

KREATE
THE FUTURE IS BUILT TODAY

ANNUAL REVIEW 2021

Contents

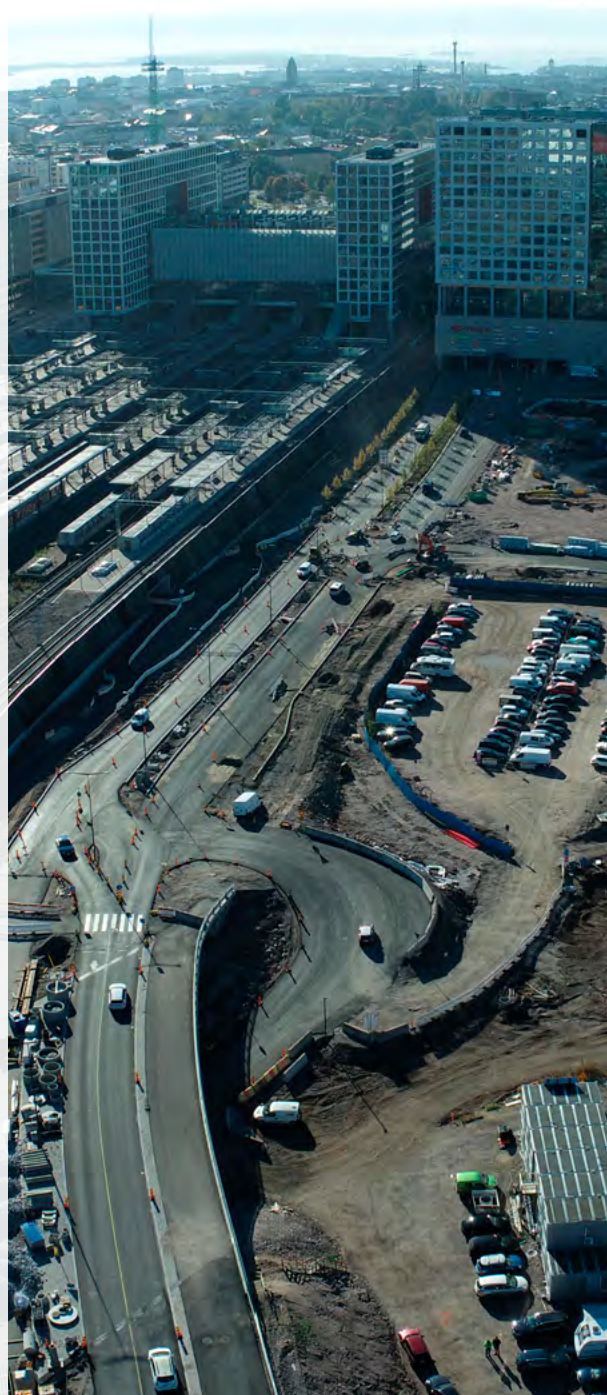
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Cover photo: At the heart of Tampere, at a traffic junction, Kreate built a two-hectare deck, which serves as a platform for tall residential buildings as well as the multi-purpose venue Nokia Arena, which opened its doors in 2021. The construction on top of the busiest railroad in Finland required careful scheduling and strong technical expertise.



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+100
projects annually

Personnel over
400

EBITDA
4.4%

Revenue
~ 238 M€

Order backlog
~ 203 M€

5th consecutive
year of growth
13%
(2017–2022 CAGR)

Kreate in brief

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

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

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

Kreate Group comprises the parent company Kreate Group Plc and its wholly-owned subsidiaries (Kreate Oy and Kreate Rata Oy). Furthermore, the Group has a 50% holding in the joint venture KFS Finland Oy, which specialises in special foundation construction. We mainly operate in Finland, and our head office is located in Tuusula.

In 2021, our consolidated revenue was EUR 238 million and we employed more than 400 people. Kreate's shares were listed on the stock exchange list of Nasdaq Helsinki in February 2021.



We listed our stock successfully on the stock exchange list of Nasdaq Helsinki and received more than 18,600 new shareholders.



The joint project venture TYL Kruunusillat won the tender for the extensive and unique Crown Bridges project. The construction of the longest bridge in Finland started in October.



The Finnish Transport Infrastructure Agency chose Kreate as an alliance partner in the large project for renovating the Kirjalansalmi and Hessundinsalmi bridges along highway 180. The project started with the development phase, and its cost estimate is EUR 128 million.



The associated company KFS Finland acquired NordPile in order to strengthen its position as a market leader in special foundation construction. The merger will also support Kreate's strategic growth particularly in demanding projects.

January

February

March

April

May

June

July

August

September

October

November

December



The "Veturitie ja Ratapihakorttelit" project started in Central Pasila next to busy roads and the main railway line. The demanding construction project is executed as a low-emission worksite and, among other things, the project uses recycled materials and the low-carbon concrete manufactured by Lujabetoni, which significantly reduces the CO2 emissions. Tracking of energy consumption and emissions at the worksite gathers information on the project's environmental impacts and also provides data for reducing the emissions of future projects.

The development stage in the contract for the Sulkavuori central wastewater treatment plant started. With the decision taken in December, the joint project venture TYL Sulkavuori began the execution of the EUR 72 million project.

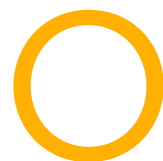


Kreate executes the demanding foundation and concrete structures for the underground floor of Kulttuurikasarmi, a historical building at the centre of Helsinki.

We completed several significant projects, and one of the largest ones was the Helsinki Airport's T2 alliance, which was also recognised as the worksite of the year. In the T2 project, we delivered highly demanding infrastructure that amounted to tens of millions of euros.

Strategic projects and competent personnel strengthened our competitiveness

Kreate had a successful 2021. We started the year with a bang by announcing the listing of our shares on the stock exchange list of Nasdaq Helsinki. The successful initial public offering exceeded our expectations, increasing awareness of our company and strengthening our competitiveness and growth targets. After a slow start to the year, the market started to pick up, which also accelerated tendering in the construction sector. In the second half of the year, we achieved strong growth in our order backlog by winning tenders for strategically important projects. The commitment of our personnel and our strategic strengthening of operations gave us such great momentum that, in November, we increased our financial guidance.



Our revenue for the entire year grew to nearly EUR 238 million and our operating profit exceeded EUR 10 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. The cost level in construction grew during the year, but this had a very limited impact on our 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. At the end of 2021, our order backlog amounted to EUR 203 million, which lays a good foundation for 2022.



Focusing on demanding projects yielded results

Over the course of the year, our project tender calculation focused even more systematically on infrastructure projects that strengthen our competitiveness either due to their technical demands or procurement model. Our success in tendering was supported by the high professional skills of our personnel, our good visibility with the upcoming projects and the clear goals set based on plans. I am incredibly proud of our personnel who have worked relentlessly to win contracts.

One of our great efforts was the contract for the renovation of the Kirjalansalmi and Hessundinsalmi bridges, for which we signed a development stage agreement in the autumn. The project execution is based on the alliance model, and the negotiations required strong commitment and demonstration of competence from the contractor already at the tendering stage. I can honestly say that our strengths are best shown in tenders like this as they emphasise technical skill, high quality and the ability for collaboration.

The other strategically important contracts that we won include the unique construction of the Lillholmen lifting bridge, the "Veturitie ja Ratapihakorttelit" project and the contracts executed in joint project ventures: the Crown Bridges project, the technical construction for the Sulkavuori central wastewater treatment plant and the section of National Road 19 between Seinäjoki and Lapua. Large projects provide continuity across operating periods and offer interesting development opportunities for our professionals. Contracts executed in joint project ventures also demonstrate well that we are a favoured project partner. In addition to these extensive projects, we have several other ongoing projects that require special expertise and strengthen our position as an expert in infrastructure construction.

Significant public and traffic-related projects

The most visible projects in which we have participated in recent years were opened for the general public late in the year. In Tampere, we built a two-hectare deck right at the heart of the city while accommodating the needs of the busiest railway traffic in Finland. Impressive residential buildings were constructed on the deck – which is also featured on the front cover – as well as the multi-purpose venue Nokia Arena, which opened its doors in December 2021. 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.

The extensive section on National Road 5 between Nuutilanmäki and Juva was opened for traffic in November, as planned. In December, we finished a highly praised project involving three wooden bridges in Varkaus and opened an overpass in Hanko for traffic nearly four months ahead of schedule and under the original cost estimate. Furthermore, we strengthened our market-leading position in the construction of railway bridges by completing a record-breaking six railway bridges with the skidding method during the year. Our skilful tender calculation, own equipment and experienced employees helped us win the contracts and complete them on time.

We further strengthened our position as one of the most sustainable companies in the infrastructure industry by opening new circular economy areas and integrating the circular economy more clearly as part of the daily operations, among other things.

Our committed and efficient organisation responds to the change in the infrastructure market

The infrastructure market is undergoing strong changes: collaborative forms of purchasing are becoming increasingly more common, market demand is changing, and construction is focused around railways and light rail lines. We continued strengthening our organisation in order to further develop our operations. In

particular, we improved our competence in railway construction and structural engineering so that we can execute large-scale railway projects even better and strengthen our market-leading position in bridge, foundation and special foundation construction. Our strategic growth is also supported by the Nordpile acquisition completed by KFS Finland in September.

Our employees' stress management, well-being and high competence are requirements for a functional working community and high construction quality. Our development efforts, including well-being coaching, supervisor training and personnel surveys have paid off: in the 2021 personnel survey, commitment and high standards of quality were highlighted in a positive way. Kreate Group's Net Promoter Score (NPS) grew to 68 from an already high level. Our strongest success factors include a strong project focus and project management. It is, therefore, delightful that our employees find it positive that we focus on what matters: completing projects efficiently, with high quality and minimal bureaucracy.

Going forward stronger and listening to the stakeholders

We have made progress with the goals we presented in connection with the IPO and, after a strategically successful 2021, we are in an excellent position for the coming year: our competitiveness in delivering demanding and technically challenging projects is even better, we have a strong order backlog and good visibility into the 2022 projects, our clients are satisfied with what we do based on feedback, and our competent organisation is in great shape. We have all the prerequisites for seeking profitable growth in line with our strategy also in 2022.

I want to thank our personnel for their incredible effort, our customers and partners for the excellent collaboration and our investors and other stakeholders for the trust placed in us. I hope that our dialogue with all of our stakeholders will continue to be open and constructive this year as well.

Timo Vikström
President & CEO
Kreate Group Plc

Stronger competitiveness in a changing operating environment

In the coming years, infrastructure construction and its developments will be guided by the densification of city centres, growing significance of public transport infrastructure, new procurement models, the circular economy and digitalisation. We are responding to the changing operating environment by deepening our expertise and by using our diverse expertise for the good of the customer.



DENSIFICATION OF CITY CENTRES

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

GROWING SIGNIFICANCE OF PUBLIC TRANSPORT INFRASTRUCTURE

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

NEW PROCUREMENT MODELS

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

CIRCULAR ECONOMY

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

DIGITALISATION

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

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

→ Our comprehensive railway construction competence and our experience of construction projects in high-traffic environments support our competitiveness in rail projects. In addition, our innovative approach enables employing the best practices in project execution.

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

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

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

A clear strategy for profitable growth

Our mission is to execute comprehensive solutions for even the most challenging infrastructure projects with a solution-driven approach and while delivering on our promises. During the 2024 strategy period, we are seeking growth from an increased focus on demanding projects and by seizing the opportunities brought about by the changing operating environment. We want to be a profitable growth company with an entrepreneurial spirit and the most attractive employer in the industry.

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

1.

WE POSITION OURSELVES IN GROWING MARKET SEGMENTS

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

2.

WE STRENGTHEN AND EXPAND OUR CUSTOMER BASE AND SERVICE OFFERING

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

3.

WE SUPPORT THE STRATEGY WITH SELECTED ACQUISITIONS

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

4.

WE CONTINUE TO IMPROVE OUR OPERATIONAL EFFICIENCY AND PROFITABILITY

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

We build our competitiveness by reinforcing the cornerstones of our business

Ability to win

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

Well-oiled machine

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

Achieving more together

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

The best people in the industry

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

Values

Values at the core of our corporate culture

In addition to the cornerstones of our business, our corporate culture is based on values that guide our operations and management. They lay a foundation for our open corporate culture and help provide solution-driven and reliable services to our customers.

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

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

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

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

Sustainable choices support our business

Good HR management, occupational safety, promoting the circular economy and environmental aspects in infrastructure construction, and the company's profitable growth are the focus areas of sustainability in our business. By supporting commitment and well-being in our working community, we are improving all aspects of our operations from high project quality to corporate social responsibility and profitability.

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

At the end of 2021, we launched a sustainability initiative with the aim of establishing the strategic guidelines for our sustainability efforts, supporting business development and improving our reporting on the impacts our business has on the surrounding world.

Focusing on employee well-being and competence development

We want to be an attractive employer that listens to its employees and continuously increases openness in its operations and corporate culture. With personal meetings minimised, the performance reviews and follow-up discussions had an essential role.

The discussions provided comprehensive feedback from our personnel regarding their career aspirations as well as job satisfaction and issues that require improvement. Based on the results of the personnel survey, our employees' commitment and willingness to recommend us grew from an already high level. We determined competence in strategically important areas and supervisor work to be our most important areas for improvement. We took the first steps to address them at the end of the year by starting to plan strategic recruitments and launching comprehensive training for immediate supervisors.



During the review period, we offered our employees personal coaching as well as two “Kympin kuntoon” physical exercise campaigns, which offered our 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 helped 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,

we 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.

KreateAkademia is an e-learning platform designed for the development of strategic competence and career needs. Over the course of the year, we developed training content and made the platform operable. The aim of KreateAkademia is to make it more efficient to implement consistent practices, develop competence and provide training on occupational safety, sustainability, supervisor work and communication,

among other areas. Various learning methods from traditional classroom teaching to e-learning and workshops are applied in the trainings.

The focus of personnel development is still on growing through on-the-job learning and gradually taking on more challenging projects. The combination of responsibility, new challenges and support from senior colleagues enables our people to build stronger professional competence and makes career paths possible also in the future.

Improving occupational safety

Occupational safety measures played a key role in 2021. Our efforts were topped off by the awarding of the Construction Quality Association’s (RALA) safety certification, which complements our previous RALA certificate of competence as well as our quality and environmental certifications.

We continued to aim for better occupational safety by promoting the continuous improvement of safety, identification of risks and development of preventive measures among the supervisors and employees. We held on-site safety rounds as allowed by the valid COVID-19 restrictions and improved the work and the working methods further by openly communicating with the personnel on safety observations and near misses. In occupational safety communication, we continued to include the measures for preventing the spread of COVID-19 at the worksites and offices.

Our personnel follow the ethical guidelines and company values in their work, carefully following instructions, respecting others and working together. Due to the high professionalism and care of our personnel as well as our continued regular communication efforts, the COVID-19 pandemic only had a limited effect on our personnel and ongoing projects also in 2021.

Kreate Group, KFS Finland included, had a total of six accidents affecting the lost-time injury frequency, which was 7.7. Lost-time injury frequency decreased compared to 2020 and it was better than the construction industry average also in 2021. The commitment and strong professional competence of our personnel support the realisation of the zero accident model and the development of safety in all areas.



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

Kreate's operating model includes finding, offering and using solutions that support the circular economy. We execute the potential solutions proposed by the customers as requested, but we also actively look for other opportunities to further the circular economy in infrastructure construction.

In 2021, we comprehensively promoted the circular economy in infrastructure construction. We continued our influencing efforts in the Infra Contractors Association in Finland and Finnish Environmental Industries YTP with the aim of promoting the use of recycled and recovered materials, for instance in public procurements. We also participated in the UUMA 4 programme, which promotes the use of recovered materials in Finnish earthworks projects: among other things, we chaired the Materials and Services group. The consideration of sustainability in our daily operations is demonstrated especially by our top projects that take

circular economy into account. One of these is the "Veturitie ja Ratapihakorttelit" worksite that promotes the reduction of carbon emissions through choices made in construction. Furthermore, we opened new circular economy areas and integrated the circular economy more clearly as part of the daily operations. As a result of developing our internal processes, we can also reuse a larger share of the discarded construction materials from our worksites than before.

We promoted the circular economy in our own circular economy projects and by supporting sustainable infrastructure construction in our other business units. The new environmental permit for the Tikkurilantie circular economy area in Vantaa will offer new opportunities for the processing and utilisation of circular economy materials.

In addition to the multi-year Hirvihaara circular economy worksite, we executed important projects, including the renovation of the former Sotunki landfill into a green area and the closure of the waste fill area 2 at the Karanoja waste treatment site. There are several decommissioned landfills in Finland that should be closed professionally in order to

prevent environmental damage. In Sotunki, we prevented the landfill gases from rising into the air, landfill water from entering into the environment and other polluting effects from occurring in a groundwater area through the appropriate closure of the landfill.

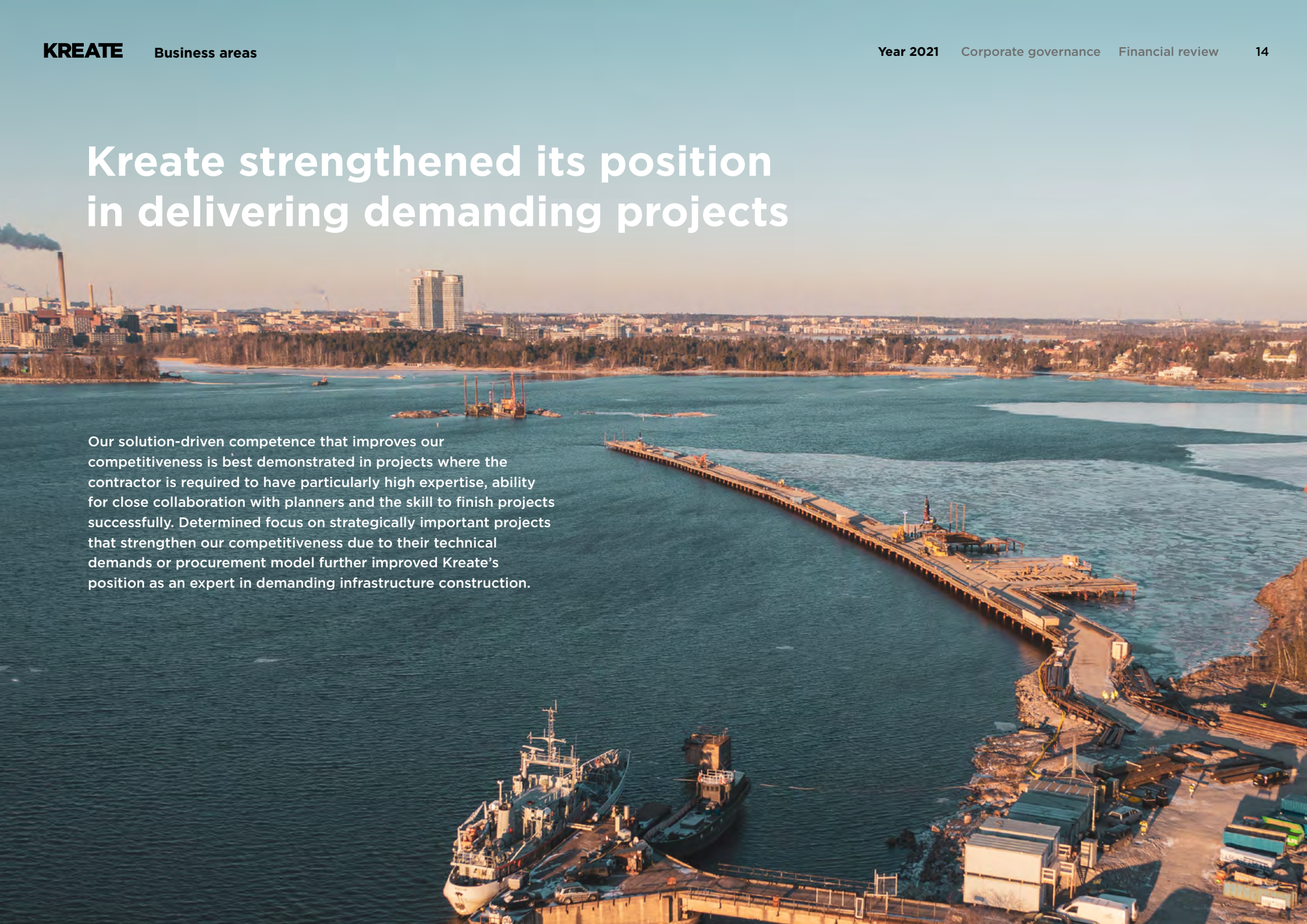
The appropriate utilisation of materials is essential in infrastructure construction, and the comprehensive consideration of the circular economy in all of our projects supports their eco-friendliness and cost-efficiency. The project for constructing a protective embankment for the Hirvihaara shooting sports centre in Mäntsälä using recovered materials provides a unique opportunity for scaling up proven solutions in our road and foundation construction projects which, in turn, contributes to the use of sustainable solutions in infrastructure construction. As professionals, we always ensure that recycled materials meet the requirements, examine the opportunities in the circular economy comprehensively and deliver high-quality results.

Responsibility theme	Measured aspect	Indicator	Measurement frequency	2017	2018	2019	2020	2021
Work practices	personnel turnover,%	Exit turnover,%	1 y	16.0	5.5	8.1	5.1	8.4
Work practices	Number of students and trainees	% of personnel	1 y	6.7		4.8	5.1	3.1
Work practices	Share of men and women of clerical employees	% of clerical employees	1 y	men 84.3 women 15.7	men 81.0 women 19.0	men 89.0 women 11.0	men 89.5 women 10.5	men 89.5 women 10.5
Work practices	employee Net Promoter Score	Net Promoter Score in personnel survey	1 y	24	58	64	64	68
Safety and health	Number of work-related accidents	Lost-time Accident Frequency	1 mth	9.3	16.4	9.1	9.9	7.7
Safety and health	Amount of absences due to illness	Absences due to illness,%	1 mth	2.0	1.0	3.0	2.7	3.1
Environment	No occurrences of environmental damage	pcs	1 y	0	0	0	0	0
Quality of internal operations	Serious deviations in audits	pcs	1 y	2	0	0	0	0
Social responsibility	No violations of code of conduct	pcs	1 y	0	0	0	0	0

* The lost-time accident frequency for 2020 and 2021 also includes KFS Finland Oy, while the figure for earlier years includes Kreate Group with its wholly owned subsidiaries (without KFS Finland the Lost-time Accident Frequency was 8.9 in 2021).

Kreate strengthened its position in delivering demanding projects

Our solution-driven competence that improves our competitiveness is best demonstrated in projects where the contractor is required to have particularly high expertise, ability for close collaboration with planners and the skill to finish projects successfully. Determined focus on strategically important projects that strengthen our competitiveness due to their technical demands or procurement model further improved Kreate's position as an expert in demanding infrastructure construction.



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



Bridge construction and repair covers the construction of new and the repair of existing bridges. Our strong experience is demonstrated by the diversity and demanding nature of the projects we have delivered. Our experience in bridge construction that we have accrued over many decades also helps us work on other infrastructure construction projects, including demanding engineering and concrete structures.

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

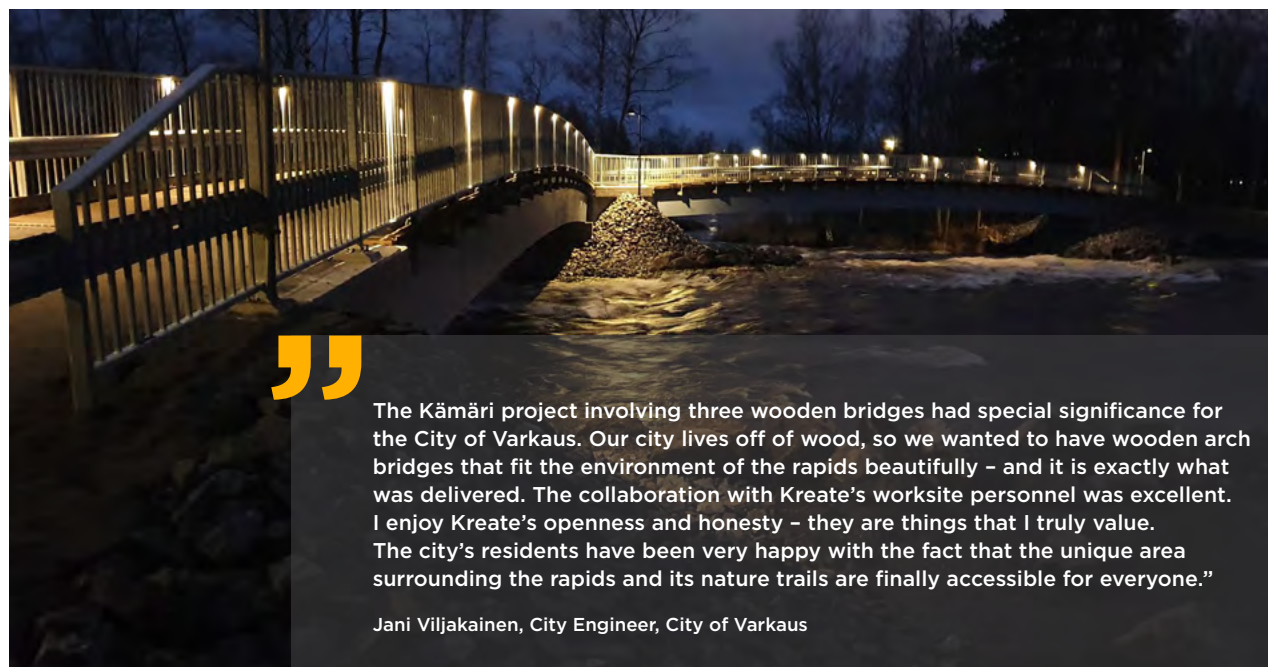
Our special foundation construction expertise is concentrated in the joint venture KFS Finland, of which we own 50%. KFS Finland is not included in our structural engineering revenue but it makes up an essential part of our special technical competence. KFS Finland is the market leader in special foundation construction in Finland. Its functions include comprehensive bottom strengthening methods, such as supporting walls, anchoring, foundation reinforcement, bore piling, pile driving, jet grouting and stabilisation.

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

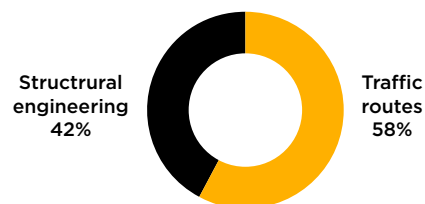
Our railway construction functions include construction work relating to railways, rail yards, tramways and subways. The projects vary from more extensive railyard modernisations to smaller bridge contracts and soil replacement.

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

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



REVENUE BY BUSINESS FUNCTION 2021



The recovered market supported strong operations

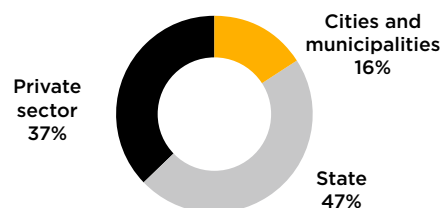
Over the course of the year, we furthered and completed several significant projects, and one of the largest ones was the Helsinki Airport's T2 alliance, which was also recognised as the worksite of the year. In the T2 project, we delivered highly demanding infrastructure that amounted to tens of millions of euros. In December, we opened an overpass in Hanko for traffic nearly four months ahead of schedule and under the original cost estimate. In 2021, we also completed a record-breaking six railway bridges with the skidding method. Our high professional skill in railway bridge construction and skidding strengthens our market leadership within this narrow area of expertise.

During the review period, revenue grew in Transport Infrastructure Construction as growth was accelerated particularly by industrial investments. Furthermore, tendering remained on a good level in smaller railway projects. We have rail yard renovation projects ongoing in Pello and Kolari, and the larger project in Pello, including the repair of the loading field and the tracks will continue until the end of 2022. In a multi-year project on National Road 5, the section between Nuutilanmäki and Juva was opened for traffic in October. Six different infrastructure construction and earthworks projects for the Metsä Fibre bioproduct mill in Kemi progressed as planned.

In Structural Engineering, performance was high, even though revenue decreased in 2021 due to the record-strong reference period. Interesting ongoing structural engineering worksites include the construction of the Lillholmen lifting bridge as well as the foundation construction and earthworks projects for the Kulttuurikasarmi and Katajanokanlaituri contracts. Based on demanding negotiations, Kreate won an extensive contract for renovating the Kirjalansalmi and Hessundinsalmi bridges along Highway 180 as an alliance project, which started with a development stage. Winning the contract demonstrates Kreate's strong technical competence and professional skill.



REVENUE BY CUSTOMER GROUP 2021



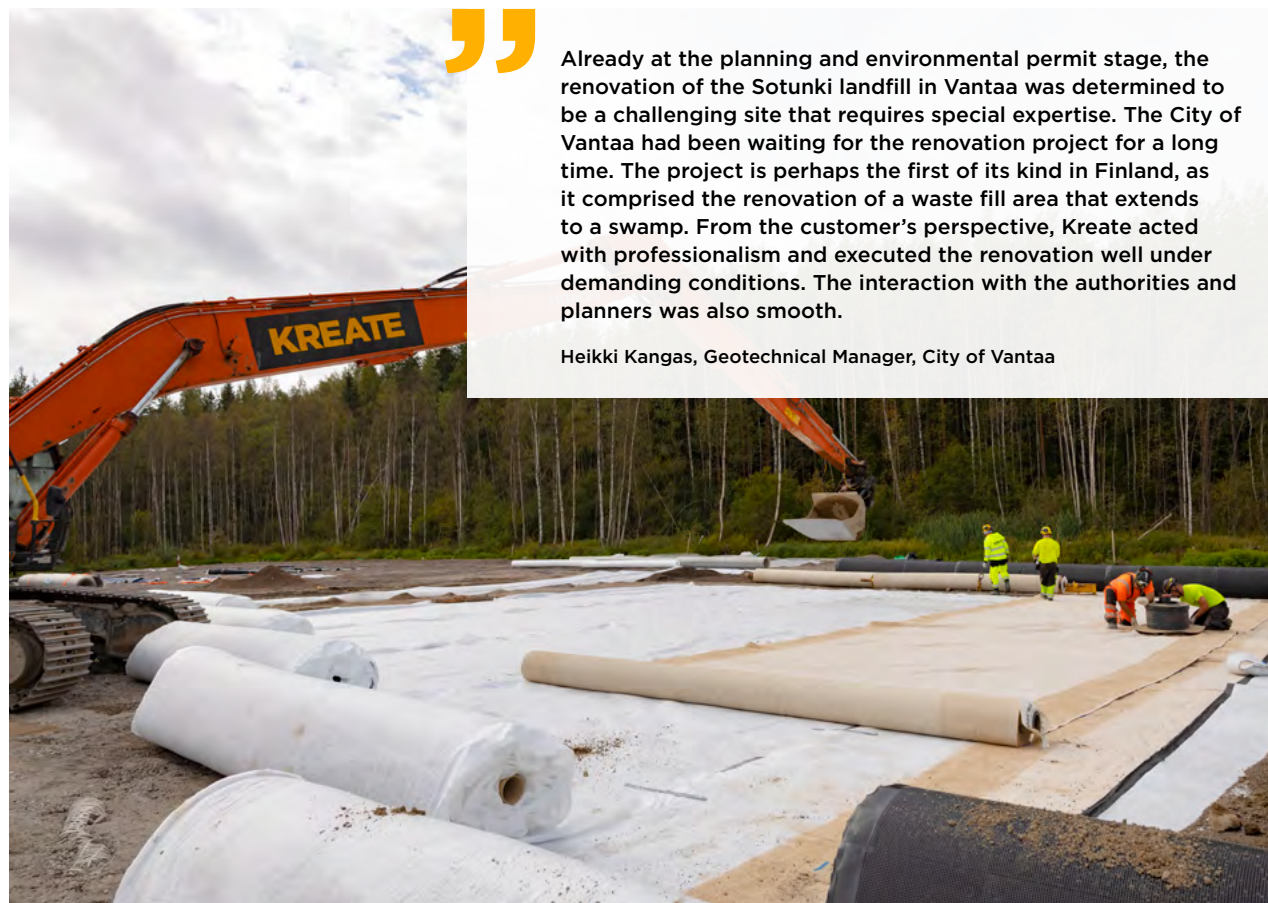
The won contracts and efficient organisation support strategic growth

In 2021, we won tenders for several strategically significant projects both in our Structural Engineering and Transport Infrastructure Construction functions. In Pasila, Helsinki, we are completing the “Veturitie ja Ratapihakorttelit” project in a busy area, accommodating the needs of railway traffic. The Crown Bridges project, the technical construction for the Sulkavuori central wastewater treatment plant and the section on National Road 19 between Seinäjoki and Lapua are all executed in joint project ventures, and they provide continuity in our operations for the coming years.

In terms of circular economy efforts, we have strengthened our position as one of the most sustainable companies in the infrastructure industry by opening new circular economy areas and integrating the circular economy more clearly as part of the daily operations. Moreover, focusing the rock functions on technically challenging construction further strengthens our strong position in delivering demanding infrastructure projects. A business acquisition bolsters KFS Finland’s capabilities which, in turn, supports Kreate’s strategic growth and success particularly in projects that require special expertise in foundation construction.

Kreate is currently the market leader in bridge, foundation and special foundation construction in terms of volume as well as expertise. Our strategic focus on delivering demanding infrastructure projects

is supported by the high professional skill of our personnel, visibility of the upcoming projects and clear goals. Several significant structural engineering or transport infrastructure construction projects that have already started or are about to start will support Kreate’s strategic growth also in 2022.



Already at the planning and environmental permit stage, the renovation of the Sotunki landfill in Vantaa was determined to be a challenging site that requires special expertise. The City of Vantaa had been waiting for the renovation project for a long time. The project is perhaps the first of its kind in Finland, as it comprised the renovation of a waste fill area that extends to a swamp. From the customer’s perspective, Kreate acted with professionalism and executed the renovation well under demanding conditions. The interaction with the authorities and planners was also smooth.

Heikki Kangas, Geotechnical Manager, City of Vantaa

Joint projects benefit the customers

Our customer base comprises public and private sector organisations of various sizes. Our public sector customers comprise authorities, cities, municipalities, transport operators, ports and energy companies responsible for infrastructure development and maintenance. Our private sector customers include a construction company, industrial firms, property companies and retailers.

Approximately half of the projects we deliver are shared by several of our functions, which yields customer benefits in

terms of efficiency and diversity, for example. Based on our customer research and the feedback we have received, our customers are truly satisfied with the services we offer as well as the high quality of construction.

Respecting our customers’ business is at the core of our operations. Our personnel have delivered hundreds of diverse infrastructure projects. They will ensure that we work hard to find cost-effective and innovative solutions whenever the project implementation framework allows it.

Why invest in a company delivering demanding infrastructure projects

Kreate's ability to generate value for shareholders and other stakeholders is based on the company's strong profit-making ability as well as a stable market and highly sought-after special expertise. We aim for better-than-average profitability through skilled and motivated personnel, excellent references and satisfied customers.

A large market with stable growth prospects

The infrastructure construction market is expected to continue its stable development and grow by 0.8 per cent annually, reaching EUR 6.8 billion by 2023. In the coming years, the demand in the market will be driven by urbanisation, the large maintenance backlog and the public sector stimulus programme. Furthermore, the growth is expected to be supported by land use, housing and transport agreements as well as the Finnish 12-year National Transport System Plan.

Broad and specialised offering meeting customers' needs

Kreate's broad and specialised offering and pioneering approach in the use of digital tools and processes create a competitive advantage, as the infrastructure construction market focuses on the largest cities as a result of urbanisation. Dense, built-up urban environments require special competences, such as underground construction and the management of challenging soil conditions.

First-class references

Kreate has excellent references on demanding infrastructure contracts as well as competence and experience in highly demanding projects. The references for prior work have an important role in the industry, so our successful references will continue to give us a competitive advantage.

Attractive employer and professional personnel

Our personnel have experience in hundreds of diverse and demanding infrastructure projects. Our capabilities are supported by our employees' high level of education and their motivation to develop. Our in-house personnel are usually the ones who carry out the most

demanding tasks in our projects, while we partner with subcontractors in repetitive tasks. Using our in-house personnel enables better visibility and project management at our worksites. We attract and retain talent by offering challenging projects that require versatile competences, clear career paths and a lucrative remuneration system.

Satisfied customer base

Our diverse customer base consists of stable public sector organisations and different types of private companies. Kreate's customers are satisfied with the services we provide, indicated by the high Net Promoter Score of 71.

Efficient operating model

Thanks to our efficient processes, we are able to carry out projects as planned and in a profitable way. This is ensured by skilled project management, work planning and scheduling as well as consistent working methods that also enable the efficient utilisation of special expertise and equipment across Finland. We are systematically participating in calls for tenders and focusing on projects that are technically difficult or require special expertise. Our professional tendering helps our company to win contracts and ensure a good level of profitability in projects.

Strong financial position

We have achieved strong revenue growth while maintaining a good level of profitability and return on equity. The profitability and growth rate have exceeded the industry average. Return on capital employed has also been high; on average, it was at 19.2% between 2019 and 2021. Our free cash flow from operating activities has been strong, as profitability has been at a good level and the business model does not tie up a large amount of capital.



Financial targets 2021-2024

GROWTH

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

PROFITABILITY

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

GEARING

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

DIVIDEND POLICY

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





Corporate governance

Kreate Group Plc Corporate Governance Statement 2021

1 Introduction

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

In 2021, Kreate’s corporate governance system was based on Kreate’s Articles of Association, the Finnish Limited Liability Companies Act (624/2006, as amended) and other legislation applicable to the company. Furthermore, Kreate complies with the Finnish Corporate Governance Code 2020 (“**Corporate Governance Code**”) published by the Securities Market Association, which entered into force on 1 January 2020, and Nasdaq Helsinki Ltd’s Rulebook for Issuers of Shares (the “**Rules of the Exchange**”). The Corporate Governance Code is available on the website of the Securities Market Association at: www.cgfinland.fi.

2 Governance

2.1 General Meeting of shareholders

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

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

Kreate’s Annual General Meeting is held annually no later than six months after the end of Kreate’s financial year. The notice of the Annual General Meeting must be sent to the shareholders by a notice published on the company’s website no earlier than three months and no later than three weeks prior to the Annual

General Meeting, but no later than nine days before the record date of the Annual General Meeting.

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

2.2 Board of Directors

The Board of Directors sees to Kreate’s administration and the appropriate organisation of its operations in accordance with the Limited Liability Companies Act. According to Kreate’s Articles of Association, Kreate’s Annual General Meeting elects a minimum of three and a maximum of ten Board members, and the Board of Directors elects a chairman from among its members. In 2021, the proposals for the composition of the Board of Directors were made to the General Meeting by the Board of Directors.

2.2.1 Duties and operation of the Board of Directors

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

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

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

- directs and oversees Kreate’s management and operations;
- confirms the charters of the committees of the Board of Directors;

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

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

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

During 2021, the Board convened a total of 19 times. Information on the Board members’ attendance in the meetings is presented in section 2.2.2 below.

2.2.2 Composition of the Board of Directors

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

Between 1 January and 5 May 2021, the Board of Directors of Kreate Group Plc comprised the following people: Petri Rignell (Chair), Timo Kohtamäki, Ronnie Neva-aho, Janne Näränen, Elina Pienimäki and Markus Väyrynen.

The General Meeting on 5 May 2021 elected seven members to Kreate's Board of Directors. Petri Rignell (Chair), Jussi Aine, Timo Kohtamäki, Janne Näränen, Timo Pekkarinen, Elina Pienimäki and Markus Väyrynen were elected to the Board.

The table on the right side presents information about Kreate's Board members as at 31 December 2021:

2.3 Board committees

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

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

3 President & CEO and Management team

3.1 President & CEO

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

Name	Personal information	Total number of shares as at 31 December 2021	Attendance in Board meetings in 2021
Petri Rignell	Chair of the Board of Directors Serving on the Board since 2015 Born: 1962 Education: MSc Technology Main occupation: CEO of PriRock Oy Independent of Kreate and its major shareholders at the end of the financial year	71,940 ⁽¹⁾	19/19
Jussi Aine	Member of the Board Serving on the Board since 2021 Born: 1954 Education: MSc Engineering, MSc Economics Main occupation: CEO of Harjavalta Oy since 2014 and CEO of Puustelli Group Oy since 1999 Independent of Kreate but not independent of its major shareholders	1,738,689 ⁽²⁾	8/8
Timo Kohtamäki	Member of the Board Serving on the Board since 2015 Born: 1963 Education: LicSc Technology Main occupation: CEO and Chair of the Board of Directors of Timo Kohtamäki Consulting Oy Independent of Kreate and its major shareholders	27,985	16/19
Janne Näränen	Member of the Board Serving on the Board since 2014 Born: 1975 Education: MSc Technology, MSc Economics Main occupation: Partner of Intera Partners Oy Independent of Kreate and its major shareholders	0	19/19
Timo Pekkarinen	Member of the Board Serving on the Board since 2021 Born: 1973 Education: Construction Engineer Main occupation: CEO and founder of Lapti Group since 2000 and CEO and founder of Hoivatilat Plc in 2008-2010. Independent of Kreate but not independent of its major shareholders	1,000,000 ⁽³⁾	8/8
Elina Pienimäki	Member of the Board Serving on the Board since 2020 Born: 1979 Education: MSc Economics Main occupation: CEO of Wulff Group Plc Independent of Kreate and its major shareholders	2,000	19/19
Markus Väyrynen	Member of the Board Serving on the Board since 2014 Born: 1972 Education: MSc Technology Main occupation: Chair of the Board of Directors of Insplan Oy Independent of Kreate and its major shareholders	17,107	19/19

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

⁽²⁾ Indirect holding through Harjavalta Oy

⁽³⁾ Indirect holding through Tirinom Oy

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

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

3.2 Management Team

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

The table in the middle presents information about Kreate's Management Team members as at 31 December 2021:

4 Risk management, internal control and audit

4.1 Risk management

Kreate's risk management is based on a risk management policy approved by the Board of Directors, which aims at comprehensive and proactive management of risks. The Board of Directors of Kreate approves the risk management policy and its targets, and directs and oversees the planning and implementation of the risk management. The risk management policy aims at the continuous and systematic identification of the most significant risk factors and their optimal management such that the company's strategic and financial targets are reached. The policy is based on managing the group's overall risk exposure and not just the management of individual risk factors.

Name	Personal information	Total number of shares as at 31 Dec 2021
Timo Vikström	President & CEO Born: 1968 Education: Engineer, eMBA	85,108
Tommi Hakanen	Vice President, Special Foundation Construction Born: 1978 Education: MSc Technology	16,264
Antti Heinola	Chief Financial Officer Born: 1973 Education: MSc Economics	79,058
Jaakko Kivi	Head of Technical Office Born: 1971 Education: MSc Technology	42,916
Sami Laakso	Vice President, Transport Infrastructure Construction Born: 1975 Education: Bachelor of Engineering	11,329
Tommi Lehtola	Vice President, Foundation and Rock Engineering, and Circular Economy Born: 1980 Education: Construction Engineer	61,383 ⁽¹⁾
Timo Leppänen	Vice President, Railway Construction Born: 1973 Education: Bachelor of Civil Engineering	0
Katja Pussinen	Vice President, HR Born: 1975 Education: MSc Economics, BBA	34,963
Sami Rantala	Vice President, Bridge Construction and Repair Born: 1970 Education: MSc Technology	329 330 ⁽²⁾

⁽¹⁾ Including indirect holding through RKM-Palvelut, Lehtola Oy (6,451 shares) and direct holding (54,932 shares).

⁽²⁾ Including indirect holding through Beachfish Invest Oy (55,769 shares) and direct holding (273,534 shares).

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

Risk management is integrated into the Group's management, monitoring and reporting systems. Risk management covers the identification and assessment of risks as well as contingency plans for all the main risk categories. Kreate classifies risk factors into strategic, operational, accident risks and financial risks.

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

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

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

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

4.2 Internal control and audit

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

5 Other information

5.1 Insider management

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

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

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

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

5.2 Obligation to notify transactions

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

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

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

5.3 Insider lists and trading restrictions

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

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

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

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

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

the transaction must be conducted within two weeks from the approval.

5.4 Principles for related party transactions

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

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

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

6 Audit

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

Kreate's Annual General Meeting on 2 May 2019 elected the audit firm KPMG Oy Ab as Kreate's auditor. KPMG Oy Ab with Authorised Public Accountant KHT Turo Koila as its principal auditor also acted as Kreate's auditor in the financial year 2021.

In 2021, the fees paid to the auditor amounted to EUR 45 thousand for the audit and EUR 183 thousand for other non-audit services.

Kreate Group Plc – Remuneration report of the governing bodies

1 Introduction and remuneration principles

This remuneration report presents information on the remuneration of the Board of Directors and the President & CEO of Kreate Group Plc (“Kreate” or “Company”) between 1 January 2021 and 31 December 2021. Kreate’s corporate governance system complies with the Finnish Limited Liability Companies Act and the Finnish Corporate Governance Code 2020 (“**Corporate Governance Code**”) published by the Securities Market Association.

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

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

The remuneration policy is based on the following key principles:

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

The remuneration policy has been prepared to follow the remuneration practices applicable to all of Kreate’s personnel. This is reflected, for example, in the variable remuneration earning criteria, which are derived from the company’s strategy with the aim of supporting the Company’s profitable growth and which are partly shared by the President & CEO as well as all the other personnel.

2 Development in the revenue and result as well as the remuneration of the members of the board of directors, president & CEO and personnel from 2017 to 2020

The tables shown below present the development of Kreate’s revenue and result for the period from 2017 to 2021 as well as the development of the remuneration of the members of the Board of Directors, President & CEO and personnel for the period from 2017 to 2021.

(EUR million)	2021	2020	2019	2018	2017
Revenue	237.6	235.3	221.1	192.4	143.9
Change (%)	1.0	6.4	14.9	33.7	
Result for the period	6.9	7.8	8.7	3.8	1.0
Change (%)	11.0	-11.1	128.6	288.5	

(EUR thousand)	2021	2020	2019	2018	2017
Remuneration paid to the Chair of the Board ⁽¹⁾	60	54	54	57	29
Change (%)	11.1	0.0	-5.3	96.5	
Remuneration paid to ordinary members of the Board	130.5	28	27	18	18
Change (%)	366	3.7	50.0	0.0	
Remuneration paid to the President & CEO ⁽²⁾	561	427	323	311	451
Change (%)	28.8	32.2	3.9	-31.0	
Remuneration paid to Kreate’s employees, on average	66	64	60	57	52
Change (%)	3.8	6.4	5.6	8.9	

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

⁽²⁾ The remuneration of the President & CEO in 2017 consists of the President & CEO remuneration paid to Timo Vikström, Jouni Happonen and Petri Rignell. Mr Vikström started as the company’s President & CEO in July 2017 and Mr Rignell acted as the company’s interim President & CEO from May 2016 to June 2017.

3 Remuneration of the board of directors in 2021

On 25 January 2021, Kreate’s shareholders made a unanimous decision that the Chair of the Board of Directors is to be paid a monthly fee of EUR 4,750 and the other Members of the Board of Directors are to be paid a monthly fee of EUR 2,000. In addition, it was decided that an additional yearly fee of EUR 1,500 is paid to each member of the Board of Directors elected as the Chair or Member of the Audit Committee or the Remuneration and Nomination Committee.

The Annual General Meeting of Kreate decided on 5 May 2021 that the following fees are to be paid to the members of the Board of Directors: the Chair of the Board is to be paid a monthly fee of EUR 4,750 and the other Members of the Board are to be paid a monthly fee of EUR 2,000. In addition, the Annual General Meeting decided that an additional yearly fee of EUR 1,500 is paid to each member of the Board of Directors elected as the Chair or Member of the Audit Committee or Remuneration and Nomination Committee and that reasonable travel expenses are reimbursed according to invoices.

The following table presents the remuneration paid to the Members of the Board from 1 January to 31 December 2021.

2021	Position in Board	Yearly fee (EUR)
Petri Rignell	Chair of the Board, Member of the Audit Committee (as of 25 Jan 2021), Chair of the Remuneration and Nomination Committee (as of 25 Feb 2021)	60,000
Jussi Aine	Member of the Board (as of 5 May 2021), Member of the Audit Committee (as of 5 May 2021)	17,500
Timo Kohtamäki	Member of the Board, Member of the Remuneration and Nomination Committee (as of 25 Jan 2021)	22,500
Ronnie Neva-aho	Member of the Board (until 5 May 2021), Member of the Audit Committee (until 5 May 2021)	5,000
Janne Näränen	Member of the Board, Member of the Remuneration and Nomination Committee (as of 25 Jan 2021)	21,500
Timo Pekkarinen	Member of the Board (as of 5 May 2021), Member of the Remuneration and Nomination Committee (as of 5 May 2021)	17,500
Elina Pienimäki	Member of the Board and Chair of the Audit Committee (as of 25 Jan 2021)	25,500
Markus Väyrynen	Member of the Board	21,000
Total		190,500

4 Remuneration of the President & CEO in 2021

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

In 2021, the President & CEO's fixed base salary including the fringe benefits grew year-on-year and was EUR 303,406.

At the beginning of 2020, the Board of Directors set the short-term performance bonus criteria for the President & CEO, on the basis of which the President & CEO earned a performance bonus of EUR 150,000 for 2020. In addition, the President & CEO received a performance bonus of EUR 65,086 for other targets being reached. In the financial year 2021, a total of EUR 215,086 was paid as performance bonuses.

Kreate's maximum short-term performance bonus for the President & CEO remained unchanged in 2021 at 71.5 per cent of the fixed base salary including the fringe benefits. In the performance bonus plan, the criteria set by the Board of Directors for 2021 were the Company's profitability (90% weight), indicators for working capital management (5%) and indicators for occupational safety (5%). The performance bonus will be paid in the financial year 2022.

In 2021, the Board of Directors of Kreate Group Plc decided to launch two new long-term share-based incentive plans for the key persons of the Group and the Group's joint venture.

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

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

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

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

The following table presents a summary of the remuneration paid to the President & CEO between 1 Jan and 31 Dec 2021.

	EUR thousand
Fixed base salary	303
Performance bonus	215
Supplementary pension	43
Total	561

Board of Directors

31 Dec. 2021

Jussi Aine

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



Janne Näränen

Master of Science (Economics),
Master of Science (Technology)
Board member since 2014



Elina Pienimäki

Master of Science (Economics)
Board member since 2020



Petri Rignell

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



Timo Kohtamäki

Licentiate of Science (Technology)
Board member since 2015



Timo Pekkarinen

Construction Engineer
Board member since 2021



Markus Väyrynen

Master of science (Technology)
Board member since 2019

Management team

31 Dec. 2021



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

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

3 Tommi Lehtola
Foundation and concrete construction
Bachelor of Engineering
Management team member since 2016

4 Antti Heinola
CFO until December 31.
Master of Science (Economics)
Management team member since 2017
(Master of Political Sciences
Mikko Laine since January, 1, 2022)

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

6 Timo Leppänen
Railway Construction
Bachelor of Civil Engineering
Member of Management Team from 2021

7 Sami Rantala
Bridge construction and repair
Master of Science (Technology)
Management team member since 2014

8 Sami Laakso
Transport Infrastructure Construction
Bachelor of Engineering
Member of Management Team since 2021

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

Petri Uitus, Technical Director,
member of the management team
until March 31, 2021

Juha Salminen, Railway Construction,
member of the management team
until March 31, 2021

Ville Niutanen, Special Foundation Construction,
member of the management team
until March 31, 2021

An aerial photograph of a highway interchange and surrounding urban landscape at sunset. The highway has multiple lanes with a bus and several cars. To the left, there are railway tracks and a construction area with a bridge under construction. The background shows a dense residential area with many houses and a large forested area. The sky is filled with colorful clouds from the setting sun.

Financial review

Report of the Board of Directors

Kreate is a Finnish group that focuses on demanding infrastructure construction. Kreate's offering consists of transport infrastructure construction, which includes railway construction and road and street construction, as well as structural engineering, which includes bridge construction and repair, foundation and concrete construction, and special foundation construction. Furthermore, Kreate offers services relating to the circular economy and technically demanding rock engineering. Kreate aims to be one of the leading companies delivering demanding infrastructure construction projects in Finland that offers well-functioning comprehensive solutions for demanding infrastructure needs based on its extensive competence and service offering.

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

Kreate Group comprises the parent company Kreate Group Plc and its wholly-owned subsidiaries (Kreate Oy and Kreate Rata Oy), in addition to which the Group has a 50% holding in the joint venture KFS Finland Oy, which specialises in special foundation construction.

STRATEGY FOR 2024 AND FINANCIAL TARGETS

Kreate executes well-functioning comprehensive solutions in infrastructure construction in a solution-oriented way, particularly focusing on offering projects that are technically difficult or that require special expertise. During the 2020–2024 strategy period, the company seeks growth from an increased focus on the execution of demanding construction projects and by considering the opportunities brought about by the changing operating environment. Kreate aims at being a profitable growth company with an entrepreneurial spirit and the most attractive employer in the industry.

A clear strategy that aims at continued profitable growth

1. Positioning in growing market segments

Kreate leverages its good market position and grows in the core

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

2. Strengthening and expanding the customer base and service offering

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

3. Supporting the strategy with selected acquisitions

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

4. Continuous improvement of operational efficiency and profitability

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

Financial targets

Growth

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

Profitability

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

Gearing

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

Dividend policy

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

OPERATING ENVIRONMENT IN 2021

In Q1 2021, the operating environment still reflected the effects of the COVID-19 pandemic, which started in spring 2020, and the effects also extended to the accumulation of Kreate's order backlog. After a slow early year, the volume of quotation requests and customer activity normalised compared with the previous years' level, which was particularly reflected in the quicker recovery of bridge construction. However, the differences between individual construction segments were still quite high in Q1. The private sector was still acting carefully, which affected the decisions of launching planned investment projects, thereby impacting the foundation construction market the strongest.

At the end of H1, the market continued to develop positively, which was particularly seen in the growth of the number of quotation requests in foundation, bridge and railway construction. With the gradual improvement of the market, tendering activity reached the previous years' level during Q2, which reflected positively on Kreate's business.

The global market prices for essential construction materials continued to grow throughout the year, and the availability issues with construction materials affected building construction, in particular. However, the increase of construction costs only had a limited impact on Kreate's business.

All in all, the construction sector grew more than expected in 2021, and economic growth drove a total growth of more than one per cent in the construction industry. The moderate overall growth in 2021 was affected by the weakness experienced in the early part of the year. The growth in infrastructure construction was also better than expected; railway and road projects have contributed to the growth as well as municipal investments.

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.

FINANCIAL PERFORMANCE

Order backlog

The number of projects and quotation requests normalised in Q1 despite the continuing COVID-19 pandemic. 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 order backlog, which grew towards the end of the year, amounting to EUR 202.8 (134.9) million at the end of the financial year 2021. It is estimated that EUR 137 (111) million of the order backlog will be realised during the financial year 2022. The expected order backlog profitability was at a normal level.

In 2021, Kreate won the tenders for several important projects. The "Veturitie ja Ratapihakorttelit" contract in Pasila, Helsinki was started in the spring, and it will be completed in a busy area, accommodating the needs of railway traffic. The Crown Bridges project and technical construction for the Sulkavuori central wastewater treatment plant are executed in joint project ventures, and they provide continuity in Kreate's operations for the coming years. Other unique projects include the construction of the Lillholmen lifting bridge, the foundation construction and earthworks for the "Kulttuurikasarmi" project in Helsinki as well as the extensive project for renovating the Kirjalansalmi and Hessundinsalmi bridges along highway 180, which has started with the development stage.

Several significant projects were completed during the reporting period. One of the largest ones was the Helsinki Airport's T2 alliance, which was also recognised as the worksite of the year. In the T2 project, Kreate delivered highly demanding infrastructure that amounted to tens of millions of euros. Over the course of the year, Kreate also built six railway bridges with the skidding method and opened the section on National Road 5 between Nuutilanmäki and Juva for traffic. In December, the company opened an overpass in Hanko for traffic nearly four months ahead of schedule and under the original cost estimate. Furthermore, several smaller-scale transport infrastructure and railway projects were finished in 2021.

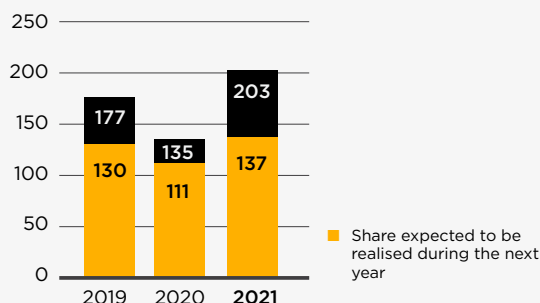
Revenue and result

In the financial year 2021, the Group's revenue grew one per cent due to the strong end of the year, amounting to EUR 237.6 (235.3) million. In Transport infrastructure construction, revenue grew to EUR 98.2 (84.5) million as industrial investments accelerated growth. In Structural engineering, revenue decreased

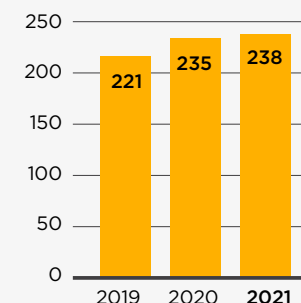
to EUR 137.5 (152.1) million due to the record-strong reference period. At the end of the financial year, tendering was also on a good level in structural engineering.

The share of Structural engineering of the revenue for 2021 was 58 (65) per cent and the share of Transport infrastructure construction was 42 (35) per cent.

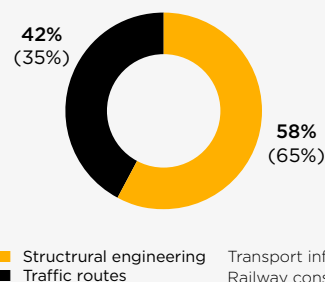
ORDER BACKLOG
EUR million



REVENUE
EUR million



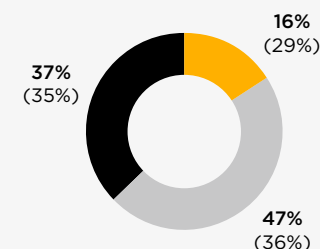
REVENUE BY BUSINESS FUNCTION
2021 (2020)



■ Structural engineering
■ Traffic routes

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

REVENUE BY CUSTOMER GROUP
2021 (2020)



■ Cities and municipalities
■ State
■ Private sector

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.

During the financial year, the Group's EBITDA remained at the reference period level at 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 profitability was supported by projects progressing according to plan. The profitability of projects remained at the normal

level. 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 recorded 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).

Cash flow and financial position

In the 2021 reporting period, free cash flow from operating activities was EUR 4.0 (9.7) million. At the end of the financial year, net working capital was EUR -0.0 (-5.4) million. During the financial year, the company's net working capital was encumbered by working capital being bound to a few key projects, which is why this key figure was behind the excellent level of the reference period. However, it remained on a good level.

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. Interest-bearing net debt was particularly decreased by a loan repayment of EUR 10 million that the company made with proceeds from the IPO.

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

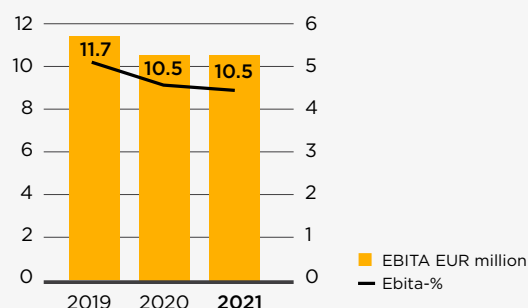
At the end of the reporting period, the consolidated balance sheet total was EUR 106.6 (101.3) million and equity was EUR 41.1 (26.6) million. At the end of the reporting period, equity ratio was 38.6 (26.3) per cent and the company's return on capital employed was 17.8 (19.2) per cent. The company's 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.

Capital expenditures

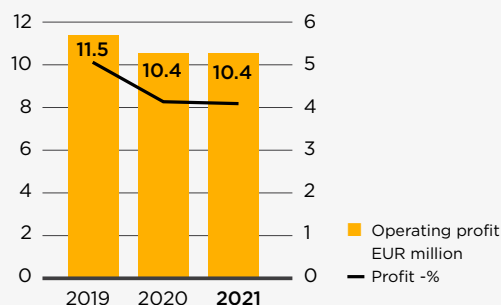
During 2021, the company continued investing in equipment and the further improvement of equipment management.

Net investment cash flow was 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.

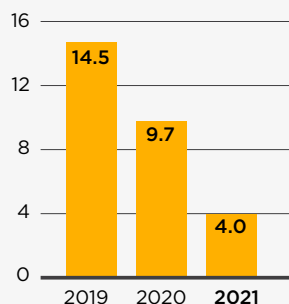
EBITA
EUR million



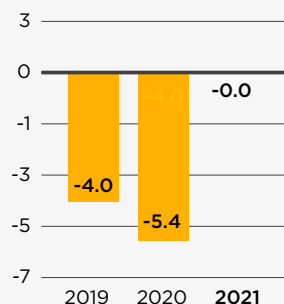
OPERATING PROFIT
EUR million



FREE CASH FLOW FROM OPERATING ACTIVITIES
EUR million



NET WORKING CAPITAL
EUR million



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

Business acquisitions

The Group did not execute any new M&A transactions or business acquisitions in 2021. The joint venture KFS Finland Oy strengthened its market position in special foundation construction by purchasing all the shares in NordPile Oy in September 2021.

Research and development

The purpose of Kreate's research and development is to create practical tools and procedures for infrastructure construction projects. The R&D focus areas include tender calculation, project execution and equipment functions. Digitalisation is rapidly changing the conventional models in all of these areas. In terms of digitalisation, change is driven by the more common utilisation of data models and their closer connection with machine control at worksites. The use of drones at the different stages of the construction process is also becoming a daily activity.

In 2021, the more extensive use of data models was supported with new instructions, software and personnel training. The previously started quantity surveying development project continued, and it is also connected with data models. New procedures were also created for the use of drones in tender calculation and process execution. The utilisation of machine control data in preparing outcome models was expanded to new projects, and the instructions relating to the management of digital information were further specified. The development of the activity management system continued and, Kreate's occupational health and safety system received the RALA safety certification in 2021.

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

The COVID-19 pandemic continued throughout the year, and the official instructions varied as a result of changes in the

situation. Kreate continued following the instructions in order to ensure the well-being and health of its employees and the progress of projects according to plans. The company continued to restrict outsiders' visits to worksites and offices, stagger employee breaks and employ increased cleaning of break rooms and offices, and remote meetings and remote work were encouraged in all the functions where this was possible. In 2021, there were no cases of COVID-19 spreading at the company's sites and the safe working conditions were maintained.

In Q2, Kreate conducted a personnel survey that covered all Group personnel. The response rate for the 2021 personnel survey was comparable to the previous survey in 2019. On average, the results remained higher than at reference companies. The improvements made based on the previous study were successful particularly according to the eNPS score which, at 68, grew four points from the reference year. Future development actions will focus on the development of supervisor work and company culture as well as on improving internal communication and employee engagement.

In order to improve employees' well-being and stress management as well as support their ability to work, the company launched personal well-being coaching and the "Kympin kuntoon" physical exercise project in Q1. Driven by employees' positive feedback, the company launched another Kympin kuntoon project at the end of the year. Diverse 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.

Occupational safety

Occupational safety measures played a key role in 2021. During the reporting period, Kreate Group had a total of six accidents affecting the injury frequency rate and the cumulative injury frequency rate proportional to the number of personnel was 8.9. Kreate's injury frequency rate decreased compared to 2020 and it was better than the construction industry average also in 2021.

Measures for better occupational safety were continued in 2021 by encouraging the continuous improvement of safety among the supervisors and employees as well as the identification of risks. In addition, the efforts focused on the identification of risks and the development of preventive

measures. The work and the working methods were made safer by openly communicating with the personnel on safety observations and near misses.

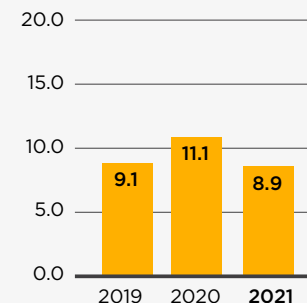
On-site quality and safety audits at worksites and management safety rounds were held as allowed by the valid COVID-19 restrictions. Moreover, in Q4, Kreate implemented a safety campaign as part of the Confederation of Finnish Construction Industries' joint safety week. Occupational safety communication continued to include the measures for preventing the spread of COVID-19 at the worksites and offices.

Kreate Group continuously promotes a zero accident mindset. The development efforts will continue with safety management, training sessions, involving supervisors and employees in the continuous improvement of safety, creating a more open culture for sharing information as well as caring for and respecting others.

Development of personnel

As an employer, Kreate wants to listen to its personnel in order to increase the openness of its operations and company culture. The prolonged COVID-19 pandemic made the personnel survey, performance reviews and follow-up discussions even more significant than before. Performance reviews conducted during the year helped identify employees' career aspirations as well

LOST-TIME ACCIDENT FREQUENCY



as map out the competence needs and development actions that will ensure the effective execution of the company strategy.

In 2021, Kreate continued to focus on its 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. 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.

The development of personnel was also supported by preparing online training materials for KreateAkademia. It makes it more efficient to implement consistent practices, competence development and employee training in terms of occupational safety, sustainability, supervisor work and communication, among other areas.

However, the focus of personnel development is still put on on-the-job learning with gradually more challenging projects. The combination of responsibility, new challenges and support from senior colleagues enables our people to build stronger professional competence and makes career paths possible also in the future.

In the reporting period, the company continued personnel development and training particularly for ensuring competence and securing references. Strategically important recruitments were continued particularly by strengthening the company's railway, bridge and special foundation construction competence.

MANAGEMENT TEAM

At the end of the reporting period, Kreate's Management Team included the following people: Timo Vikström, President & CEO; Tommi Hakanen, Vice President, Special Foundation Construction; Antti Heinola, Chief Financial Officer; Jaakko Kivi, Vice President, Technical Office; Sami Laakso, Vice President, Transport Infrastructure Construction; Tommi Lehtola, Vice President, Foundation and Concrete Construction; Timo Leppänen, Vice President, Railway Construction; Katja Pussinen, Vice President, HR; and Sami Rantala, Vice President, Bridge Construction and Repair.

CHANGE OF COMPANY FORM AND BOARD AUTHORISATIONS AND REMUNERATION

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, the 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, the 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.

RESOLUTIONS OF 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.

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 were 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/tiedotteet/kreate-group-oyjn-hallitus-paatti-osakepohjaisista-kannustinjarjestelmista/>. More information on the performance share plan is provided in Note 2.5.2 to the financial statements.

Trading in the company's shares

Kreate Group Plc's share capital at the end of the financial year 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 during the financial year. 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. The share's P/E ratio at the closing rate was 14.2.

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 at <https://kreate.fi/sijoittajille/osake-ja-osakkeenomistajat/liputusilmoitukset/> and <https://kreate.fi/sijoittajille/tiedotteet-ja-raportit/porssitiedotteet-ja-lehdistotiedotteet/>.

Largest shareholders 31 Dec 2021		
	Shares	%
1 Harjavalta Oy	1,738,689	19.35
2 Tirinom Oy	1,000,000	11.13
3 Ilmarinen Mutual Pension Insurance Company	425,000	4.73
4 Valtonen Seppo Timo Johannes	412,101	4.59
5 Varma Mutual Pension Insurance Company	359,000	4.00
6 Mutual fund Säästöpankki Pienyhtiöt	350,000	3.90
7 Rantala Sami Kalle Antero	273,534	3.04
8 Inkala Tero Antero	208,396	2.32
9 Elo Mutual Pension Insurance Company	180,000	2.00
10 Veritas Pension Insurance Company	175,000	1.95

Management shareholding

On the date of the financial statements, the Board of Directors, President & CEO and the members of the Management Team held a total of 3,518,072 shares either personally or through companies under their control. This represented 39.2 per cent of all the shares and voting rights in the company.

SHORT-TERM RISKS AND UNCERTAINTIES

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. The impacts of pandemics, including COVID-19, 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. Among others, Kreate executes road and railway construction projects, whose demand is largely dependent on transport policy planning and decision-making.

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. 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, 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.

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

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

Economic and financing risks

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

On each 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.

ENVIRONMENT

Kreate continued the implementation of its environmental management programme, which was updated in 2020, and focused on the development of environmental aspects particularly in terms of project operations.

One of the most significant projects measuring the environmental impacts from construction is “Veturitie ja Ratapihakorttelit”, which is executed as a low-emission worksite as part of the City of Helsinki’s Carbon-neutral Helsinki 2035 Action Plan. Regular tracking of energy consumption and emissions gathers information on the project’s environmental impacts and also provides data for reducing the emissions of future projects. The project has allowed for reducing the environmental impacts from construction and its carbon footprint through choices of materials, such as using low-carbon concrete, which reduces the carbon emissions from construction. Furthermore, the worksite uses crushed concrete, which is a recycled material that reduces the use of virgin construction materials and, thereby, the worksite’s carbon footprint. Furthermore, the machinery is only powered by renewable biodiesel or electricity and complies with a strict emission standard, and the energy and electricity consumed at the worksite is carbon free.

Circular economy

Kreate wants to promote the circular economy in infrastructure construction and find ways to turn words into actions. The company implements circular economy solutions according to its clients’ requests and is actively seeking opportunities to promote the circular economy in infrastructure construction.

In 2021, Kreate promoted the circular economy in infrastructure construction through many different projects and forums. The company continued its influencing efforts in the Infra Contractors Association in Finland and Finnish Environmental Industries YTP with the aim of promoting the use of recycled and recovered materials, for instance in public procurements. Moreover, Kreate continued to promote the use of recovered materials in Finnish earthworks projects as part of the UUMA 4 programme.

The company continued to further strengthen its position as one of the most sustainable companies in the infrastructure industry by opening new circular economy areas and integrating the circular economy more clearly as part of the

daily operations. Kreate received a new environmental permit for the circular economy area on Tikkurilantie in Vantaa, which will offer new opportunities for the processing and utilisation of circular economy materials. As a result of developing its internal processes, Kreate can also reuse a larger share of the discarded construction materials from its worksites than before.

The project for constructing a protective embankment for the Hirvihaara shooting sports centre progressed as planned. Kreate’s aim is to construct a high-quality protective embankment in accordance with the environmental authority’s requirements by using approved recycled materials in order to conserve virgin natural resources. Utilising the circular economy in the project provides versatile alternatives for experimenting with materials which, in turn, supports the creation of new sustainable solutions for infrastructure construction.

In addition to the multi-year Hirvihaara circular economy worksite, Kreate executed important projects in 2021, including the renovation of the former Sotunki landfill into a green area and the Karanoja waste treatment site project involving the foundation and formation of waste fill area 2. The appropriate closure of landfills prevents the landfill gases from rising into the air, landfill water from entering into the environment and other polluting effects from occurring in a groundwater area.

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

On 5 May 2021, the Annual General Meeting resolved that a dividend of EUR 0.44 per share be paid. A dividend was not paid for shares held by the company.

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

As at 31 December 2021, the distributable funds of the parent company Kreate Group Plc are:

Retained earnings	5,407,111.99
Profit (loss) for the period	4,180,235.49
Reserve for invested unrestricted equity	20,702,152.88
Distributable equity	30,289,500.36

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.

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.

EVENTS AFTER THE REPORTING PERIOD

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

Helsinki, 25 January 2022
Kreate Group Plc
Board of Directors

Key figures

M€	2021	2020	2019
Order backlog	202.8	134.9	177.2
Revenue	237.6	235.3	221.1
Change in revenue from the previous financial year, %	1.0	6.4	14.9
EBITDA	14.2	14.0	14.9
EBITDA, %	6.0	6.0	6.7
EBITA	10.5	10.5	11.7
EBITA, %	4.4	4.5	5.3
Operating profit	10.4	10.4	11.5
Operating profit, %	4.4	4.4	5.2
Result for the period	6.9	7.8	8.7
Earnings per share, €	0.80	0.88	1.00
Dividend per share, €	0.45*	0.44	
Dividend/result, %	56*	50	
Capital employed	62.0	54.5	53.6
Return on capital employed, %	17.8	19.2	20.7
Return on equity, %	20.4	24.7	26.3
Net investments in operating activities	-4.9	-4.6	-5.0
Free cash flow from operating activities	4.0	9.7	14.5
Net working capital	-0.0	-5.4	-4.0
Net debt	20.9	27.9	17.3
Net debt/EBITDA	1.5	2.0	1.2
Equity ratio, %	38.6	26.3	34.5
Personnel at the end of the period	385	383	395
Personnel on average	392	407	376

* Board of Directors' proposal to the Annual General Meeting

Calculation formulas

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

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

Consolidated statement of comprehensive income

EUR thousand	Note	2021	2020
Revenue	2.1	237,628	235,307
Other operating income	2.2	544	311
Materials and services	2.3	-181,943	-180,648
Employee benefit expenses	2.5, 8.3	-32,282	-32,334
Other operating expenses	2.4	-10,318	-9,823
Share of the joint ventures' profit	7.2	584	1,210
Depreciation, amortisation and impairment	5	-3,856	-3,671
Operating profit		10,356	10,352
Financial income		4	80
Financial expenses		-2,136	-1,168
Financial income and expenses	3.2	-2,132	-1,088
Result before taxes		8,225	9,265
Income taxes	6.1	-1,310	-1,499
RESULT FOR THE PERIOD		6,914	7,765
COMPREHENSIVE INCOME FOR THE PERIOD		6,914	7,765
Profit attributable to:			
Shareholders of parent		6,914	7,765
Earnings per share calculated from the income attributable to shareholders of the parent			
Undiluted, €		0.80	0.88
Diluted, €		0.80	0.88

The notes are an integral part of the financial statements

Consolidated balance sheet

EUR thousand	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Intangible assets	5.3	871	963
Goodwill	5.3, 5.4	35,594	35,594
Property, plant and equipment	5.1	17,879	15,772
Right-of-use assets	5.2	1,127	1,463
Investments in joint ventures	7.2	8,934	8,351
Other receivables	3.3	442	131
Deferred tax assets	6.2	698	463
Total non-current assets		65,545	62,737
Current assets			
Trade and other receivables	3.4, 4.1	34,162	30,358
Income tax receivables	6.1	571	81
Cash and cash equivalents	3.3	6,328	8,146
Total current assets		41,061	38,585
TOTAL ASSETS		106,606	101,322

EUR thousand	Note	31 Dec 2021	31 Dec 2020
EQUITY			
Share capital		80	3
Reserve for invested unrestricted equity		19,681	8,280
Retained earnings		21,347	18,336
Total equity	3.1	41,108	26,618
LIABILITIES			
Non-current liabilities			
Interest-bearing debt	3.3, 3.4	22,645	30,385
Deferred tax liabilities	6.2	1,130	750
Total non-current liabilities		23,776	31,135
Current liabilities			
Interest-bearing debt	3.3, 3.4	4,558	5,620
Trade payables and other liabilities	4.2	34,478	35,763
Income tax liabilities	6.1	39	705
Provisions	8.1	2,647	1,482
Total current liabilities		41,722	43,569
Total liabilities		65,498	74,704
TOTAL EQUITY AND LIABILITIES		106,606	101,322

Consolidated cash flow statement

EUR thousand	Note	2021	2020
Result for the period		6,914	7,765
Depreciation, amortisation and impairment		3,856	3,671
Financial income and expenses		2,132	1,088
Income taxes		1,310	1,499
Other adjustments		-833	-1,316
Total adjustments		6,465	4,942
Change in trade and other receivables		-4,115	1,935
Change in inventories			3
Change in trade payables and other liabilities		-1,548	-373
Change in provisions		1,165	5
Total change in working capital		-4,498	1,569
Cash flow from operations before financial items and taxes		8,881	14,276
Interest paid in operating activities		-116	-42
Interest received in operating activities		4	2
Other financial items		-1,306	-290
Dividends received			500
Taxes paid		-2,064	-1,264
CASH FLOW FROM OPERATIONS		5,398	13,183
Investments in tangible and intangible assets	5.1, 5.3	-5,559	-5,150
Disposals of tangible and intangible assets	5.1, 5.3	635	537
CASH FLOW FROM INVESTING ACTIVITIES		-4,924	-4,613

EUR thousand	Note	2021	2020
Share issue	3.1	11,224	
Dividends paid	3.1	-3,914	
Repayment of equity loan	3.1		-16,209
Drawdown of non-current loans	3.6		33,918
Repayment of non-current loans	3.6	-6,333	
Drawdown of current loans	3.6	10,000	
Repayment of current loans	3.6	-12,265	-28,022
Repayment of lease liabilities	3.6	-691	-665
Interest and other loan expenses	3.1, 3.2	-313	-2,138
CASH FLOW FROM FINANCING ACTIVITIES		-2,292	-13,116
CHANGE IN CASH AND CASH EQUIVALENTS		-1,818	-4,546
Cash and cash equivalents on the opening balance sheet		8,146	12,693
Change in cash and cash equivalents		-1,818	-4,546
Cash and cash equivalents at the end of the period		6,328	8,146

Consolidated statement of changes in equity

EUR thousand	Share capital	Reserve for invested unrestricted equity	Equity loan	Retained earnings	Total equity
Equity as at 1 Jan 2020	3	8,280	16,209	11,867	36,359
Items of comprehensive income					
Result for the period				7,765	7,765
Total comprehensive income attributable to the owners of the parent				7,765	7,765
Transactions with the owners					
Equity loan			-16,209		-16,209
Interest on equity loan				-1,297	-1,297
Total transactions with the owners			-16,209	-1,297	-17,506
Equity as at 31 Dec 2020	3	8,280		18,336	26,618

EUR thousand	Share capital	Reserve for invested unrestricted equity	Equity loan	Retained earnings	Total equity
Equity as at 1 Jan 2021	3	8,280		18,336	26,618
Items of comprehensive income					
Result for the period				6,914	6,914
Total comprehensive income attributable to the owners of the parent				6,914	6,914
Transactions with the owners					
Increase in share capital	78	-78			
Share issue		11,479			11,479
Distribution of dividends				-3,914	-3,914
Share-based awards				10	10
Total transactions with the owners	78	11,401		-3,904	7,575
Equity as at 31 Dec 2021	80	19,681		21,347	41,108

Notes to the consolidated financial statements

Group information

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

The Group's parent company Kreate Group Plc, established under the laws of Finland and registered on 31 January 2014, is a public limited company, with a registered office in Helsinki, Finland. The company's business ID is 2601364-3, and its registered address is Haarakari 42, 04360 Tuusula, Finland. The company form has been changed to a public limited company during the financial year, and the change was registered on 3 February 2021. Kreate Group Plc (hereinafter referred to as the "Company"), together with the subsidiaries presented in Note 7.1, forms the Kreate Group Plc group (hereinafter referred to as the "Group").

The company's Board of Directors has approved these consolidated financial statements at its meeting held on 25 January 2022. Under the Finnish Limited Liability Companies Act, shareholders have the opportunity to adopt or reject the financial statements at the General Meeting held after they are published. The General Meeting also has the right to resolve to revise the financial statements.

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

1.1. Accounting principles

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union and in compliance with the IAS and IFRS standards and SIC and IFRIC interpretations valid as at 31 December 2021. The new or revised standards that have become effective during the 2021 period have not had a material impact on the consolidated financial statements. The notes to the consolidated financial statements are also compliant with the Finnish legislation governing accounting and companies that supplements the IFRS regulations.

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

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

The Group does not have any foreign group companies, and the number of business transactions denominated in foreign currencies is not material.

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

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

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

In its discretion, the management uses estimates and assumptions based on prior experience and the view held by the management at the balance sheet date. The estimates and decisions are reviewed regularly. In the Group, the management's discretion is related to, among other things, the recognition of income over time, impairment testing and the recognition of provisions and deferred taxes.

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

- Recognition of income from projects (Note 2.1): The Group recognises sales income from project contracts over time. Recognition of sales income is based on the management's estimates on

the sales income and expenses of projects as well as a comprehensive estimate of the progress and degree of completion of projects. The management estimates the probability of the income when determining the sales proceeds. Should estimates on a project's outcome change, the revenue recognition is adjusted in the reporting period when the change first became known.

- Recognition of provisions (Note 8.1): At the end of the reporting period, the Group estimates if it has a probable payment obligation, whether legal or constructive, in the future. The Group recognises a provision for warranty upon the delivery of projects including a warranty obligation. The amount of the provision for a warranty is based on the Group management's historical information on the number of realised warranty provisions and their timing. A provision is recognised on onerous (loss-making) contracts once the direct expenses necessary for fulfilling the obligations exceed the benefits received from the contract.
- Testing of goodwill for impairment (Note 5.4): The Group has one cash-generating unit, Kreate Group, and it is the lowest level where goodwill is monitored. The Group tests the impairment of goodwill annually or whenever the management discerns indications that the recoverable amount may be less than the carrying amount.
- Lease agreements (Note 5.2): The management assesses the use of extension, termination or purchase options related to leases and the lease term of leases valid until further notice.
- Recognition of deferred tax assets (Note 6): Deferred tax assets from the confirmed losses of the previous financial periods or undeducted interest liabilities of associated companies are recognised only if the management estimates that a sufficient amount of taxable income can be generated in the future against which the unused taxation losses and undeducted interest liabilities of associated companies can be utilised.
- Share awards (Note 2.5.2): Share awards are measured at fair value at the time of their issue and recognised on the income statement as expenses in equal tranches for the vesting period. The expense determined at the time of issue is based on the management's estimate of the number of shares, and the related vesting is assumed to occur at the end of the vesting period. The Group shall update the assumption on the final amount on each balance sheet date.

1.3. Operating segments

The company has one operating segment: Infrastructure Construction. The segment's business operations mainly consist of infrastructure construction projects. The Group's highest decision-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.

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

The Group has not yet applied the revised standards and interpretations already published by IASB whose effective date has not been before 31 December 2021. The Group will adopt them as of the effective date of each standard and interpretation or, if the effective date is other than the first day of the financial period, from the beginning of the financial period following the effective date. According to the current estimate of the Group, these will have no material impacts on future consolidated financial statements.

2. Result from business operations

2.1. Revenue and long-term projects

Accounting policy applied in the financial statements – Revenue recognition

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

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

Recognition of sales revenue over time

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

The determination of sales revenue recognised over time is based on the degree of completion of the performance obligation. The degree of completion of the performance obligation is determined in conjunction with each project based on the costs arising from the work performed at the time of review as a percentage of the estimated total project costs. The sales revenue from a project may be impacted by potential additional work and modifications, the pricing principles for which are determined on a contractual basis. The Group's contracts may also include variable payments such as bonuses or sanctions. The estimated project revenue and the costs are updated at the end of each reporting period.

Where the outcome of a long-term project cannot be estimated reliably, project revenue is recognised only to the extent of the project costs incurred that it is probable they will be recoverable. When it is probable that the total costs needed for completing a project will exceed the total project revenue, the expected loss is recognised as an expense immediately.

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

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

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

Management discretion – Revenue recognition

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

The Group's revenue consists of sales revenues recognised over time that, in all material respects, are revenue from infrastructure construction contracts. The Group's projects last from a few months to a few years, with most projects spanning less than 12 months. In infrastructure construction, operations are typically seasonal in nature and projects yield the most revenue between early spring and late autumn. More than 90% of the Group's revenue is generated in Finland. The assets and liabilities based on contracts with customers are itemised in working capital Notes 4.1 and 4.2.

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

EUR thousand	2021	2020
Structural engineering ¹⁾	137,546	152,061
Transport infrastructure construction ²⁾	98,173	84,458
Other ³⁾	1,909	-1,212
Total	237,628	235,307

¹⁾ Includes, among others, foundation, concrete and bridge construction

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

³⁾ Includes intra-Group eliminations

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

%	2021	2020
Cities and municipalities	16%	29%
Government	47%	36%
Private sector	37%	35%

Order backlog

EUR thousand	2021	2020
Amount unrecognised as revenue		
Recognised over the year	136,551	110,884
Recognised at a later date	66,225	24,009
Total amount unrecognised as revenue	202,776	134,893

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

During the 2021 financial year, the construction market picked up. In infrastructure construction, this particularly led to an increased number of quotation requests for foundation and bridge construction. The number of projects and quotation requests 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.

The COVID-19 infection rates grew towards 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.

2.2. Other operating income

Other operating income amounted to EUR 0.5 (0.3) million during the financial period and mainly consisted of the sale of scrap metal and tangible assets as well as insurance compensation.

2.3. Materials and services

Materials and services

EUR thousand	2021	2020
Materials and supplies		
Procurements during the financial year	56,841	41,729
External services	125,102	138,920
Materials and services in total	181,943	180,648

2.4. Other operating expenses

Other operating expenses

EUR thousand	2021	2020
Lease expenses from short-term leases	1,349	1,191
Lease expenses from leases with low value	357	323
Voluntary personnel related expenses	997	1,039
Travel expenses	3,318	3,359
IT expenses	1,107	1,015
Other operating expenses	3,192	2,895
Other operating expenses in total	10,318	9,823

2.4.1. Auditors' fees

Auditors' fees

EUR thousand	2021	2020
KPMG Oy		
Audit	45	38
Tax consultancy	0	1
Other services	183	110
Auditors' fees in total	228	149

2.5. Personnel

2.5.1. Employee benefits

Accounting policy applied in the financial statements – Employee benefits

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

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

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

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

Personnel expenses

EUR thousand	2021	2020
Salaries and remuneration	26,458	27,110
Pension expenses	4,415	4,122
Other personnel benefits	1,410	1,103
Salaries and remuneration in total	32,282	32,334

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

2.5.2. Share based payments

Accounting policy applied in the financial statements – Share based payments

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

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

Performance share plan for 2021-2024

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

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

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

Share-based incentive plan 1 January 2021-31 December 2021

Plan	PERFORMANCE SHARE PLAN FOR 2021-2024	Total
Type	SHARE	
Instrument	PSP 2021-2022	TOT/AVG
Maximum number, pc	160,000	
Original allocation date	5 Nov 2021	
Vesting date	31 Jan 2025	
Maximum period of validity, years	3.2	3.2
Remaining maturity, years	3.1	3.1
Persons at the end of the financial year	8	
Implementation	Shares and cash	

Transactions during the financial year	PSP 2021-2022	Total
Outstanding at the start of the period		
Changes during the financial year		
Granted during the period	122,130	122,130
Lost during the period		
Implemented during the period		
Vested during the period		
Outstanding at the end of the period	122,130	122,130

Fair value measurement

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

Fair value measurement

Share price at the time of granting, €	10.55
Share price at the end of the period, €	11.35
Time in years	3.16
Expected dividends, €	1.309
Total fair value, €	208,473

The impact from share-based incentives on the result and financial position during the financial year, €

Expenses in the financial year, share-based payments, implemented in shares	10,124
Estimated portion of the share-based incentive plans paid in cash to the tax authorities, estimate made at the end of the financial year	128,030

2.5.3. Number of personnel

Number of personnel	2021	2020
Average number of office employees	229	233
Average number of other employees	163	174
Average number of personnel	392	407
Number of personnel at the end of the period	385	383

In 2021, the joint venture KFS Finland Oy employed 58 people on average (2020: 55), including the personnel of NordPile Oy, which KFS Finland Oy acquired in September 2021, for the Group's time of ownership.

3. Capitalisation

3.1. Equity

Accounting policy applied in the financial statements – Equity

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

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

The own shares acquired by the Group are recognised as a deduction from equity in the consolidated financial statements.

Equity loans from shareholders are classified under equity in the consolidated financial statements because the company does not have a payment obligation related to the loan capital or interest. Interest paid on equity loans is recognised directly in retained earnings. Unpaid interest is recognised in interest liabilities. The Group redeemed its equity shareholder loans in December 2020, and the Group had no equity loans in the financial year 2021.

Reserve for invested unrestricted equity

In the reserve for invested unrestricted equity, the company books the amount from the subscription prices obtained in share issues that is not recognised under equity. The acquisition cost of own shares has been booked in the reserve for invested unrestricted equity.

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

	Outstanding shares	Treasury shares	Shares in total
Number of shares as at 31 Dec 2018	7,297,097	90,000	7,387,097
Changes in 2019	67,798	-	67,798
Number of shares as at 31 Dec 2019	7,364,895	90,000	7,454,895
Changes in 2020	-	-	-
Number of shares as at 31 Dec 2020	7,364,895	90,000	7,454,895
Changes in 2021	1,529,877	-	1,529,877
Number of shares as at 31 Dec 2021	8,894,772	90,000	8,984,772

As at 31 December 2021, the number of Kreate Group Plc's shares was 8,984,772 and the company's share capital amounted to EUR 80,000. The company holds 90,000 own shares (treasury shares), whose acquisition cost is EUR 99,300, which has been deducted from the reserve for invested unrestricted equity.

Reserve for invested unrestricted equity and 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 IPO comprised a share issue and the sale of shares. Kreate accumulated approximately EUR 12.5 million in gross proceeds from the IPO. The company's IPO expenses without a tax impact were EUR 2.3 million, of which the company charged EUR 1.3 million to equity. The net proceeds from the IPO were recorded in the reserve for invested unrestricted equity.

No own shares were acquired in the 2021 financial year or the 2020 reference year.

Equity loans

During the reference period, Kreate Group Plc had shareholder loans, which met the criteria for an equity loan and were handled as part of equity. The Company redeemed the shareholder loans on 30 December 2020 and, at the same time, the Company paid the interest accrued for the loans. An interest of EUR 1.3 million on equity loans, adjusted for tax impacts, was booked from retained earnings during the 2020 reference period. See also Note 8.3.

Dividends

Kreate distributed a dividend of EUR 0.44 per share to its shareholders based on the financial year that ended on 31 December 2020. The dividend was paid to shareholders who were recorded on the company's list of shareholders maintained by Euroclear Finland Oy on the date of record for dividend payment which was 7 May 2021. The dividends were paid on 19 May 2021.

3.2. Financial income and expenses

Financial income and expenses

EUR thousand	2021	2020
Dividend income and other income from shares		0
Interest income	4	80
Other financial income	0	0
Total financial income	4	80
Interest expenses from financial liabilities measured at amortised cost	-820	-763
Interest expenses from lease liabilities	-25	-29
Other interest expenses	-5	-8
Other financial expenses ^{*)}	-1,286	-368
Total financial expenses	-2,136	-1,168
Total financial income and expenses	-2,132	-1,088

^{*)} Other financial expenses include EUR 0.9 million of IPO expenses

3.3. Financial assets and liabilities

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

Financial assets

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

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

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

Financial assets measured at amortised cost

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

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

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

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

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

Financial assets measured at fair value through profit or loss

The Group had no financial assets measured at fair value through profit or loss in the financial periods 2021 and 2020.

Financial liabilities

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

Financial liabilities measured at amortised cost

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

Financial liabilities measured at fair value through profit or loss

The Group had no financial liabilities measured at fair value through profit or loss in the financial periods 2021 and 2020.

Cash and cash equivalents

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

Fair value measurement

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

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

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

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

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

Financial assets and liabilities measured at amortised cost

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

31 Dec 2020 EUR thousand	Carrying amount	Fair value
Financial assets		
Non-current receivables	131	131
Non-current financial assets	131	131
Trade and other receivables	19,093	19,093
Current financial assets	19,093	19,093
Cash and cash equivalents	8,146	8,146
Total financial assets	27,370	27,370
Financial liabilities		
Loans from financial institutions	29,252	29,583
Hire purchase liabilities	281	281
Lease liabilities	852	
Non-current interest-bearing liabilities	30,385	
Loans from financial institutions	4,667	4,667
Hire purchase liabilities	317	317
Lease liabilities	636	
Current interest-bearing liabilities	5,620	
Trade payables and other liabilities	12,391	12,391
Other current financial liabilities	12,391	12,391
Total financial liabilities	48,396	

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

3.4. Financial risk management

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

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

Interest rate risk

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

to fixed-rate debt can be altered using interest rate derivatives, if necessary. At the date of these financial statements, the Group did not have any valid interest rate swaps. Based on a sensitivity analysis of the interest rate risk, a one percentage point increase in interest rates would have increased the Group's net financial expenses by EUR 0.3 million before taxes. A one percentage point change would not have had a significant impact on the consolidated balance sheet. Changes in interest rates did not have an abnormal effect on the Group's business in the reporting period.

At the date of these financial statements, the Group had a total of EUR 26.1 million of unsecured loans from financial institutions (2020: 34.5 of secured loans). The collateral for the loans has been released in accordance with the terms and conditions of the loan agreement in connection with the initial public offering. The Group's average interest rate, taking into account loans from financial institutions and hire purchase debts, was 2.8 (2.7) per cent.

Credit and counterparty risk

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

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

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

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

The amount of impairment and credit losses during the financial year was EUR 73 thousand (2020: 114). In the 2020 reference period, the company recorded a larger entry than before on expected credit losses based on the situation of small, individual entities during the COVID-19 pandemic. At the end of the financial year 2021, the company kept the credit loss risk on a slightly higher level compared with the years before the pandemic. However, the company is still of the opinion that the COVID-19 pandemic does not have a significant impact on its credit and counterparty risk.

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

Maturity of trade receivables

EUR thousand	Unmatured	0-30 days	30-90 days	More than 90 days	Total	Expected credit loss	Carrying amount
31 Dec 2021	17,127	122	98	1	17,349	-37	17,312
31 Dec 2020	17,685	1,187	51	0	18,923	-60	18,863

Liquidity risk

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

The Group's cash and cash equivalents as at the end of the 2021 financial year amounted to EUR 6.3 (2020: 8.1) million. In addition, the Group had revolving overdraft and credit facilities of EUR 15.0 (2020: 10.0) million, of which EUR 3.0 million (2020: 0.0) were drawn. The Group reports its loan covenants to its lenders every three months. The financial covenants applied to the loans concern the ratio of net debt to EBITDA at the end of the 2021 financial year. The covenants had not been breached in financial years 2021 or 2020.

Contractual cash flows of financial liabilities, including interest

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

2020 EUR thousand	2021	2022	2023-2024	2025→	Total
Loans from financial institutions	5,607	5,489	25,619		36,716
Hire purchase liabilities	332	292			624
Lease liabilities	658	524	342		1,525
Trade payables and other liabilities	12,391				12,391

3.5. Management of the capital structure

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

The capital structure is primarily influenced by steering investments and the amount of working capital employed in operations. Through capital management, the Group aims to ensure, among other things, that it remains compliant with the covenants related to its interest-bearing debt in order to achieve its targets. The most important key figure concerning the management of capital is the ratio of net interest-bearing debt to EBITDA, which was 1.5 (2.0) at the end of the financial year.

Net debt

EUR thousand	31 Dec 2021	31 Dec 2020
Interest-bearing debt	27,203	36,005
Cash and cash equivalents	6,328	8,146
Net debt	20,875	27,859

EBITDA

EUR thousand	31 Dec 2021	31 Dec 2020
Operating profit	10,356	10,352
Depreciation, amortisation and impairment	3,856	3,671
EBITDA	14,212	14,023

3.6. Changes in debt due to financing

Debts from financing activities

2021

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

2020

EUR thousand	Opening balance	Cash flows (drawdown/repayment)	Transfers between non-current and current balance sheet items	Other changes with no cash flow effect	Closing balance
Loans from financial institutions	22,846	33,918	-27,767	254	29,252
Hire purchase liabilities	663		-382		281
Lease liabilities	1,003		-658	508	852
Non-current interest-bearing liabilities	24,512	33,918	-28,807	761	30,385
Loans from financial institutions	4,300	-27,400	27,767		4,667
Hire purchase liabilities	558	-622	382		317
Lease liabilities	600	-665	658	42	636
Current interest-bearing liabilities	5,458	-28,687	28,807	42	5,620
Total debt from financing activities	29,970	5,231		804	36,005

4. Working capital

4.1. Trade and other receivables

Trade and other receivables

EUR thousand	31 Dec 2021	31 Dec 2020
Trade receivables	17,312	18,863
Assets based on contracts with customers	15,739	11,225
Loan receivables		10
Other receivables	1,110	219
Accrued income	1	40
Total trade and other receivables	34,162	30,358
Accrued income		
Accrued personnel costs	0	0
Other accrued income	1	40
Total accrued income	1	40

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

4.2. Trade payables and other liabilities

Trade payables and other liabilities

EUR thousand	31 Dec 2021	31 Dec 2020
Trade payables	12,426	8,964
Liabilities based on contracts with customers*	4,779	11,032
Other liabilities	5,601	3,428
Accrued liabilities	11,673	12,339
Total trade payables and other liabilities	34,478	35,763
Accrued liabilities		
Interest liabilities	269	5
Accrued personnel costs	10,926	10,520
Other accrued liabilities	477	1,814
Total accrued liabilities	11,673	12,339

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

5. Tangible and intangible assetss

5.1. Property, plant and equipment

Accounting policy applied in the financial statements – Tangible assets

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

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

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

Straight-line depreciation

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

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

Mortgages on properties are presented in Note 8.2.

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

Changes in tangible assets
2021
EUR thousand

	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and acquisitions in progress	Total intangible assets
Acquisition cost as at 1 Jan	1,372	3,395	16,123	1,002	725	22,619
Adjustment of acquisition cost				614		614
Increases	0	0	4,963		504	5,467
Decreases			-606			-606
Transfers between items		876			-876	0
Acquisition cost as at 31 Dec	1,372	4,272	20,480	1,616	353	28,094
Accrued depreciation, amortisation and impairment as at 1 Jan	-38	-1,523	-4,692	-594		-6,847
Adjustment of accrued amortisation				-614		-614
Accrued amortisation on the decreases			231			231
Amortisation for the period		-128	-2,714	-143		-2,984
Accrued depreciation, amortisation and impairment as at 31 Dec	-38	-1,650	-7,175	-1,351		-10,215
Carrying amount as at 31 Dec	1,334	2,621	13,306	265	353	17,879

2020
EUR thousand

	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and acquisitions in progress	Total intangible assets
Acquisition cost as at 1 Jan	1,350	3,387	15,297	1,002	2	21,038
Increases	22	8	4,165		723	4,919
Decreases			-3,339			-3,339
Transfers between items						
Acquisition cost as at 31 Dec	1,372	3,395	16,123	1,002	725	22,619
Accrued depreciation, amortisation and impairment as at 1 Jan	-38	-1,427	-5,008	-448		-6,921
Accrued amortisation on the decreases			2,878			2,878
Amortisation for the period		-96	-2,562	-147		-2,804
Accrued depreciation, amortisation and impairment as at 31 Dec	-38	-1,523	-4,692	-594		-6,847
Carrying amount as at 31 Dec	1,334	1,873	11,432	408	725	15,772

5.2. Leases
Accounting policy applied in the financial statements – Leases, the Group as lessee

Leases and service contracts are separated in accordance with IFRS 16 on the basis of whether a contract includes a specified asset controlled by the customer. A lessee recognises a right-of-use asset and a lease liability on all leases (i.e. all leases have an impact on the balance sheet), except short-term leases and leases where the underlying asset has a low value.

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

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

Asset groups identified by the Group in accordance with IFRS 16 are business premises and vehicles leased under the normal terms and conditions. The Group has not identified any service contracts under which there are identifiable assets that should be recognised separately in accordance with IFRS 16. The Group treats all project-specific assets as short-term leases. Computers, tablets, printers and similar equipment are treated as assets of low value. The Group uses the exemptions in IFRS 16.4 and does not apply IFRS 16 to intangible assets.

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

Management discretion – Leases

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

The Group's right-of-use assets consist of the Group's administrative business premises, warehouses and leased vehicles. The lease agreements for the Group's business premises are mainly valid until further notice and their estimated durations vary between two and four years.

Changes in right-of-use assets

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

2020 EUR thousand	Buildings and structures	Machinery and equipment	Total right-of- use assets
Acquisition cost as at 1 Jan	1,009	1,472	2,480
Increases	238	349	587
Decreases		-189	-189
Acquisition cost as at 31 Dec	1,247	1,632	2,879
Accrued depreciation, amortisation and impairment as at 1 Jan	-344	-549	-893
Accrued amortisation on the decreases		152	152
Amortisation for the period	-229	-446	-675
Accrued depreciation, amortisation and impairment as at 31 Dec	-573	-843	-1,416
Carrying amount as at 31 Dec	673	789	1,463

Notes concerning leases

EUR thousand	2021	2020
Lease liability		
Current	558	636
Non-current	590	852
Total outgoing cash flow due to leases*	2,422	2,208
Leases the Group is committed to that will commence at a later date, undiscounted lease liability	1,219	

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

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

5.3. Intangible assets and goodwill

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

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

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

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

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

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

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

Changes in intangible assets and goodwill

2021	Intangible rights	Order backlog	Customer relationships	Other intangible assets	Prepayments and acquisitions in progress	Intangible assets	Goodwill	Intangible assets and goodwill in total
EUR thousand								
Acquisition cost as at 1 Jan	182	3,456	941	415	125	5,119	35,594	40,713
Increases	7			0	85	92		92
Acquisition cost as at 31 Dec	189	3,456	941	415	209	5,211	35,594	40,805
Accrued depreciation, amortisation and impairment as at 1 Jan	-106	-3,456	-298	-296		-4,156		-4,156
Amortisation for the period	-34		-94	-56		-184		-184
Accrued depreciation, amortisation and impairment as at 31 Dec	-140	-3,456	-392	-352		-4,340		-4,340
Carrying amount as at 31 Dec	49	0	549	63	209	871	35,594	36,465

2020

EUR thousand	Intangible rights	Order backlog	Customer relationships	Other intangible assets	Prepayments and acquisitions in progress	Intangible assets	Goodwill	Intangible assets and goodwill in total
Acquisition cost as at 1 Jan	524	3,456	941	318	45	5,284	35,594	40,878
Increases	54			5	171	231		231
Decreases	-396					-396		-396
Transfers between items				92	-92	0		0
Acquisition cost as at 31 Dec	182	3,456	941	415	125	5,119	35,594	40,713
Accrued depreciation, amortisation and impairment as at 1 Jan	-463	-3,456	-204	-236		-4,359		-4,359
Accrued amortisation on the decreases	396					396		396
Amortisation for the period	-39		-94	-59		-192		-192
Accrued depreciation, amortisation and impairment as at 31 Dec	-106	-3,456	-298	-296		-4,156		-4,156
Carrying amount as at 31 Dec	76	0	643	120	125	963	35,594	36,557

5.4. Impairment testing

Accounting policy applied in the financial statements – Impairment

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

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

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

Management discretion – Impairment

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

When using cash flow estimates in the calculation and selecting calculation parameters, the management uses discretion based on the Group's history, the prevailing market conditions and predictive assessments made at the end of each reporting period.

The Group's goodwill amounted to EUR 35.6 million in 2021 (2020: EUR 35.6 million) The Group has one cash-generating unit, Kreate Group, which is the lowest level where goodwill is monitored.

Impairment testing

The Group tests the impairment of goodwill annually or whenever there are indications that the recoverable amount may be less than the carrying amount. Consolidated goodwill was tested on 30 November 2021.

In impairment testing, the recoverable amounts of cash-generating units are defined based on value in use. The cash flow estimates are based on the confirmed yearly plan for 2022 and the confirmed strategy for 2023–2024. Key assumptions for the forecast period are the company's estimates of the development of the infrastructure market, the profitability of projects and the need for working capital. Cash flows that extend beyond the three-year forecast period have been calculated using the terminal value method. The management's conservative estimates of long-term growth in cash flows have been used when determining growth in the terminal value. The growth factor used for the terminal value is an annual growth of 0.2% (2020: 0.2%). The estimate of future development is based on the company's prior experience of the market's development, and market forecasts from various public research institutions are utilised when estimates are made.

The cash flow discount rate is determined using the weighted average cost of capital (WACC). The key elements of the WACC are risk-free interest rate, market risk premium, sector-specific beta factor, cost of debt and the ratio of equity to debt. The Group has determined a pre-tax and a post-tax discount rate. In its calculations, the Group has used a pre-tax WACC of 9.4% (2020: 11.1).

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

6. Income taxes

Accounting policy applied in the financial statements – Income taxes

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

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

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

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

Management discretion – Taxes

When recording taxes, the most significant management estimate concerns the basis for the recognition of deferred tax assets. Deferred tax assets from the confirmed losses of the previous financial periods or undeducted interest liabilities of associated companies are recognised only if the management estimates that a sufficient amount of taxable income can be generated in the future against which the unused taxation losses and undeducted interest liabilities of associated companies can be utilised.

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

6.1. Income taxes on the income statement

Income taxes

EUR thousand	2021	2020
Tax based on taxable income for the period	910	1,169
Taxes for previous years	-0	-1
Change in deferred taxes	401	332
Total income taxes	1,310	1,499

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

EUR thousand	2021	2020
Profit/loss before taxes	8,225	9,265
Taxes calculated based on the Finnish tax rate (20%)	1,645	1,853
Taxes allocated to previous years	0	-1
Utilisation of undeducted interest liabilities of associated companies from previous years	-159	
Non-deductible expenses	5	118
Previously unrecognised deferred tax assets	-61	-220
Tax-free income	-0	-0
Share of the joint venture's profit	-117	-242
Other items	-3	-8
Tax expense on the income statement	1,310	1,499
Effective tax rate	15.9%	16.2%

6.2. Deferred taxes on the balance sheet

Deferred tax assets and liabilities on the balance sheet

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

EUR thousand	1 Jan 2020	Recorded in income statement	Recorded in equity	Acquisitions	31 Dec 2020
Deferred tax assets					
Undeducted interest liabilities of associated companies	220	220			440
Other items	3	20			23
Total deferred tax assets	223	240			463
Deferred tax liabilities					
Difference between book and tax depreciation	452	232			684
Financial items	51	340	-324		66
Total deferred tax liabilities	502	572	-324		750

In its taxation, the Group utilised undeducted interest liabilities of associated companies from previous years, against which it allocated previously recognised deferred tax assets. Furthermore, the Group recognised tax assets of EUR 0.1 (2020: 0.2) million for previously accrued and undeducted interest liabilities of associated companies. After the recognition, the Group has EUR 2.7 million (2020: EUR 3.8 million) of undeducted interest liabilities of associated companies for which a deferred tax asset has not been recognised. There is no deadline for making the deduction in the taxation of subsequent years.

7. Group structure

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

7.1. Subsidiaries

Accounting policy applied in the financial statements – Subsidiaries

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

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

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

The Kreate Group Plc group is composed of the parent company Kreate Group Plc together with its wholly-owned subsidiaries.

Group structure

Group structure	Registered office	Parent company	Group holding	
			31 Dec 2021	31 Dec 2020
Parent company				
Kreate Group Plc	Helsinki			
Subsidiaries				
Kreate Oy	Helsinki	Kreate Group Plc	100%	100%
Kreate Rata Oy	Helsinki	Kreate Oy	100%	100%

The Group has had no changes in the group structure during the 2021 or 2020 financial years.

7.2. Joint ventures

Accounting policy applied in the financial statements – Joint ventures

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

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

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

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

	Registered office	Parent company	Kreate Group's holding	
			31 Dec 2021	31 Dec 2020
Joint ventures				
KFS Finland Oy	Tuusula	Kreate Oy	50%	50%
NordPile Oy	Masku	KFS Finland Oy	50%	0%

Investments in joint ventures

EUR thousand	31 Dec 2021	31 Dec 2020
Shares in joint ventures	8,934	8,351

Summary of financial information on joint ventures

EUR thousand	2021	2020
Non-current assets	21,832	10,492
Current assets ¹⁾	8,346	6,351
Non-current liabilities ²⁾	12,720	5,804
Current liabilities	8,614	5,272
Net assets	8,843	5,768
Revenue	40,039	43,001
Operating profit ³⁾	1,722	3,035
Result for the period ⁴⁾	1,124	1,659
Dividends from joint venture during the financial period		500

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

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

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

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

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

EUR thousand	2021	2020
Net assets of joint ventures	8,843	5,768
Group's share of net assets (50%)	4,422	2,884
Adjustments under IFRS and by the Group on net assets of joint venture	132	1,086
Fair value allocated to shares in joint ventures at acquisition	4,381	4,381
Shares in joint ventures in the Group	8,934	8,351
Investments in joint ventures	8,934	8,351
Joint venture's profit	1,124	1,659
The Group's share of joint venture's profit (50%)	562	830
Adjustments under IFRS and by the Group	22	381
Share of joint venture's profit in the Group	584	1,210

KFS Finland Oy prepares its financial statements in accordance with the Finnish Accounting Standards (FAS). The itemisations for the financial year concerning the joint venture are based on the figures in the consolidated financial statements of KFS Finland Oy, and the figures for the reference period are based on the figures in KFS Finland Oy's separate financial statements.

When consolidated, the company's result and balance sheet are adjusted in line with the IFRS, which consists of recognising leases in accordance with IFRS 16, adjusting the IFRS-compliant acquisition cost calculation for the acquired companies and accounting for the depreciation

difference. For KFS Finland Oy's acquisition of NordPile, fair value has been allocated for machines and equipment, and customer relationships and the order backlog have been identified as assets in earlier acquisitions. The effect of the amortisation of these items is recognised by the Group through profit or loss. In the consolidated balance sheet, the fair value allocated to the shares of KFS Finland Oy at the time of acquisition is also included in shares in joint ventures.

7.3. Joint functions
Accounting policy applied in the financial statements – Joint functions

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

8. Other notes

8.1. Provisions

Accounting policy applied in the financial statements – Provisions

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

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

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

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

Management discretion – Provisions

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

Provisions

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

EUR thousand	Warranty provisions	Loss provisions	Total provisions
Provision as at 1 Jan 2020	1,477		1,477
Increases in provisions	641	30	671
Provisions used during the period	-511		-511
Provisions reversed during the period	-154		-154
Provision as at 31 Dec 2020	1,452	30	1,482

8.2. Collateral and contingent liabilities

Collateral and contingent liabilities

EUR thousand	2021	2020
Mortgages and shares given as collateral for loans from financial institutions		
Book value of pledged shares	-	52,024
Given real estate mortgages	-	5,034
Floating charges given	-	75,400
Other contingent liabilities		
Guarantees given on behalf of joint ventures	29	72
Guarantees given on behalf of joint project ventures	6,299	
Other guarantees	20	27
Guarantee liabilities from project contracts	35,214	36,401
Lease liabilities from short-term assets with a low value	467	607
VAT liability	277	134

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

Kreate Oy is obligated to revise the VAT deductions it has made on real estate investments in a warehouse building completed in Tuusula in the 2021 financial year and an office/maintenance building completed in Lappeenranta in 2014 if the volume of operations subject to VAT at the properties decreases during the revision period. The last revision years are 2031 for the warehouse building in Tuusula and 2024 for the property in Lappeenranta, respectively. The maximum amount of the liability for the Tuusula warehouse is EUR 196 thousand, of which EUR 176 thousand are outstanding. The maximum amount of the liability for the Lappeenranta property is EUR 334 thousand, of which EUR 100 thousand are outstanding.

8.3. Related parties

The Group's related parties include the parent company, subsidiaries and the joint venture KFS Finland Oy and its subsidiaries. The related parties also include key management personnel, their immediate 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 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%.

Related-party transactions

EUR thousand	1-12/2021 Income	Expenses	12/2021 Receivables	Liabilities
Intera Fund II Ky				
Joint venture	6,674	-6,782	45	389
Other related parties ¹⁾		-195		

EUR thousand	1-12/2020 Income	Expenses ²⁾	12/2020 Receivables	Liabilities ²⁾
Intera Fund II Ky		-678		
Joint venture	19,045	-3,573	877	
Other related parties ¹⁾	88	-750		38

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.

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

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

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

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

Salaries and remunerations of key management personnel

EUR thousand	2021	2020
Fees of the Board of Directors	191	39
Salary and fees of the President & CEO	518	392
Salary and fees of the Management Team	1,672	1,656
Total	2,381	2,087

The Board of Directors decides on the remuneration of the Managing Director and the members of the Management Team. The members of the Management Team are insured under statutory pension insurance policies as well as voluntary supplementary pension insurance policies. In the financial year ended on 31 December 2021, the pension fees for the defined contribution scheme amounted to EUR 43.1 (2020: 34.8) thousand for the President & CEO and a total of EUR 111 (2020: 113) thousand for the members of the Management Team.

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

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

8.4. Events after the reporting period

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

Parent company's income statement (FAS)

EUR thousand	2021	2020
REVENUE	475	480
Materials and services		
Material, supplies and goods	-1	-1
Personnel expenses		
Salaries and remuneration	-832	-1,147
Personnel benefits		
Pension expenses	-178	-135
Other personnel benefits	-166	-1,175
Depreciation, amortisation and impairment		
Depreciation according to plan	-361	-8
Other operating expenses	-324	-258
OPERATING PROFIT/LOSS	-1,387	-1,237
Financial income and expenses		
From Group companies	6	
From others	0	0
Interest expenses and other financial expenses		
To Group companies	-26	-16
To others	-1,665	-2,568
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	-3,073	-3,821
Appropriations		
Group contributions	8,100	8,900
Income taxes	-847	-1,129
PROFIT/LOSS FOR THE PERIOD	4,180	3,950

Parent company's balance sheet (FAS)

EUR thousand	2021	2020
Assets		
NON-CURRENT ASSETS		
Intangible assets		
Intangible rights	2	6
Other long-term expenditures	926	8
Acquisitions in progress	929	132
Investments		
Shares in Group companies	52,024	52,024
TOTAL NON-CURRENT ASSETS	52,953	52,170
CURRENT ASSETS		
Current receivables		
Receivables from Group companies	8,100	8,900
Other receivables	7	55
Accrued income	571	8,678
Cash and cash equivalents	4,779	2,869
TOTAL CURRENT ASSETS	13,458	11,827
Total assets	66,410	63,997
Liabilities		
EQUITY		
Share capital	80	3
Other reserves		
Reserve for invested unrestricted equity	20,702	8,280
Retained earnings	5,407	5,371
Profit/loss for the period	4,180	3,950
TOTAL EQUITY	30,370	17,603
LIABILITIES		
Non-current		
Loans from financial institutions	22,250	22,250
Current		
Loans from financial institutions	4,000	4,667
Trade payables	102	37
Liabilities to Group companies	8,797	10,016
Other liabilities	39	295
Accrued liabilities	852	13,791
TOTAL LIABILITIES	36,041	46,394
Total liabilities	66,410	63,997

Parent company's cash flow statement (FAS)

EUR thousand	2021	2020
Profit/loss for the period	4,180	3,950
Depreciation, amortisation and impairment	361	8
Financial income and expenses	1,686	2,584
Income taxes	847	1,129
Other adjustments	-8,100	-8,900
Total adjustments	-5,206	-5,179
Change in trade and other receivables	51	-57
Change in trade payables and other liabilities	-728	533
Total change in working capital	-678	475
Interest paid in operating activities	-101	-22
Interest received in operating activities	6	0
Other financial items	-1,014	-466
Taxes paid	-2,103	-1,414
CASH FLOW FROM OPERATIONS	-4,915	-2,656
Investments in tangible and intangible assets	-1,144	-132
CASH FLOW FROM INVESTING ACTIVITIES	-1,144	-132
Share issue	12,500	
Dividends paid	-3,914	
Drawdown of non-current loans		34,250
Repayment of non-current loans	-6,333	-16,209
Drawdown of current loans	24,047	11,000
Repayment of current loans	-26,917	-32,400
Interest and other loan expenses	-313	-2,138
Group contributions	8,900	10,250
CASH FLOW FROM FINANCING ACTIVITIES	7,970	4,752
CHANGE IN CASH AND CASH EQUIVALENTS	1,911	1,964
Cash and cash equivalents on the opening balance sheet	2,869	905
CHANGE IN CASH AND CASH EQUIVALENTS	1,911	1,964
Cash and cash equivalents at the end of the period	4,779	2,869

Accounting policies applied in the parent company's financial statements

Information about the Group

Kreate Group Plc is the parent company of the Group. The parent company Kreate Group Plc owns 100% of the Group's subsidiary Kreate Oy.

Kreate Rata Oy, a wholly-owned subsidiary of Kreate Oy, is consolidated into the financial statements of Kreate Group Plc.

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

Valuation and accrual principles and methods

Measurement of non-current assets

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

The amortisation periods are:

Intangible assets 3 to 4 years

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

Financial assets and liabilities

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

Notes to the parent company's financial statements

Notes to the income statement

Revenue

EUR thousand	2021	2020
Liikevaihto	475	480

Notes concerning the personnel

Average number of personnel during the period

	2021	2020
Office employees	3	3

Salaries, remunerations and pension expenses for the period

EUR thousand	2021	2020
Salaries and remuneration	832	1,147
Pension expenses	178	135
Other personnel benefits	166	168
Total	1,175	1,450
Fringe benefits (tax value)	41	41

Salaries and remunerations of the management

EUR thousand	2021	2020
Members of the Board	191	39

Depreciation, amortisation and impairment

EUR thousand	2021	2020
Depreciation according to plan	361	8

Other operating expenses**Auditors' fees**

EUR thousand	2021	2020
Audit	15	18
Other services	183	111
Total	198	129

Financial income and expenses

EUR thousand	2021	2020
Other interest income		
From Group companies	6	
From others	0	0
Total interest income	6	0
Total financial income	6	0
Interest expenses		
To Group companies	-26	-16
To others	-650	-2,102
Total interest expenses	-677	-2,118
Other financial expenses		
Other financial expenses	-1,015	-466
Total other financial expenses	-1,015	-466
Total financial expenses	-1,692	-2,584
Total financial income and expenses	-1,686	-2,584

Appropriations

EUR thousand	2021	2020
Group contributions	8,100	8,900

Income taxes

EUR thousand	2021	2020
Income taxes from operations	847	1,129

The company has EUR 5,223 (2020: EUR 6,018) in undeducted interest liabilities of associated companies.

Notes to the balance sheet**Itemisation of non-current assets**

	Intangible assets			
	Intangible rights	Other long-term expenditures	Prepayments and acquisitions in progress	Total
Acquisition cost as at 1 Jan 2021	13	17	132	162
Increases		1,035	109	1,144
Transfers between items		241	-241	
Acquisition cost as at 31 Dec 2021	13	1,293		1,306
Accrued depreciation, amortisation and impairment as at 1 Jan 2021	-7	-9		-16
Amortisation for the period	-3	-358		-361
Accrued depreciation, amortisation and impairment as at 31 Dec 2021	-11	-367		-378
Carrying amount as at 31 Dec 2021	2	926		929
Carrying amount as at 31 Dec 2020	6	8	132	146

	Investments	
	Other shares and interests	Total
Acquisition cost as at 1 Jan 2021	52,024	52,024
Acquisition cost as at 31 Dec 2021	52,024	52,024
Accrued impairment as at 1 Jan 2021		
Accrued impairment as at 31 Dec 2021		
Carrying amount as at 31 Dec 2021	52,024	52,024
Carrying amount as at 31 Dec 2020	52,024	52,024

Shares and holdings

	Company's ownership, %
Kreate Oy, Helsinki	100

Current receivables

EUR thousand	2021	2020
Receivables from Group companies		
Accrued income	8,100	8,900
Total	8,100	8,900
Receivables from others		
Other receivables	7	55
Accrued income	571	3
Total	578	58
Total current assets	8,678	8,958

Equity

EUR thousand	2021	2020
Restricted equity		
Share capital as at 1 Jan	3	3
Increase in share capital	78	
Share capital as at 31 Dec	80	3
Total restricted equity	80	3
Unrestricted equity		
Reserve for invested unrestricted equity as at 1 Jan	8,280	8,280
Share issue	12,500	
Increase in share capital	-78	
Reserve for invested unrestricted equity as at 31 Dec	20,702	8,280
Retained earnings as at 1 Jan	9,321	5,371
Distribution of dividends	-3,914	
Retained earnings as at 31 Dec	5,407	5,371
Profit (loss) for the period	4,180	3,950
Total unrestricted equity	30,290	17,600
Total equity	30,370	17,603

Distributable unrestricted equity

EUR thousand	2021	2020
Calculation of distributable unrestricted equity		
Retained earnings	5,407	5,371
Profit (loss) for the period	4,180	3,950
Reserve for invested unrestricted equity	20,702	8,280
Distributable equity	30,290	17,600

Non-current liabilities

EUR thousand	2021	2020
Loans from financial institutions	22,250	29,583

Current liabilities

EUR thousand	2021	2020
Liabilities to Group companies		
Group account liability	8,797	
Other liabilities		10,016
Total	8,797	10,016
Liabilities to others		
Loans from financial institutions	4,000	4,667
Trade payables	102	37
Other liabilities	39	295
Accrued liabilities	852	1,796
Total	4,994	6,794

Material accrued expense items

EUR thousand	2021	2020
Salaries and remuneration, including social expenses	583	1,105
Interest	269	5
Taxes		685
Total	852	1,796

Collateral and contingent liabilities

Mortgages given as collateral for loans from financial institutions

EUR thousand	2021	2020
Floating charges given ¹⁾		75,400

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.

Collateral and guarantees given on behalf of Group companies

EUR thousand	2021	2020
Other guarantees	35,214	36,762

Collateral and guarantees given on behalf of joint project ventures

EUR thousand	2021	2020
Other guarantees	6,299	

Guarantees given on behalf of key persons

EUR thousand	2021	2020
Guarantees	20	27

Other contingent liabilities

EUR thousand	2021	2020
Credit card limit used	1	1

Pension liabilities

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

Board of Directors' proposal on the use of distributable funds

As at 31 December 2021, the distributable funds of the parent company Kreate Group Plc are:

Retained earnings	5,407,111.99
Profit (loss) for the period	4,180,235.49
Reserve for invested unrestricted equity	20,702,152.88
Distributable equity	30,289,500.36

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.

Signatures of the Report of the Board of Directors and the financial statements

Helsinki, 25 January 2022

Petri Rignell
Chair of the Board of Directors

Jussi Aine

Timo Kohtamäki

Janne Näränen

Timo Pekkarinen

Elina Pienimäki

Markus Väyrynen

Timo Vikström
President & CEO

Auditor's note

A report on the audit carried out has been submitted today.
Helsinki, 26 January 2022

KPMG Oy
Firm of Authorised Public Accountants

Turo Koila
Authorised Public Accountant KHT

Auditor's Report

To the Annual General Meeting of Kreate Group Plc

Audit of the financial statements

Opinion

We have audited the financial statements of Kreate Group Plc (Business ID 2601364-3) for the financial year 1 Jan–31 Dec 2021. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting principles as well as the parent company's balance sheet, income statement, cash flow statement and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with the statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland, and we have not provided any prohibited non-audit services as referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.4.1 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. We have determined materiality based on our professional judgement, and it helps us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial

statements as a whole. The level of materiality is based on our estimate of the scale of such misstatements that, individually or in aggregate, might reasonably be expected to influence the financial decisions made by the users of the financial statements. We have also considered such misstatements that, due to qualitative reasons, we regard as material to the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the period being audited. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Risks of material misstatement, as referred to in Article 10(2c) of Regulation (EU) No. 537/2014, are included in the key audit matters listed below.

We have addressed in our audit the risk of management override of internal controls. This has included the consideration of whether there was evidence of a management bias that represented a risk of material misstatement due to fraud.

KEY AUDIT MATTERS

HOW THE AUDIT ADDRESSED THE MATTERS IN QUESTION

Revenue – Accounting policies for consolidated financial statements and note 2.1

- | | |
|---|--|
| <ul style="list-style-type: none"> • The recognition of sales consists of the handover of goods and services as defined in project contracts to customers, with the total revenue standing at EUR 238 million. • Revenue reporting includes the risk of a misstated recognition date and amount due to management judgements concerning recognition and the large number of invoiced amounts. • Recognition of income from projects is mainly based on the degree of completion. The degree of completion is defined as the relative share of actualised costs from the total costs estimated by the management. Potential erroneous cost estimates would lead to misstated recognition. | <ul style="list-style-type: none"> • We have evaluated the company's sales recognition and calculation processes in relation to the principles defined in the IFRS standards. • We have tested the functionality of the key internal controls used to ensure the completeness and timing of sales reporting. • We have compared the total revenue estimates of projects recognised based on degree of completion with customer contracts. In addition, we have analysed estimated and actualised project costs and project margins. We have also examined the updating process concerning the cost estimates and degrees of completion as well as assessed its appropriateness. • Furthermore, we have carried out material auditing activities relating to the sales completeness and recognition date. |
|---|--|

KEY AUDIT MATTERS
**HOW THE AUDIT ADDRESSED
THE MATTERS IN QUESTION**
Valuation of goodwill – Accounting policies for consolidated financial statements and notes 5.3 and 5.4

- Goodwill EUR 36 million represents a significant share, 33%, of the consolidated balance sheet total.
- Goodwill is tested for impairment when there are indicators of impairment or annually at a minimum. Impairment testing is carried out by comparing the recoverable amount of the cash-generating unit to its carrying amount. Management estimates the recoverable amount of the cash-generating unit by using a discounted cash flows model. The cash flow estimates used as the basis for testing are subject to a significant number of management judgements particularly concerning revenue growth, profitability and the discount rate.
- Due to the significance of the carrying amount and the significant management judgement relating to the estimates, goodwill valuation is a key audit matter.
- We have critically evaluated the management's principles and assumptions on which the cash flow estimates for future years have been made.
- We have involved KPMG's valuation experts in the audit to evaluate the reasonableness of the discount rates, the technical correctness of the calculations and the assumptions used in relation to the market and industry data.
- In addition, we have assessed the appropriate presentation of notes relating to impairment testing of goodwill in the financial statements.

Responsibilities of the Board of Directors and the President and CEO for the Financial Statements

The Board of Directors and the President and CEO are responsible for the preparation of the financial statements so that the consolidated financial statements give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and so that the financial statements give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with the statutory requirements. The Board of Directors and the President and CEO are also responsible for such internal control as they deem necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the President and CEO are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks as well as obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of the accounting policies used as well as the reasonableness of the accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the President and CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of the highest significance in the audit of the financial statements of the period under review and are, therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment information

We have served as the auditor elected by the Annual General Meeting uninterruptedly for three years as from 26 April 2019.

Kreate Group Plc has become a significant entity from the point of view of public interest on 19 February 2021.

Other Information

The Board of Directors and the President and CEO are responsible for the other information. The other information comprises the Report of the Board of Directorss and the information included in the Annual Report, but it does not include the financial statements or our auditor's report thereon. We have obtained the Report of the Board of Directorss prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified hereinabove and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the Report of the Board of Directorss, our responsibility also includes considering whether the Report of the Board of Directorss has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the Report of the Board of Directorss is consistent with the information in the financial statements and the Report of the Board of Directorss has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 26 January 2022
KPMG OY AB

Turo Koila
Authorised Public Accountant KHT

Investor information

Kreate publishes financial information in Finnish and English, and the information is available at kreate.fi/en/investor.

Financial reports in 2022

- Interim report for 1-3/2022, April 27
- Half-year report for 1-6/2022, July 27
- Interim report for 1-9/2022, October 26

Kreate observes a silent period of 30 days before publishing interim reports, half-year reports and financial statements. During the silent period company's spokespersons do not comment on the company's financial situation or general outlook, nor meet investors or analysts.

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KREATE
THE FUTURE IS BUILT TODAY