coming year: we have a strong order backlog and good visibility into the 2022 projects, and our competent organisation is in great shape. From here, we are aiming for profitable growth in line with our strategy also in 2022.”

## Kreate Group's financial reporting

Kreate Group Oyj will publish the financial reports for 2022 as follows:

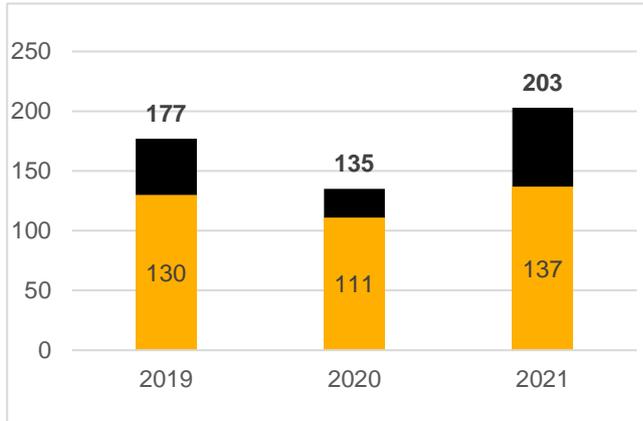
- Interim report for January–March 2022: 27 April 2022
- Half-year report for January–June 2022: 27 July 2022
- Interim report for January–September 2022: 26 Oct 2022

## Webcast event for analysts and media

A live webcast for analysts and media will be held today, 26 January 2022, at 11:00 a.m. The event will be in Finnish. President & CEO Timo Vikström and Chief Financial Officer Mikko Laine will host the event. The webcast can be followed live in Finnish at <https://kreate.videosync.fi/2021-tulosjulkistus>. A recording of the webcast will be made available later at <https://kreate.fi/sijoittajille/tiedotteet-ja-raportit/raportit-ja-esitykset/> and a summary in English will become available at <https://kreate.fi/en/investor/releases-and-reports/reports/>.

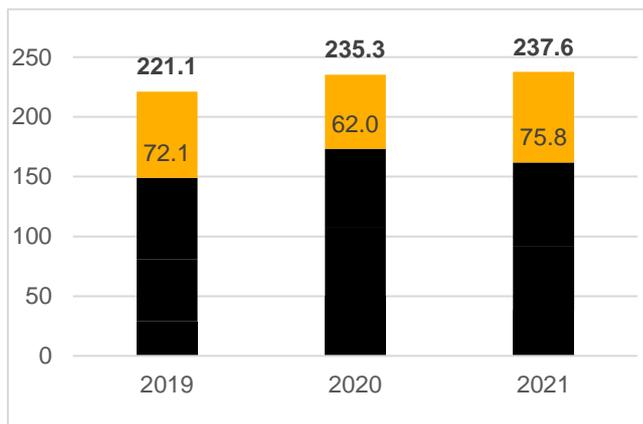
## Key figures

### Order backlog, EUR million



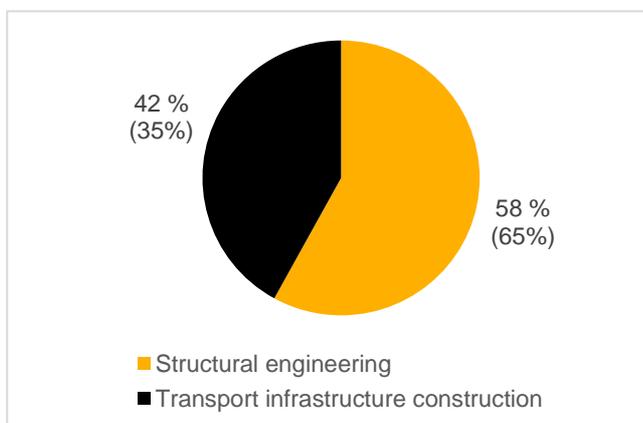
- **At the end of December 2021**, the order backlog grew compared to the reference period, amounting to EUR 202.8 (134.9) million.
- It is estimated that EUR 137 (111) million of the order backlog will be realised during the financial year 2022.

### Revenue, EUR million

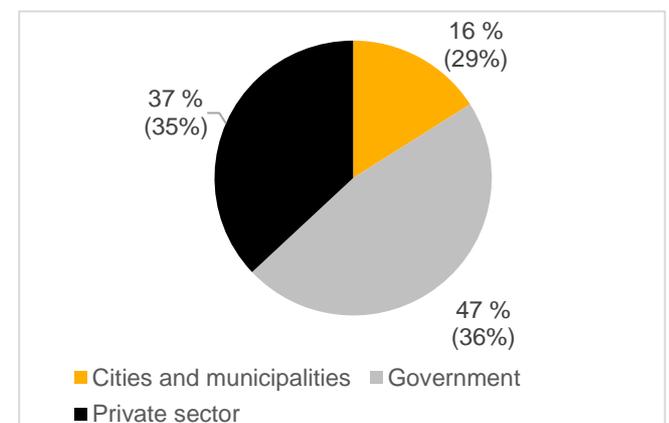


- **In October–December 2021**, revenue clearly grew compared to the reference period, amounting to EUR 75.8 (62.0) million
- **In January–December**, revenue was slightly above the reference period, amounting to EUR 237.6 (235.3) million.

### Revenue by business function 2021 (2020)

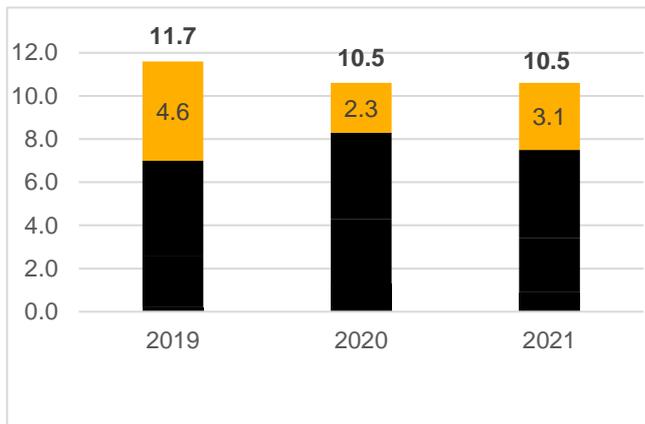


### Revenue by customer group 2021 (2020)



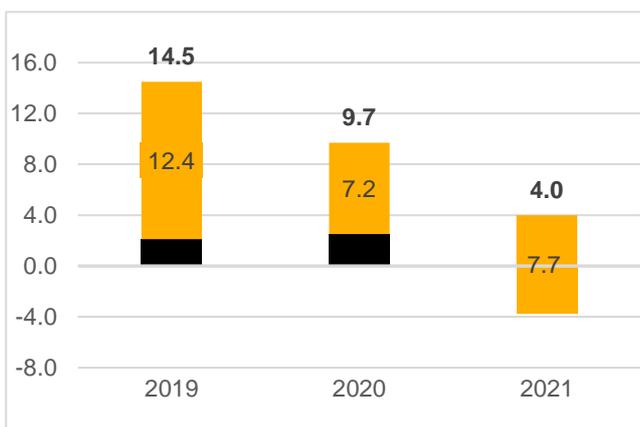
Transport infrastructure construction comprises Railway construction and Road and street construction. Structural engineering comprises Bridge construction and repair and Foundation and rock engineering.

**EBITA, EUR million**



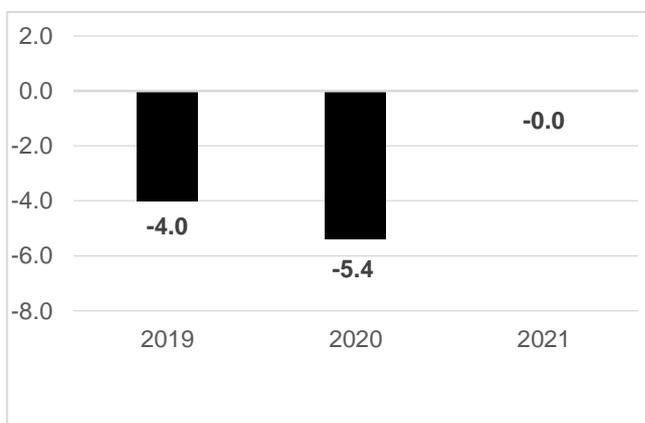
- **In October–December 2021**, EBITA grew compared to the reference period, amounting to EUR 3.1 (2.3) million
- The profitability of projects remained at the normal, forecasted level
- **In January–December**, EBITA was at the reference period level, amounting to EUR 10.5 (10.5) million.
- The Group’s profitability was supported by the flexible cost structure and projects progressing according to plan.

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



- **In October–December 2021**, free cash flow from operating activities was EUR 7.7 (7.2) million, of which net investments amounted to EUR 1.5 (1.7) million
- **In January–December**, free cash flow from operating activities was EUR 4.0 (9.7) million, of which net investments amounted to EUR 4.9 (4.6) million.
- Machinery and equipment purchases formed a significant part of the investments.

**Net working capital, EUR million**



- **At the end of December 2021**, the company’s net working capital was EUR -0.0 (-5.4) million

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

### Operating environment in January–December 2021

The growth in infrastructure construction was better than expected in 2021, and railway and road projects have contributed to the growth as well as municipal and industrial investments. Even though economic growth drove growth overall in the construction industry, the weak early year caused the total growth in 2021 to remain moderate.

The growth in construction continued in Q4 2021. After a slow early year, construction started to grow rapidly due to the economy picking up. In infrastructure construction, this particularly led to the increased number of quotation requests for foundation and bridge construction.

The number of projects and quotation requests practically normalised in Q1 despite the COVID-19 pandemic continuing. With the normalisation of the market, tendering activity reached the previous years' level during Q2 and continued to grow further in the second half of the year. The growth reflected positively on Kreate's business and was particularly seen in the market for foundation and special foundation construction during H2.

During H1, there were differences visible between individual construction segments, but the situation evened out by H2. Bridge construction picked up already early in the year, and alongside it the requests for quotation for railway construction projects increased first. Then, foundation and special foundation construction recovered as well. In transport infrastructure construction, there were large as well as smaller projects available.

In 2021, infrastructure construction was supported by the record-high housing construction, where the production volumes are high due to the low supply of new apartments. Construction of business premises, repair projects and industrial investments showed signs of growth during H2. Different construction segments recovering and construction work focusing around demanding urban centres had a positive impact especially in foundation and special foundation construction.

Over the course of the year, the cycle for starting projects became faster, and tighter calculation schedules created pressure in contractors' tender calculation. Furthermore, construction operations beginning within a short time frame have posed challenges with the availability of construction materials due to the tight schedule for starting projects. The problems with construction material availability were particularly reflected in the housing construction segment.

Kreate's strategic specialisation as a company delivering demanding infrastructure projects was an important factor in the H2 market situation and tendering. The competitive situation remained moderate particularly in technically challenging projects that require special expertise, which reflected positively on Kreate's order backlog.

## Order backlog

The order backlog grew compared to the reference year and amounted to EUR 202.8 (134.9) million at the end of 2021. The expected order backlog profitability was at a normal level. In Q4, the most significant addition to the order backlog was the contract for the technical construction for the Sulkavuori central wastewater treatment plant.

## Revenue

The Group's revenue by business function

EUR million	1–12/2021	1–12/2020
Structural engineering <sup>1)</sup>	137.5	152.1
Transport infrastructure construction <sup>2)</sup>	98.2	84.5
Other <sup>3)</sup>	1.9	-1.2
<b>Total</b>	<b>237.6</b>	<b>235.3</b>

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

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

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

### October–December 2021

The Group's revenue in October–December increased to EUR 75.8 (62.0) million. In Q4, Structural engineering and Transport infrastructure construction grew compared to the reference period, reaching a level of EUR 43.0 (34.7) million and EUR 33.3 (28.4) million, respectively.

### January–December 2021

The Group's January–December revenue grew slightly, amounting to EUR 237.6 (235.3) million. Year-on-year, revenue decreased in Structural engineering to EUR 137.5 (152.1) million but grew in Transport infrastructure construction to EUR 98.2 (84.5) million.

In January–December, of the Group's total revenue 16 (29) per cent came from cities and municipalities, 47 (36) per cent from the government and 37 (35) per cent from the private sector.

## Profitability

EUR million	10–12/2021	10–12/2020	1–12/2021	1–12/2020
EBITDA	4.1	3.1	14.2	14.0
EBITDA, %	5.4	5.0	6.0	6.0
EBITA	3.1	2.3	10.5	10.5
EBITA, %	4.1	3.8	4.4	4.5
Operating profit	3.0	2.3	10.4	10.4
Operating profit, %	4.0	3.7	4.4	4.4
Result for the period	2.4	1.8	6.9	7.8
Earnings per share, €	0.28	0.07	0.80	0.88

### October–December 2021

In October–December, the Group's EBITDA was EUR 4.1 (3.1) million, amounting to 5.4 (5.0) per cent of revenue. EBITA was EUR 3.1 (2.3) million, amounting to 4.1 (3.8) per cent of revenue. The Group's operating profit was EUR 3.0 (2.3) million, amounting to 4.0 (3.7) per cent of revenue.

The Group's result before tax was EUR 2.7 (1.9) million. Tax for the reporting period amounted to EUR 0.2 (0.0) million. Result for the reporting period was EUR 2.4 (1.8) million. Earnings per share were EUR 0.28 (0.07). Earnings per share for the reference period were encumbered by the interest paid in connection with the repayment of equity loans of EUR 1.3 million.

### January–December 2021

In January–December, the Group's EBITDA was EUR 14.2 (14.0) million, amounting to 6.0 (6.0) per cent of revenue. EBITA was EUR 10.5 (10.5) million, amounting to 4.4 (4.5) per cent of revenue. The Group's operating profit was EUR 10.4 (10.4) million, amounting to 4.4 (4.4) per cent of revenue.

The Group's result before tax was EUR 8.2 (9.3) million. The result before tax is encumbered by EUR 0.9 million of IPO expenses that are listed under finance costs. Tax for the reporting period amounted to EUR 1.3 (1.5) million with the effective tax rate being 15.9 (16.2) per cent. Result for the reporting period was EUR 6.9 (7.8) million. Earnings per share were EUR 0.80 (0.88). Earnings per share adjusted with IPO expenses were EUR 0.90.

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

EUR million	10–12/2021	10–12/2020	1–12/2021	1–12/2020
Free cash flow from operating activities	7.7	7.2	4.0	9.7
Net working capital			-0.0	-5.4

Free cash flow from operating activities was EUR 7.7 (7.2) million in October–December. In January–December, free cash flow from operating activities was EUR 4.0 (9.7) million. During the financial year, net working capital increased to EUR –0.0 million from EUR –5.4 million at the end of the 2020 financial year.

EUR million	12/2021	12/2020
Interest-bearing debt	27.2	36.0
Cash and cash equivalents	6.3	8.1
Net debt	20.9	27.9
Equity	41.1	26.6
Equity ratio, %	38.6	26.3
Return on capital employed, %	17.8	19.2

Interest-bearing debt at the end of the financial year 2021 amounted to EUR 27.2 (36.0) million, of which EUR 1.1 (1.5) million constituted lease liabilities under IFRS 16. The company's cash and cash equivalents amounted to EUR 6.3 (8.1) million. In addition, the company had revolving overdraft and credit limits of EUR 15.0 (10.0) million, of which EUR 3 million were drawn. Interest-bearing net debt at the end of 2021 was EUR 20.9 (27.9) million.

The average interest of interest-bearing debt, excluding lease liabilities recognised on the balance sheet, was 2.8 (2.7) per cent in the January–December reporting period.

At the end of the reporting period, the consolidated balance sheet total was EUR 106.6 (101.3) million and equity was EUR 41.1 (26.6) million. At the end of the reporting period, equity ratio was 38.6 (26.3) per cent and the company's return on capital employed was 17.8 (19.2) per cent. The company's equity ratio was particularly increased by the IPO completed in Q1 that provided the company with gross proceeds of more than EUR 12.5 million. The company's IPO expenses

without a tax impact were EUR 2.3 million, of which EUR 1.3 million were recognised directly as equity.

## Investments

During 2021, the company continued investing in equipment and the further improvement of equipment management.

Net investment cash flow was EUR 1.5 (1.7) million in October–December and EUR 4.9 (4.6) million in January–December. Purchases of tangible assets – mainly purchases of machinery and equipment and particularly special equipment – formed a significant part of the investments. Furthermore, the investments included some construction costs for the new warehouse building in Tuusula and modification costs for business premises.

Kreate's gross investments in tangible and intangible assets amounted to EUR 5.6 (5.1) million in 2021.

## Personnel

At the end of December, Kreate Group employed 385 (383) people. The average number of personnel in January–December was 392 (407).

A physical exercise campaign – “Kympin kuntoon” – was launched in Q1. The project was very well received by the personnel, and it was continued in Q4. The “Kympin kuntoon 2” coaching offered the personnel a low-threshold way of improving their well-being and energy regardless of their physical condition. The two “Kympin kuntoon” projects and personal well-being coaching got nearly 100 employees to pay attention to improving their overall well-being during 2021.

The well-being coaching and physical exercise projects are only a part of Kreate's working ability management measures, which cover employee well-being and resources relevant for work as well as good leadership and supervisor work, the work itself and the working conditions. During 2021, the company improved managers' and supervisors' ability to implement working ability management as part of daily and strategic leadership. The objective is to support our personnel's working ability and well-being by detecting any risks to the ability to work as early as possible and by planning actions for supporting the working ability.

In Q4, the company continued strategically important hiring in special foundation construction as well as in the railway and bridge business. Good progress was also made with setting up online trainings in KreateAkademia. The objective is to establish a comprehensive training offering that will serve Kreate's needs for competence development and implementing consistent practices. The online environment will be launched to the personnel in Q1.

The COVID-19 pandemic reintroduced increased restrictions at the end of the year and, accordingly, outsiders' visits at projects were still limited and the company continued the practices of staggering employee breaks, employing effective cleaning practices in break and work facilities and wearing face masks in close contact situations. Moreover, remote meetings and remote work continued in the functions where this was possible. The purpose of the measures implemented throughout the pandemic has been to ensure employee well-being and projects progressing according to plan. In 2021, there were no cases of COVID-19 spreading at the company's sites and the safe working conditions were maintained.

In 2021, Kreate Group had a total of six accidents affecting the injury frequency rate and, in January–December, the cumulative injury frequency rate proportional to the number of personnel was 8.9. Also in 2021, Kreate's injury frequency rate was better than the construction industry average.

In Q4, Kreate implemented a safety campaign as part of the Confederation of Finnish Construction Industries' joint safety week. Measures for better occupational safety were continued in 2021 by encouraging the continuous improvement of safety among supervisors and employees. On-site safety rounds and meetings at worksites were held as allowed for by the COVID-19 restrictions. The work and the working methods have been made safer by openly communicating with the personnel on safety observations and near misses. Furthermore, occupational safety communication continued to include the measures for preventing the spread of COVID-19 at the worksites and offices.

## Company management

On 31 March 2021, Kreate Group announced changes in the Management Team. The stock exchange release is available at: <https://kreate.fi/en/stockrelease/changes-in-kreate-groups-management-team/>.

As of 31 December 2021, Kreate's Management Team includes the following people: Timo Vikström, President & CEO; Antti Heinola, Chief Financial Officer; Tommi Hakanen, Vice President, Special Foundation Construction; Jaakko Kivi, Vice President, Technical Office; Sami Laakso, Vice President, Transport Infrastructure Construction; Tommi Lehtola, Vice President, Foundation and Rock Engineering, and Circular Economy; Timo Leppänen, Vice President, Railway Construction; Katja Pussinen, Vice President, HR, and Sami Rantala, Vice President, Bridge Construction and Repair.

## 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 may have a material adverse effect on Kreate's business, the global economy and financial markets. Economic uncertainty has also impacted Kreate's private sector customers. Pandemics', such as COVID-19, impacts on the public economy may also be reflected in the reduction or postponement of planned investments.

Unfavourable economic development in Finland could impact Kreate's business in many ways, including the income, assets, liquidity, business operations and/or financial standing of Kreate as well as its customers and subcontractors. Moreover, Kreate may not necessarily be able to take advantage of the business opportunities arising from economic fluctuations or adapt its operations to a long-term economic downturn or stagnation.

Kreate's business performance is partly dependent on the overall development of the public economy and the political decision-making that guides it, as the majority of Kreate's revenue comes from public sector customers.

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 competing for available employees.

Kreate's limited control in the KFS Finland joint venture could hamper Kreate's ability to get the joint venture to act in favour of Kreate and to refrain from acting against Kreate's interests.

### **Operational and accident risks**

Kreate may fail in executing its strategy or adapting it to changes in the operating environment, or the strategy itself may be unsuccessful. Kreate may not necessarily be able to define, execute or, if necessary, adjust its business strategy successfully.

Failure to hire qualified personnel, 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.

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

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

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

Mistakes by Kreate's own employees or subcontractors could cause unexpected and unforeseen personal injuries or material damage to third parties, for example due to fires or soil compaction and the possible resulting damage to buildings. Such mistakes can result in unexpected, unforeseen and very significant additional expenses for Kreate.

Kreate is exposed to environmental risks in its operations. The most significant environmental risks are related to noise and dust nuisance and the potential release of environmentally harmful substances, especially fuels from machinery. Any risk of compensation claims or sanctions related to environmental damage that materialises could have a material adverse effect on Kreate's business, financial standing and business result.

### **Economic and financing risks**

In its business operations, Kreate is exposed to interest rate, credit, financing, counterparty and liquidity risks that may have an adverse effect on Kreate's business and financial standing. The company strives to protect itself against liquidity and financing risks through various contractual arrangements.

On each balance sheet 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 Kreate's risks is available in the company's offering circular published in February 2021, which is available at: <https://kreate.fi/en/ipo/>. More information on the company's financing risks is also available in note 3.4 to the company's Financial statements for 2020.

## Shareholder meeting

By a unanimous decision of the shareholders on 25 January 2021, the company's company form was changed from a private limited company to a public limited company. In connection with the decision, the shareholders authorised the Board of Directors to decide on a share issue. The shares issued pursuant to the authorisation are new shares. A maximum of 2,500,000 shares may be issued under the authorisation. On 18 February 2021, Kreate's Board of Directors decided to issue 1,529,877 new shares under this authorisation. The authorisation was valid until 31 March 2021.

In addition, shareholders decided on 25 January 2021 to authorise the Board of Directors to decide on share issues 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. The shares issued pursuant to the authorisation are new shares or shares held by the company. A maximum of 900,000 shares may be issued under the authorisation. The share issue authorisation of the Board of Directors was made to be valid until the end of the 2021 Annual General Meeting but no later than 30 June 2021. This authorisation was not used.

On 25 January 2021, shareholders also decided to authorise the Board of Directors to decide on a repurchase of the company's own shares.

The total maximum number of own shares to be repurchased is 900,000 shares. However, the company, together with its subsidiaries, may not own more than 10 per cent of all the shares in the company. Pursuant to the authorisation, the company's own shares can only be repurchased with unrestricted equity. The authorisation was made to be valid until the end of the 2021 Annual General Meeting but no later than 30 June 2021. This authorisation was not used.

On 25 January 2021, it was also decided that the Chair of the company's Board of Directors is to be paid a monthly fee of EUR 4,750 and Members of the Board of Directors are to be paid a monthly fee of EUR 2,000 starting from 1 January 2021. In addition, it was decided that an additional 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 for a period of one year following the election.

## Decisions by the Annual General Meeting

Kreate Group Plc's Annual General Meeting was held on 5 May 2021. The Annual General Meeting verified the financial statements for the financial year 2020 and granted the members of the Board of Directors and the President & CEO release from liability for the financial year 2020.

The Annual General Meeting decided that, based on the balance sheet verified for the financial year ending on 31 Dec 2020, a dividend of EUR 0.44 is issued per share for shares held outside the company. The dividend is paid to shareholders who are recorded on the company's list of shareholders maintained by Euroclear Finland Oy on the date of record for dividend payment which is 7 May 2021. The dividends were paid on 19 May 2021.

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

The Annual General Meeting decided that the following fees are to be paid to the members of the Board of Directors: the Chair of the Board is to be paid a monthly fee of EUR 4,750 and other members of the Board are to be paid a monthly fee of EUR 2,000. In addition, the Annual General Meeting decided that an additional yearly fee of EUR 1,500 is paid to each member of the Board of Directors elected as the Chair or Member of the Audit Committee or Remuneration and Nomination Committee and that reasonable travel expenses are reimbursed according to invoices.

The Annual General Meeting confirmed that the Board of Directors shall have seven (7) members. The following current members of the Board were re-elected: Petri Rignell, Timo Kohtamäki, Janne Näränen, Elina Pienimäki and Markus Väyrynen. Timo Pekkarinen and Jussi Aine were elected as new Members of the Board. The term of office of all members of the Board shall end at the end of the 2022 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 Pienimäki (Chair), Jussi Aine and Petri Rignell. The following Members of the Remuneration and Nomination Committee were elected: Petri Rignell (Chair), Timo Pekkarinen, Janne Näränen and Timo Kohtamäki.

The Annual General Meeting re-elected authorised public accountants KPMG Oy Ab as the Auditor of the company, with Authorised Public Accountant Turo Koila as the responsible auditor. The Auditor shall be paid a reasonable fee in accordance with an invoice approved by the Board of Directors.

The Annual General Meeting authorised the Board of Directors to decide on a share issue as well as the issuance of option rights and other special rights entitling to shares pursuant to Chapter 10 of the Finnish Limited Liability Companies Act. Under the authorisation, a maximum of 898,000 shares can be issued, which corresponds to approximately 10 per cent of Kreate's total shares at the time of the decision. The shares or special rights entitling to shares can be issued in one or more tranches, either against or without payment. The shares issued under the authorisation can be new shares or shares held by Kreate. This authorisation is valid until the end of Kreate's next Annual General Meeting but no later than 30 June 2022. 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 2022. The authorisation revokes any previous unused authorisations for the repurchase and acceptance as a pledge of the company's own shares.

On 5 May 2021, 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/>.

## Shares and trading

### Initial public offering

On 25 January 2021, Kreate announced that it was planning an initial public offering (IPO) and listing of its shares on the stock exchange list of Nasdaq Helsinki Ltd. The IPO started on 8 February 2021; the public and personnel offering ended on 15 February 2021 and the institutional offering ended on 17 February 2021.

The share subscription price was EUR 8.20 per share in the institutional and public offering and EUR 7.38 per share in the personnel offering, corresponding to a market value of approximately EUR 72.9 million for Kreate immediately after the IPO.

Demand from Finnish and international investors was strong, and the IPO was oversubscribed many times over. In the public offering, subscriptions were received from more than 18,600 investors. Trading in Kreate's shares started on the pre-list of Nasdaq Helsinki Ltd on 19 February 2021 and on the stock exchange list on 23 February 2021.

Kreate accumulated approximately EUR 12.5 million in gross proceeds from the IPO and the sellers (Intera Fund II Ky and certain other current shareholders of Kreate) received approximately EUR 27.2 million in gross proceeds. The number of Kreate's outstanding shares increased to 8,894,772 shares and the total number of shares (including treasury shares held by Kreate) increased to 8,984,772 shares.

### Share-based incentive plans

Kreate Group's Board of Directors decided on 23 June 2021 to launch two new long-term share-based incentive plans for the key persons of the Group and the Group's joint venture. The aim of the performance share plan and share bonus plan is to align the goals of the company, shareholders and key persons in order to grow the company value in the long term and commit the key persons to the company.

The Performance Share Plan 2021–2024 consists of 2 two-year performance periods, each of which is followed by a two-year restriction period. The company's Board of Directors decides on the plan's performance criteria and the targets set for each criterion at the beginning of each performance period. Members of the Kreate Group management team participate in the performance share plan.

The share bonus plan offers the key persons in the target group an opportunity to earn shares in the company by converting into shares a portion, decided by the Board of Directors, of the performance bonus earned for 2022. Tentatively, the share bonus plan target group will include approximately 60 key persons, including the members of the company's management team. The persons included in the share bonus plan target group was decided by Kreate Group's Board of Directors in autumn 2021.

Kreate Group announced the share-based incentive plans by issuing a stock exchange release on 23 June 2021, which is available at: <https://kreate.fi/en/stockrelease/the-board-of-directors-of-kreate-group-plc-decided-on-share-based-incentive-plans/>.

### Trading in the company's shares

Kreate Group Plc's share capital at the end of December was EUR 80,000. The total number of outstanding shares in the company on 31 December 2021 was 8,984,772 shares, of which the company held 90,000 shares as treasury shares.

8,520,081 of Kreate's shares were traded on the Helsinki Stock Exchange in January–December. The highest trading price was EUR 12.5 and the lowest price was EUR 9.9. The volume weighted average price of Kreate's shares in the financial year 2021 was EUR 9.53 taking into account the subscription price of EUR 8.20.

The share's closing price on the last trading day of the reporting period, 31 December 2021, was EUR 11.35. Based on the closing price of the reporting period, the market value of the company's shares, excluding the treasury shares held by the company, was EUR 101.0 million.

### **Notifications of major shareholdings**

On 6 September 2021, Kreate received a notification in accordance with the Securities Market Act, Chapter 9, Section 5 from Intera Partners Oy. According to the notification, Intera Fund II Ky's, a company under Intera Partners Oy's control, ownership of Kreate's shares and voting rights has fallen below the ten (10) and five (5) per cent notification limits on 3 September 2021. According to the notification, this is based on the transfer of shares or voting rights.

Further information on changes in ownership is available on Kreate's website at <https://kreate.fi/en/investor/share-and-shareholders/flaggings/> and <https://kreate.fi/en/investor/releases-and-reports/stock-exchange-releases-and-press-releases/>.

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

The parent company Kreate Group Plc's distributable funds amounted to EUR 30,289,500.36 on 31 December 2021. The Board of Directors proposes to the general meeting on 29 March 2022 that, based on the balance sheet verified for 2021, a dividend of EUR 0.45 be issued per share for shares held outside the company at the time of dividend distribution. The remaining funds distributable as profits are left in unrestricted equity. On the day of making the proposal for profit distribution, 25 January 2022, 8,894,772 shares were held outside the company, which is equivalent to total dividends of EUR 4,002,647.40.

### **Events after the reporting period**

Mikko Laine (M.Soc.Sc.) started as Kreate Group Plc's new Chief Financial Officer (CFO) and member of the Management Team on 1 January 2022. Kreate Group's former CFO Antti Heinola continued in his position as CFO until the end of the year 2021, as planned. The company announced the appointment in a stock exchange release on October 4, 2021.

Tuusula, 26 January 2022

Kreate Group Plc

Board of Directors

NOTES

Calculation formulas for key figures

Tables for the January–December 2021 financial statement bulletin

## Key figures by quarter

EUR million	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q4/19
Order backlog	202.8	202.8	157.5	158.3	134.9	149.0	144.4	162.3	177.2
Revenue	75.8	70.6	52.9	38.3	62.0	65.4	58.0	50.0	72.1
Change in revenue, %	7.4	33.4	38.0	-38.1	-5.2	12.7	16.1	-30.7	5.3
EBITDA	4.1	5.1	3.4	1.7	3.1	4.9	3.9	2.2	5.6
EBITDA, %	5.4	7.2	6.3	4.4	5.0	7.5	6.7	4.3	7.7
EBITA	3.1	4.1	2.5	0.9	2.3	4.0	3.0	1.3	4.6
EBITA, %	4.1	5.8	4.7	2.3	3.8	6.1	5.1	2.6	6.4
Operating profit	3.0	4.1	2.4	0.8	2.3	3.9	2.9	1.2	4.6
Operating profit, %	4.0	5.8	4.6	2.2	3.7	6.0	5.0	2.5	6.3
Result for the period	2.4	3.1	1.8	-0.3	1.8	3.0	2.1	0.9	3.9
Capital employed	62.0	66.7	63.0	56.3	54.5	58.8	57.7	58.1	53.6
Return on capital employed, %	17.8	15.3	15.7	17.4	19.2	21.1	21.6	21.5	20.7
Return on equity, %	20.4	15.6	16.6	17.6	24.7	25.3	29.0	29.4	26.3
Net investments in operating activities	-1.5	-0.6	-2.1	-0.8	-1.7	-0.8	-1.0	-1.0	-1.2
Free cash flow from operating activities	7.7	-0.2	-3.7	0.1	7.2	2.2	2.5	-2.2	12.4
Net working capital	-0.0	3.8	-0.3	-4.6	-5.4	1.0	-1.0	-0.8	-4.0
Net debt, rolling 12 months	20.9	28.1	27.4	18.8	27.9	16.5	18.4	20.9	17.3
Net debt/EBITDA	1.5	2.1	2.1	1.4	2.0	1.0	1.1	1.3	1.2
Equity ratio, %	38.6	32.3	33.4	38.2	26.3	38.7	35.8	36.8	34.5
Earnings per share, €	0.28	0.34	0.20	-0.04	0.07	0.41	0.28	0.12	0.33
Earnings per share adjusted with IPO expenses, €				0.07					
Personnel at the end of the period	385	392	412	385	383	404	441	407	395
Personnel on average	389	398	396	382	390	414	427	398	394

## Additional information on alternative performance measures

EUR million	10–12/2021	10–12/2020	1–12/2021	1–12/2020
Outstanding shares on average (1,000 pcs)	8,895	7,365	8,689	7,365
Amortisations from intangible assets	-0.0	-0.0	-0.2	-0.2
Depreciations	-	-	-	-
Prepayments received	-	-	-	-
IPO expenses included in financial expenses	-	-	0.9	

EUR million	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q4/19
Outstanding shares on average (1,000 pcs)	8,895	8,895	8,895	8,062	7,365	7,365	7,365	7,365	7,344
Amortisations from intangible assets	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.1	-0.0	-0.0
Depreciations	-	-	-	-	-	-	-	-	-
Prepayments received	-	-	-	-	-	-	-	-	-
IPO expenses included in financial expenses	-	-	0.0	0.9					

## Calculation formulas for key figures

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

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

## Financial statement bulletin for January–December 2021: Table section

## Consolidated statement of comprehensive income

EUR million	10–12/2021	10–12/2020	1–12/2021	1–12/2020
Revenue	75.8	62.0	237.6	235.3
Other operating income	0.1	0.2	0.5	0.3
Materials and services	-58.4	-48.2	-181.9	-180.6
Employee benefit expenses	-10.5	-8.2	-32.3	-32.3
Other operating expenses	-3.2	-3.0	-10.3	-9.8
Share of the joint venture's profit	0.3	0.4	0.6	1.2
Depreciation, amortisation and impairment	-1.1	-0.8	-3.9	-3.7
Operating profit	3.0	2.3	10.4	10.4
Financial income	0.0	0.1	0.0	0.1
Financial expenses	-0.3	-0.5	-2.1	-1.2
Financial income and expenses	-0.3	-0.4	-2.1	-1.1
Result before taxes	2.7	1.9	8.2	9.3
Income taxes	-0.2	0.0	-1.3	-1.5
<b>Result for the period</b>	<b>2.4</b>	<b>1.8</b>	<b>6.9</b>	<b>7.8</b>
<b>Comprehensive income for the period</b>	<b>2.4</b>	<b>1.8</b>	<b>6.9</b>	<b>7.8</b>
Profit attributable to:				
Shareholders of parent	2.4	1.8	6.9	7.8
Earnings per share calculated from the income attributable to shareholders of the parent				
Undiluted, €	0.28	0.07	0.80	0.88
Diluted, €	0.28	0.07	0.80	0.88

## Consolidated balance sheet

EUR million	12/2021	12/2020
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	0.9	1.0
Goodwill	35.6	35.6
Property, plant and equipment	17.9	15.8
Right-of-use assets	1.1	1.5
Investments in joint ventures	8.9	8.4
Other receivables	0.4	0.1
Deferred tax assets	0.7	0.5
<b>Total non-current assets</b>	<b>65.5</b>	<b>62.7</b>
<b>Current assets</b>		
Trade and other receivables	34.2	30.4
Income tax receivables	0.6	0.1
Cash and cash equivalents	6.3	8.1
<b>Total current assets</b>	<b>41.1</b>	<b>38.6</b>
<b>Total assets</b>	<b>106.6</b>	<b>101.3</b>
<b>EQUITY</b>		
Share capital	0.1	0.0
Reserve for invested unrestricted equity	19.7	8.3
Retained earnings	21.3	18.3
<b>Total equity</b>	<b>41.1</b>	<b>26.6</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Interest-bearing debt	22.6	30.4
Deferred tax liabilities	1.1	0.7
<b>Total non-current liabilities</b>	<b>23.8</b>	<b>31.1</b>
<b>Current liabilities</b>		
Interest-bearing debt	4.6	5.6
Trade payables and other liabilities	34.5	35.8
Income tax liabilities	0.0	0.7
Provisions	2.6	1.5
<b>Total current liabilities</b>	<b>41.7</b>	<b>43.6</b>
<b>Total liabilities</b>	<b>65.5</b>	<b>74.7</b>
<b>Total equity and liabilities</b>	<b>106.6</b>	<b>101.3</b>

**Consolidated cash flow statement**

<b>EUR million</b>	<b>10–12/2021</b>	<b>10–12/2020</b>	<b>1–12/2021</b>	<b>1–12/2020</b>
Result for the period	2.4	1.8	6.9	7.8
Depreciation, amortisation and impairment	1.1	0.8	3.9	3.7
Financial income and expenses	0.3	0.4	2.1	1.1
Income taxes	0.2	0.0	1.3	1.5
Other adjustments	-0.3	-0.5	-0.8	-1.3
Total adjustments	1.3	0.8	6.5	4.9
Change in trade and other receivables	11.3	4.3	-4.1	1.9
Change in inventories				0.0
Change in trade payables and other liabilities	-6.6	2.2	-1.5	-0.4
Change in provisions	0.7	-0.2	1.2	0.0
Total change in working capital	5.4	6.4	-4.5	1.6
Cash flow from operations before financial items and taxes	9.2	9.0	8.9	14.3
Interest paid in operating activities	-0.1	0.0	-0.1	0.0
Interest received in operating activities	0.0	0.0	0.0	0.0
Other financial items	-0.1	-0.2	-1.3	-0.3
Dividends received				0.5
Taxes paid	-0.3	0.1	-2.1	-1.3
<b>CASH FLOW FROM OPERATIONS</b>	<b>8.7</b>	<b>8.9</b>	<b>5.4</b>	<b>13.2</b>
Investments in tangible and intangible assets	-1.9	-2.0	-5.6	-5.1
Disposals of tangible and intangible assets	0.4	0.2	0.6	0.5
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-1.5</b>	<b>-1.7</b>	<b>-4.9</b>	<b>-4.6</b>
Share issue			11.2	
Repayment of equity loan		-16.2		-16.2
Drawdown of non-current loans		33.9		33.9
Repayment of non-current loans			-6.3	
Drawdown of current loans			10.0	
Repayment of current loans	-7.7	-27.6	-12.3	-28.0
Repayment of lease liabilities	-0.2	0.2	-0.7	-0.7
Interest and other loan expenses		-1.9	-0.3	-2.1
Dividends paid	0.0		-3.9	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-7.9</b>	<b>-11.9</b>	<b>-2.3</b>	<b>-13.1</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>-0.6</b>	<b>-4.8</b>	<b>-1.8</b>	<b>-4.5</b>
Cash and cash equivalents on the opening balance sheet	6.9	12.9	8.1	12.7
Change in cash and cash equivalents	-0.6	-4.8	-1.8	-4.5
Cash and cash equivalents at the end of the period	6.3	8.1	6.3	8.1

## Consolidated statement of changes in equity

EUR million	Share capital	Reserve for invested unrestricted equity	Equity loan	Retained earnings	Total equity
Equity as at 1 January 2020	0.0	8.3	16.2	11.9	36.4
Items of comprehensive income					
Result for the period				7.8	7.8
Total comprehensive income attributable to the owners of the parent				7.8	7.8
Transactions with the owners					
Equity loan			-16.2		-16.2
Interest on equity loan				-1.3	-1.3
Total transactions with the owners			-16.2	-1.3	-17.5
Equity as at 31 December 2020	0.0	8.3		18.3	26.6

EUR million	Share capital	Reserve for invested unrestricted equity	Equity loan	Retained earnings	Total equity
Equity as at 1 January 2021	0.0	8.3		18.3	26.6
Items of comprehensive income					
Result for the period				6.9	6.9
Total comprehensive income attributable to the owners of the parent				6.9	6.9
Transactions with the owners					
Increase in share capital	0.1	-0.1			
Share issue *		11.5			11.5
Dividend				-3.9	-3.9
Share-based awards				0.0	0.0
Total transactions with the owners	0.1	11.4	0.0	-3.9	7.6
Equity as at 31 December 2021	0.1	19.7	0.0	21.3	41.1

<sup>1)</sup> The gross proceeds from the share issue amounted to EUR 12.5 million. EUR 1.3 million in IPO fees have been recognised in the reserve for invested unrestricted equity, less the tax impact.

## Notes

### Key accounting principles and basis for preparation

The Group's financial statement bulletin has been prepared in accordance with the IAS 34 Interim Reports standard. The financial statement bulletin should be read together with Kreate Group's consolidated financial statements for the financial year 2020.

The information in the financial statement bulletin is based on the audited financial statements for 2021.

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

The financial statement bulletin has been prepared in accordance with the key accounting principles presented in Kreate Group's consolidated financial statements for the financial year 2020, except for the revised IFRS standards that came into effect on 1 January 2021. The revised standards did not have an impact on the consolidated financial statements. The group accounting principles have been supplemented in terms of joint project ventures and share-based benefits.

In the 2021 financial year, Kreate has participated in joint project ventures that are processed in the consolidated financial statements as joint functions. A joint project venture is not an independent legal unit; its parties have a contractual joint responsibility for the operations and obligations of the joint project venture. The Group's share of the profit, expenses, assets and liabilities for a project executed in a joint project venture are included in the reporting of the relevant Group company.

During the financial year, the Group decided to launch two new long-term share-based incentive plans for the key persons of the Group and the Group's joint venture. Share-based incentive plans are measured at fair value at the time of their issue and recognised as expenses in equal tranches for the vesting period. An equivalent adjustment is made in equity. The expense determined at the time of issue is based on the Group management's estimate of the number of shares, and the related vesting is assumed to occur at the end of the vesting period.

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

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

- Recognition of income from projects: The Group recognises sales income from project contracts over time. Recognition of sales income is based on the management's estimates on the sales income and expenses of projects as well as a comprehensive estimate of the progress and degree of completion of projects. The management estimates the probability of the income when determining the sales proceeds. Should estimates on a project's outcome change, the revenue recognition is adjusted in the reporting period when the change first became known.
- Recognition of provisions: At the end of the reporting period, the Group estimates if it has a probable payment obligation, whether legal or constructive, in the future. The Group recognises a provision for warranty upon the delivery of projects including a warranty

obligation. The amount of the provision for a warranty is based on the Group management's historical information on the number of realised warranty provisions and their timing.

- Testing of goodwill for impairment: The Group has one cash-generating unit, Kreate Group, and it is the lowest level where goodwill is monitored. The Group carries out an impairment test annually, or if signs of impairment are detected. The group has not detected signs of impairment in the reporting period.
- Leases: The management assesses the use of extension, termination or purchase options related to leases and the lease term of leases valid until further notice. In addition, the management estimates the amount of discount rate for each right-of-use asset.
- Recognition of deferred tax assets: Deferred tax assets from the confirmed losses of the previous financial periods or undeducted interest liabilities of associated companies are recognised only if the management estimates that a sufficient amount of taxable income can be generated in the future against which the unused taxation losses and undeducted interest liabilities of associated companies can be utilised.
- Share awards: Share awards are measured at fair value at the time of their issue and recognised on the income statement as expenses in equal tranches for the vesting period. The expense determined at the time of issue is based on the management's estimate of the number of shares, and the related vesting is assumed to occur at the end of the vesting period. The Group shall update the assumption on the final amount on each balance sheet date.

### Initial public offering

During the reporting period, Kreate Group Plc's shares were listed on the stock exchange list of Nasdaq Helsinki Ltd. The IPO comprised a share issue and the sale of shares. Due to the IPO, the number of the company's outstanding shares increased to 8,894,772 shares and the total number of shares (including treasury shares held by the company) increased to 8,984,772 shares. Kreate accumulated approximately EUR 12.5 million in gross proceeds from the IPO. The company's IPO expenses were EUR 2.3 million, of which EUR 1.3 million were recognised directly as equity.

### 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 make up a significant part of Kreate Group's revenue from contracts with customers. More than 90% of the Group's revenue is generated in Finland.

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

EUR million	1–12/2021	1–12/2020
Structural engineering <sup>1)</sup>	137.5	152.1
Transport infrastructure construction <sup>2)</sup>	98.2	84.5
Other <sup>3)</sup>	1.9	-1.2
Total	237.6	235.3

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

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

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

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

	1–12/2021	1–12/2020
Cities and municipalities	16%	29%
Government	47%	36%
Private sector	37%	35%

The seasonality of the infrastructure projects delivered by the company has an impact on the timing of the company's result and cash flows.

## Working capital

EUR million	12/2021	12/2020
Trade receivables	17.3	18.9
Assets based on contracts with customers	15.7	11.2
Loan receivables		0.0
Other receivables	1.1	0.2
Accrued income	0.0	0.0
<b>Total trade and other receivables</b>	<b>34.2</b>	<b>30.4</b>
Accrued personnel costs	0.0	0.0
Other accrued income	0.0	0.0
Total accrued income	0.0	0.0
Trade payables	12.4	9.0
Liabilities based on contracts with customers	4.8	11.0
Other liabilities	5.6	3.4
Accrued liabilities	11.7	12.3
<b>Total trade payables and other liabilities</b>	<b>34.5</b>	<b>35.8</b>
Interest liabilities	0.3	0.0
Accrued personnel costs	10.9	10.5
Other accrued liabilities	0.5	1.8
Total accrued liabilities	11.7	12.3

## Financial assets and liabilities

EUR million	31 December 2021	Carrying amount	Fair value
Financial assets measured at amortised cost			
Non-current receivables		0.4	0.4
Non-current financial assets		0.4	0.4
Trade and other receivables		18.4	18.4
Current financial assets		18.4	18.4
Cash and cash equivalents		6.3	6.3
Total financial assets		25.2	25.2
Financial liabilities measured at amortised cost			
Loans from financial institutions		22.1	22.3
Hire purchase liabilities		-	
Lease liabilities		0.6	
Non-current interest-bearing liabilities		22.6	
Loans from financial institutions		4.0	4.0
Hire purchase liabilities		-	
Lease liabilities		0.6	
Current interest-bearing liabilities		4.6	
Trade payables and other liabilities		18.0	18.0
Other current financial liabilities		18.0	18.0
Total financial liabilities		45.2	

EUR million	31 December 2020	Carrying amount	Fair value
Financial assets measured at amortised cost			
Non-current receivables		0.1	0.1
Non-current financial assets		0.1	0.1
Trade and other receivables		19.1	19.1
Current financial assets		19.1	19.1
Cash and cash equivalents		8.1	8.1
Total financial assets		27.4	27.4
Financial liabilities measured at amortised cost			
Loans from financial institutions		29.3	29.6
Hire purchase liabilities		0.3	0.3
Lease liabilities		0.9	
Non-current interest-bearing liabilities		30.4	
Loans from financial institutions		4.7	4.7
Hire purchase liabilities		0.3	0.3
Lease liabilities		0.6	
Current interest-bearing liabilities		5.6	
Trade payables and other liabilities		12.4	12.4
Other current financial liabilities		12.4	12.4
Total financial liabilities		48.4	

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 2021 and 2020.

## Changes in tangible assets

EUR million	12/2021	12/2020
Acquisition cost as at 1 January	22.6	21.0
Adjustment of acquisition cost as at 1 January	0.6	
Increases	5.5	4.9
Decreases	-0.6	-3.3
Acquisition cost at the end of the period	28.1	22.6
Accrued depreciation, amortisation and impairment as at 1 January	-6.8	-6.9
Adjustment of accrued amortisation as at 1 January	-0.6	
Accrued amortisation on the decreases	0.2	2.9
Amortisation for the period	-3.0	-2.8
Accrued depreciation, amortisation and impairment at the end of the period	-10.2	-6.8
Carrying amount at the end of the period	17.9	15.8

## Changes in right-of-use assets

EUR million	12/2021	12/2020
Acquisition cost as at 1 January	2.9	2.5
Increases	0.4	0.6
Decreases	-0.4	-0.2
Acquisition cost at the end of the period	2.9	2.9
Accrued depreciation, amortisation and impairment as at 1 January	-1.4	-0.9
Accrued amortisation on the decreases	0.4	0.2
Amortisation for the period	-0.7	-0.7
Accrued depreciation, amortisation and impairment at the end of the period	-1.7	-1.4
Carrying amount at the end of the period	1.1	1.5

On 31 December 2021, the company committed to upcoming long-term lease contracts that have not yet commenced, whose undiscounted lease liability amounts to EUR 1.2 million.

## Changes in intangible assets

EUR million	12/2021	12/2020
Acquisition cost as at 1 January	5.1	5.3
Increases	0.1	0.2
Decreases		-0.4
Acquisition cost at the end of the period	5.2	5.1
Accrued depreciation, amortisation and impairment as at 1 January	-4.2	-4.4
Accrued amortisation on the decreases		0.4
Amortisation for the period	-0.2	-0.2
Accrued depreciation, amortisation and impairment at the end of the period	-4.3	-4.2
Carrying amount at the end of the period	0.9	1.0

## Collateral and contingent liabilities

EUR million	12/2021	12/2020
<u>Mortgages and shares given as collateral for loans from financial institutions</u>		
Book value of pledged shares	-	52.0
Given real estate mortgages	-	5.0
Floating charges given	-	75.4
<u>Other contingent liabilities</u>		
Collateral given on behalf of the joint venture	0.0	0.1
Collateral given on behalf of joint project ventures	6.3	-
Other collateral	0.0	0.0
Guarantee liabilities from project contracts	35.2	36.4
Lease liabilities from short-term assets with a low value	0.5	0.6
VAT liability	0.3	0.1

The collateral for the Group's loans has been released in accordance with the terms and conditions of the loan agreement in connection with the initial public offering.

## Related-party transactions

The Group's related parties include the parent company, subsidiaries and the joint venture KFS Finland Oy. 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.

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

EUR million	1–12/2021 Income	Expenses	12/2021 Receivables	Liabilities
Intera Fund II Ky				
Joint venture	6.7	-6.8	0.0	0.4
Other related parties <sup>1)</sup>		-0.2		

EUR million	1–12/2020 Income	Expenses <sup>2)</sup>	12/2020 Receivables	Liabilities
Intera Fund II Ky		-0.7		
Joint venture	19.0	-3.6	0.9	
Other related parties <sup>1)</sup>	0.1	-0.7		0.0

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

<sup>2)</sup> Expenses regarding Intera Fund II Ky and other related parties include the interest expenses for the equity loan repaid during the reference period.

## Events after the reporting period

Mikko Laine (M.Soc.Sc.) started as Kreate Group Plc's new Chief Financial Officer (CFO) and member of the Management Team on 1 January 2022. Kreate Group's former CFO Antti Heinola continued in his position as CFO until the end of the year 2021, as planned. The company announced the appointment in a stock exchange release on October 4, 2021.