



Half-year Report January-June 2022

Kreate Group Plc

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KREATE'S HALF-YEAR REPORT: REVENUE AND RESULT GREW IN THE FIRST HALF – ORDER BACKLOG REMAINS ON HIGH LEVEL

Kreate Group Plc, half-year report for January–June 2022, 27 July 2022 at 8:30 a.m.

April–June in brief

- Order backlog amounted to EUR 204.4 (157.5) million
- Revenue grew compared to the reference period, amounting to EUR 67.0 (52.9) million
- EBITDA was EUR 3.5 (3.4) million, amounting to 5.3 (6.3) per cent of revenue
- EBITA was EUR 2.4 (2.5) million, amounting to 3.6 (4.7) per cent of revenue
- Earnings per share were EUR 0.19 (0.20)
- Free cash flow from operating activities was EUR -0.4 (-3.7) million
- Interest-bearing net debt was EUR 29.4 (27.4) million
- Financial guidance remains unchanged: revenue and EBITA are growing compared to 2021

January–June in brief

- Revenue grew compared to the reference period, amounting to EUR 117.4 (91.2) million
- EBITDA was EUR 5.6 (5.1) million, amounting to 4.8 (5.5) per cent of revenue
- EBITA was EUR 3.5 (3.4) million, amounting to 3.0 (3.7) per cent of revenue
- Earnings per share were EUR 0.26 (0.17)
- Free cash flow from operating activities was EUR -1.6 (-3.6) million

Development in operating environment

The May economic assessment by the Confederation of Finnish Construction Industries states that construction is estimated to maintain a 2% growth rate in 2022. This estimate stands even though the impacts of Russia's offensive war in Ukraine are also reflected in the construction sector's operating environment. The end of 2021 saw the launch of several construction projects, and tendering remained at a good level in Q1 2022, which has contributed to the growth of construction companies' order backlog.

It is estimated that, as the year progresses and the war is prolonged, the outlook will suffer and the impacts increase. The highest uncertainties are related to the increase in costs due to the weaker availability of raw materials, delays in ongoing production, and postponement of investments. It is estimated that construction will decrease by a couple of per cent in the following year as new construction projects are delayed and investments are postponed. However, as the global situation fluctuates, the outlook can change quickly, and the assessment of a downturn in the following year is based on the current situation.

The construction industry and project profitability are affected by availability constraints and price challenges in terms of materials as well as the growing energy, fuel and raw material costs, among others. On the other hand, at the end of the first half, there were some positive signals of the prices evening out and, for example, steel price, which was high, even showed signs of decreasing. The development of costs and the cyclic nature of the costs evened out towards the end of the first half.

The Confederation of Finnish Construction Industries estimates that, in the infrastructure construction market, the growth in 2022 stands at 1.5 per cent and will decrease in the following year due to the combined effect of the rapid increase in costs, reduction in rail projects and municipalities' weak capacity for investments. Early in the year, the government and largest cities launched projects as in previous years, but the cuts made in the Ministry of Transport and Communications' budget are estimated to affect investments in major transport projects already during the current year. As government projects amount to 20% of the entire infrastructure construction market, cuts will have a limited impact on the total market. At the same time, the progress with industrial investments and the good level of other tendering activities will balance any government cuts in the infrastructure market.

Despite the weaker outlook in the government's infrastructure construction, 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. 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, the municipalities' growing share of construction costs remains problematic; this may mean, at worst, that projects are not executed and the condition of the road and street network and railways will continue to deteriorate. The slowing down of economic growth does not support rapid growth in construction, and the demand for construction services is affected by the resilience of the state economy and its transformative capacity.

Any possible stimulus activities from the public sector and the transition away from Russian energy and raw materials will also create markets and opportunities for infrastructure actors. The infrastructure projects subjected to cuts in the near future are likely to start in the longer term, as the maintenance backlog keeps growing. Urbanisation, the infrastructure maintenance backlog and public sector projects are expected to continue to drive growth.

In its strategy, Kreate has chosen its business functions according to areas of structural engineering and transport infrastructure construction that will grow in the long term in line with the megatrends. Specialisation in demanding and versatile infrastructure is significantly more sustainable across business cycles than focusing on basic infrastructure construction.

Accordingly, Kreate estimates that, overall, the market for suitable structural engineering and transport infrastructure construction in 2022 will remain around the level of the previous year.

Key figures

EUR million	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
Order backlog			204.4	157.5	202.8
Revenue	67.0	52.9	117.4	91.2	237.6
Year-on-year change in revenue, %	26.6	-8.8	28.7	-15.5	1.0
EBITDA	3.5	3.4	5.6	5.1	14.2
EBITDA, %	5.3	6.3	4.8	5.5	6.0
EBITA	2.4	2.5	3.5	3.4	10.5
EBITA, %	3.6	4.7	3.0	3.7	4.4
Operating profit	2.4	2.4	3.4	3.3	10.4
Operating profit, %	3.5	4.6	2.9	3.6	4.4
Result for the period	1.6	1.8	2.3	1.4	6.9
Capital employed			68.5	63.0	62.0
Return on capital employed, %			16.0	15.7	17.8
Return on equity, %			20.9	16.6	20.4
Net investments in operating activities	-1.0	-2.1	-2.8	-2.8	-4.9
Free cash flow from operating activities	-0.4	-3.7	-1.6	-3.6	4.0
Net working capital			3.6	-0.3	-0.0
Net debt			29.4	27.4	20.9
Net debt/EBITDA, rolling 12 months			2.0	2.1	1.5
Equity ratio, %			31.6	33.4	38.6
Earnings per share, €	0.19	0.20	0.26	0.17	0.80
Personnel at the end of the period			424	412	385
Personnel on average	407	396	393	390	392

President & CEO Timo Vikström:

“As expected, Kreate’s revenue and operating profit in the first half of the year grew above the reference period. The strong order backlog contributed to this. Revenue for the first half of 2022 was EUR 117.4 (91.2) million and operating profit was EUR 3.4 (3.3) million. The order backlog remained at a high level and amounted to EUR 204.4 (157.5) million at the end of the reporting period.

At the end of H1, cash flow became stronger, even though it was still negative in Q2. Cash flow’s development was affected front end weighted procurement and investments for ensuring the progress of projects and minimising the risks related to profitability. On the other hand, relative profitability was impacted by multi-year projects in which risk management measures were already being implemented based on the increase in costs driven by the COVID-19 pandemic. These projects are ending this year, and their opportunities and risks have been considered according to the best knowledge. However, due to the increase in construction costs caused by Russia’s offensive war, negotiations will be necessary in long-term projects. Through systematic anticipatory measures and constructive dialogue with customers, we have reduced future risks and contributed to keeping our profitability at a good level. In new projects, the increase in cost level can be addressed even better than before as the development of prices has evened out.

Our order backlog reached record-high levels in Q1, and its growth was stable also in April–June. Our rail unit won several contracts, the largest of which were over five million contracts for the new traffic sites between Oulu and Kontiomäki and the Juurikorpi passing place along the extensive Kouvola–Kotka–Hamina railway project. In Hervanta, Tampere, we launched a transport infrastructure and bridge project worth EUR 7.5 million. In April–June, we started new foundation and concrete construction projects with a total value of approximately EUR 15 million. The largest of these is the approximately EUR 6 million project for renovating the railway station tunnel in Pieksämäki. In April, we also started the construction of flood protection for Mustapuro stream and the renovation of the Itäväylä road bridges, which grew our order backlog by EUR 6 million. The contract for renovating the Kirjalansalmi and Hessundinsalmi bridges along Highway 180, with a value of more than EUR 100 million, is expected to move into the execution stage and enter the order backlog during the second half of 2022.

In addition to our order backlog, we strengthened our organisation with strategically important recruitments particularly in the rail, bridge and special foundation construction segments. Despite the lack of skilled labour across the entire construction industry, Kreate was an attractive employer, and we managed to improve our competitiveness with strategic hiring decisions. In addition to hiring new experts, it is equally important to maintain the high professional skill and occupational well-being of our current employees. We strengthened our employees’ competence through diverse training sessions and on the job learning and offered individual well-being coaching, among other things.

In the spring, Kreate established the subsidiary Kreate Infra Sverige Ab in Sweden, which will support our internationalisation efforts in line with our strategy. Sweden will become a new cornerstone for Kreate’s operations that will complement the current offering. During the reporting period, Christian Jonsson started in the position of the company’s CEO. He has strong experience in specialised infrastructure construction and business management. The Swedish infrastructure market is twice as large as the market in Finland, and it offers Kreate – a leading infrastructure builder that focuses on competence – excellent opportunities for growth. In the coming years, the Swedish market is expected to still grow faster than the Finnish market.

In tendering, we have been more diligent in our assessments with a view to minimise project risks in a situation where the cost level has grown and there is little visibility. Risk assessments help us consider cost effects in tendering as well as project execution. With our high order backlog and flexible cost structure, we can avoid unnecessary risks in project acquisition which, in turn,

supports keeping our profitability on a good level. Moreover, we have continued protecting the profitability of our operations with index conditions and advance purchases as well as price negotiations with clients and subcontractors.

Despite the cyclic nature of the cost level, the market shows signs of stabilisation, and visibility has improved. The market has adapted, and new ways of manufacturing and acquiring products and materials have emerged. With the increase in supply, the rise of construction material costs has slowed and even a slight decrease in prices has occurred in some product segments.

Although a slight decrease is expected in the government's infrastructure construction budget, industrial investments appear to continue moderately actively for now. Moreover, in the longer term, the move to alternative energy sources will provide opportunities for taking action and improvement in the infrastructure construction market. This year as well, our organisation's improved technical strength and steadily developing order backlog support our target of remaining on a profitable growth track in line with our strategy."

Result guidance for 2022 (published on 26 January 2022)

Kreate estimates that its 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.

Kreate Group's financial reporting

Kreate Group Plc will publish the financial reports in 2022 as follows:

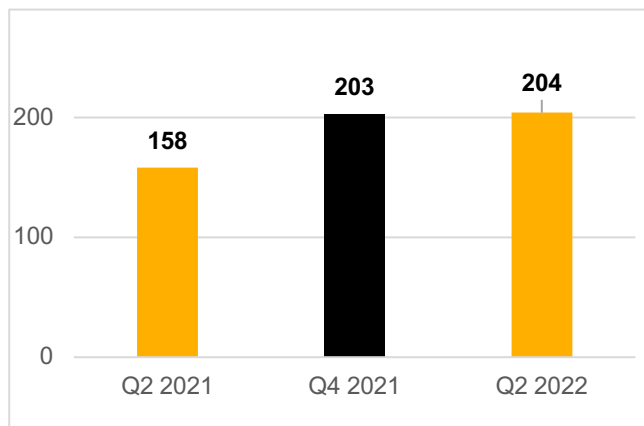
- Interim report for January–September 2022: 26 October 2022

Webcast event for analysts and media

A live webcast for analysts and media will be held today, 27 July 2022, at 11:00 a.m. The event will be in Finnish. President & CEO Timo Vikström and Chief Financial Officer Mikko Laine will be presenting at the event. The webcast can be followed live in Finnish at <https://kreate.videosync.fi/q2-2022-tulosjulkistus>. A recording of the webcast will be made available later at <https://kreate.fi/sijoittajille/tiedotteet-ja-raportit/raportit-ja-esitykset/> and a summary in English will become available at <https://kreate.fi/en/investor/releases-and-reports/reports/>.

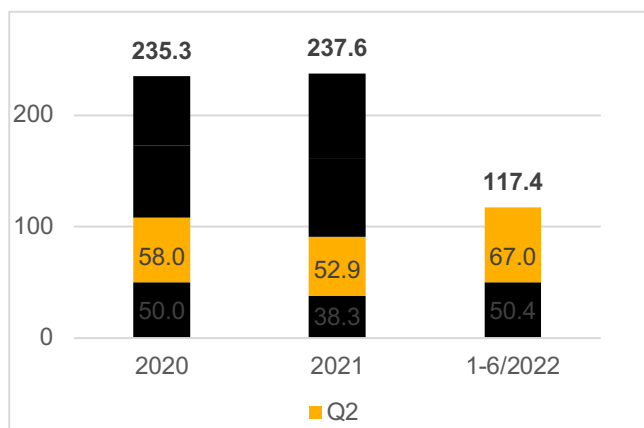
Key figures

Order backlog, EUR million



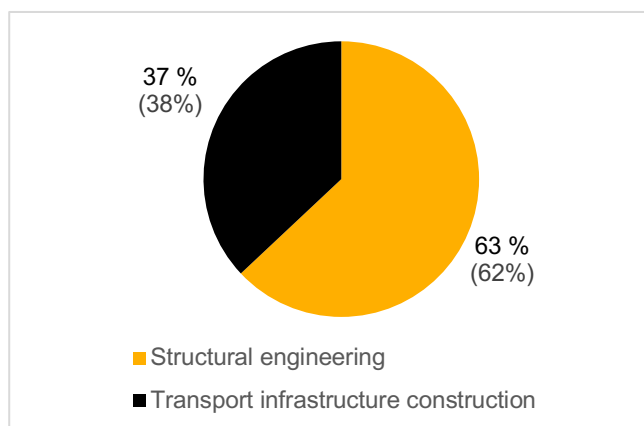
- **At the end of June 2022**, the order backlog clearly grew compared to the reference period, amounting to EUR 204.4 (157.5) million.
- The most significant additions to the order backlog in April–June were the transport infrastructure and bridge contract in Hervanta, Tampere as well as the foundation and concrete construction contract for the railway station tunnel in Pieksämäki

Revenue, EUR million

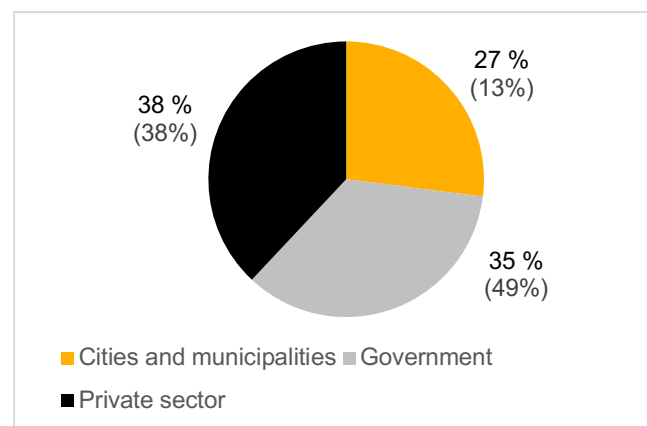


- **In April–June 2022**, revenue grew compared to the reference period, amounting to EUR 67.0 (52.9) million
- Project progress according to plan, especially in large structural engineering projects, grew the revenue
- **In January–June**, revenue was EUR 117.4 (91.2) million

Revenue by business function 1-6/2022 (1-6/2021)

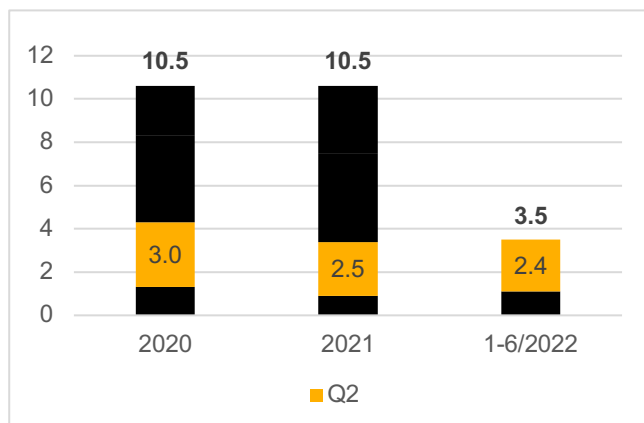


Revenue by customer group 1-6/2022 (1-6/2021)



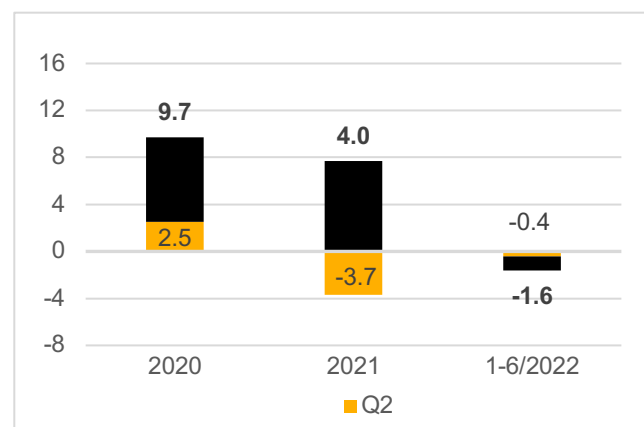
Transport infrastructure construction comprises Railway construction and Road and street construction. Structural engineering comprises Bridge construction and repair and Foundation and rock engineering.

EBITA, EUR million



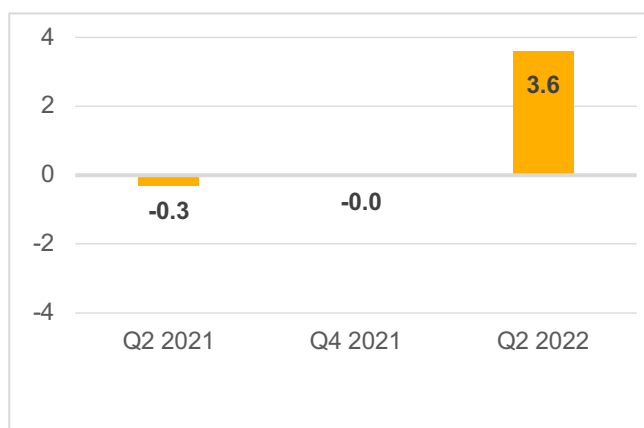
- **In April–June 2022**, EBITA decreased compared to the reference period, amounting to EUR 2.4 (2.5) million
- **In January–June 2022**, EBITA grew to EUR 3.5 (3.4) million
- The flexible cost structure and measures for preventing impacts from increased costs supported profitability early in the year

Free cash flow from operating activities, EUR million



- **In April–June 2022**, free cash flow from operating activities was EUR -0.4 (-3.7) million, of which net investments amounted to EUR 1.0 (2.1) million
- **In January–June 2022**, free cash flow from operating activities was EUR -1.6 (-3.6) million, of which net investments amounted to EUR 2.8 (2.8) million

Net working capital, EUR million



- **At the end of June 2022**, the company's net working capital was EUR 3.6 (-0.3) million
- Changes in the prices of materials as well as the measures for protecting against their impacts bound working capital in April–June
- In addition, the working capital was increased by a few key projects and the normal seasonality of the business

Kreate's half-year report for January–June

Operating environment in January–June 2022

In construction, the year 2022 started on a positive note, and companies' order backlogs rose to a good level following an uptick in tendering and increased demand. In March, however, the effects of Russia's offensive war in Ukraine started to show in the construction industry's operating environment. While early this year, public and private sector projects were still being launched as usual, the effects of the war started to reflect on the decisions to start some investments. However, the launch of necessary investments still continued. The reduction in new housing construction projects and permit volumes, as such, will not have a significant impact on Kreate's operations. The more demanding housing construction projects which emphasise Kreate's leading position in foundation construction have still started normally.

In late Q1 and early Q2, uncertainty was caused in particular by an unprecedented increase in costs, with the prices for steel and fossil fuels, for example, growing by tens of per cent. However, at the end of H1, there were signs of the price level stabilising and visibility improving. The market situation has been particularly affected by the other countries' increased production of construction materials that have previously come from Russia and the development of their distribution networks. With some products, such as steel, there was even a slight decrease in prices.

The cyclicity of the cost level and poor, albeit improved, predictability resulted in challenges in the infrastructure market tendering. Kreate tackled these challenges with more diligent risk and opportunity assessments in tendering and project execution. The aim is to keep profitability at a good level also during challenging times.

Tendering remained at a good level in the railway construction, bridge construction and special foundation construction markets, which could be seen as a positive impact in the number of Kreate's railway and bridge projects. Furthermore, the advancing of industrial investments reflected positively on the number of requests for quotation. The high number of projects launched early in the year, before the war, has maintained the growth in construction volume in H1. In particular, the growth in the construction of new business premises has affected Kreate's foundation construction market.

Kreate's strategic specialisation in executing demanding infrastructure projects supported the company's competitiveness in technically challenging projects that require special expertise, where the competitive situation remained moderate.

Order backlog

The order backlog grew compared to the reference year and amounted to EUR 204.4 (157.5) million at the end of June 2022. The expected profitability of the order backlog remained at a normal level. The most significant additions to the order backlog in the reporting period were the transport infrastructure and bridge contract in Hervanta, Tampere, valued at EUR 7.5 million, and the expansion and renovation contract for the railway station tunnel in Pieksämäki, valued at approximately EUR 6 million. Furthermore, Kreate won two rail contracts, valued at approximately EUR 5 million each: one for the new traffic sites between Oulu and Kontionmäki and another for the Juurikorpi passing place along the Kouvola–Kotka–Hamina railway project. The contract for renovating the Kirjalansalmi and Hessundinsalmi bridges along Highway 180, with a value of more than EUR 100 million, is expected to move into the execution stage and enter the order backlog during H2/2022.

Revenue

The Group's revenue by business function

EUR million	1–6/2022	1–6/2021	1–12/2021
Structural engineering ¹⁾	73.1	55.4	137.5
Transport infrastructure construction ²⁾	42.5	33.8	98.2
Other ³⁾	1.8	2.0	1.9
Total	117.4	91.2	237.6

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

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

³⁾ Includes intra-Group eliminations

April–June 2022

In April–June, the Group's revenue grew compared to the reference period, amounting to EUR 67.0 (52.9) million. Year-on-year, revenue grew in Structural engineering to EUR 40.7 (32.9) million and in Transport infrastructure construction to EUR 25.4 (18.3) million.

January–June 2022

The Group's revenue in January–June increased to EUR 117.4 (91.2) million. Year-on-year, revenue grew in Structural engineering to EUR 73.1 (55.4) million and in Transport infrastructure construction to EUR 42.5 (33.8) million.

The private sector's share of revenue remained at the reference period's level. In January–June, of the Group's total revenue 38 (38) per cent came from the private sector, 27 (13) per cent from cities and municipalities and 35 (49) per cent from the government.

Profitability

EUR million	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
EBITDA	3.5	3.4	5.6	5.1	14.2
EBITDA, %	5.3	6.3	4.8	5.5	6.0
EBITA	2.4	2.5	3.5	3.4	10.5
EBITA, %	3.6	4.7	3.0	3.7	4.4
Operating profit	2.4	2.4	3.4	3.3	10.4
Operating profit, %	3.5	4.6	2.9	3.6	4.4
Result for the period	1.6	1.8	2.3	1.4	6.9
Earnings per share, €	0.19	0.20	0.26	0.17	0.80

April–June 2022

In April–June, the Group's EBITDA was EUR 3.5 (3.4) million, amounting to 5.3 (6.3) per cent of revenue. EBITA was EUR 2.4 (2.5) million, amounting to 3.6 (4.7) per cent of revenue. The Group's operating profit was EUR 2.4 (2.4) million, amounting to 3.5 (4.6) per cent of revenue.

The Group's result before tax was EUR 2.1 (2.1) million. Tax for the reporting period amounted to EUR 0.4 (0.4) million. Result for the reporting period was EUR 1.6 (1.8) million. Earnings per share were EUR 0.19 (0.20).

January–June 2022

In January–June, the Group's EBITDA was EUR 5.6 (5.1) million, amounting to 4.8 (5.5) per cent of revenue. EBITA was EUR 3.5 (3.4) million, amounting to 3.0 (3.7) per cent of revenue. The Group's operating profit was EUR 3.4 (3.3) million, amounting to 2.9 (3.6) per cent of revenue.

The Group's result before tax was EUR 2.8 (1.7) million. The result before tax for the reference period is encumbered by EUR 0.9 million of IPO expenses that are recorded under finance costs. Tax for the reporting period amounted to EUR 0.5 (0.3) million with the effective tax rate being 18.3 (18.2) per cent. Result for the reporting period was EUR 2.3 (1.4) million. Earnings per share were EUR 0.26 (0.17).

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

EUR million	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
Free cash flow from operating activities	-0.4	-3.7	-1.6	-3.6	4.0
Net working capital			3.6	-0.3	-0.0

Free cash flow from operating activities was EUR -0.4 (-3.7) million in April–June. In January–June, free cash flow from operating activities was EUR -1.6 (-3.6) million. During the reporting period, net working capital increased to EUR 3.6 million from EUR -0.0 million at the end of the 2021 financial year.

EUR million	6/2022	6/2021	12/2021
Interest-bearing debt	37.8	29.1	27.2
Cash and cash equivalents	8.4	1.8	6.3
Net debt	29.4	27.4	20.9
Equity	39.1	35.6	41.1
Equity ratio, %	31.6	33.4	38.6
Return on capital employed, %	16.0	15.7	17.8

Interest-bearing debt at the end of June 2022 amounted to EUR 37.8 million (31 Dec 2021: EUR 27.2 million), of which EUR 2.2 million (31 Dec 2021: EUR 1.1 million) constituted lease liabilities under IFRS 16. The company's cash and cash equivalents amounted to EUR 8.4 million (31 Dec 2021: EUR 6.3 million). In addition, the company had revolving overdraft and credit limits of EUR 15.0 million (31 Dec 2021: EUR 15.0 million), of which EUR 3.0 million (31 Dec 2021: EUR 3.0 million) were drawn. At the end of June, interest-bearing net debt was EUR 29.4 million (31 Dec 2021: EUR 20.9 million).

On 8 March 2022, Kreate signed an agreement for a domestic commercial paper programme worth EUR 50 million. Within the framework of this programme, the company may issue commercial papers with a maturity of less than one year. On 30 June 2022, the company had issued commercial papers to the value of EUR 10.0 million.

The average interest of interest-bearing debt, excluding lease liabilities recognised on the balance sheet, was 2.2 (3.1) per cent in January–June of the reporting period. The average interest for the reference period was increased by approximately 0.4 percentage points by the impact of effective interest that was transferred to the result in connection with the repayment in full of a loan.

At the end of the reporting period, the consolidated balance sheet total was EUR 123.7 million (31 Dec 2021: EUR 106.6 million) and equity was EUR 39.1 million (31 Dec 2021: EUR 41.1 million). At the end of the reporting period, equity ratio was 31.6 per cent (31 Dec 2021: 38.6%) and the company's return on capital employed was 16.0 per cent (31 Dec 2021: 17.8%).

Investments

During 2022, the company continued investing in equipment and the further improvement of equipment management.

Net investment cash flow amounted to EUR 1.0 (2.1) million in April–June and EUR 2.8 (2.8) million in January–June. Early in the year, front-end-weighted preparations were made in order to ensure the progress of projects, but the number of investments evened out towards the end of the reporting period. The most significant part of the investments was made up by tangible assets, which mainly comprise machinery and equipment.

Kreate's gross investments in tangible and intangible assets amounted to EUR 3.1 (3.0) million in the reporting period.

Personnel

At the end of June, Kreate Group employed 424 (412) persons. The average number of personnel in January–June was 393 (390).

In Q2, Kreate Group continued strategically important recruitments. Experts in railway, bridge and special foundation construction, in particular, were hired to strengthen the organisation, which will

improve Kreate's competitiveness and support the execution of track and railway projects as well as technically challenging projects, whose number will grow in the future.

We made systematic progress with our employee development and well-being programme during the reporting period. We supported our employees' stress management by providing an opportunity for personal well-being coaching that focused on everyone's individual needs and circumstances. The goal is improving overall well-being and stress management and offering a low-threshold way of participation.

In April–June, we focused on the induction of summer trainees and the new personnel hired in Q1. Our training paid particular attention to induction since, for construction students, familiarisation with work management and practical work is an important experience in terms of learning about the construction industry and Kreate as well as planning their future career. Kreate's induction emphasises process competence and working at projects. By offering diverse and challenging tasks at projects and making available comprehensive support based on actual needs, the company wants to strengthen students' willingness to continue working in infrastructure construction. This practice supports developing the company as a builder of demanding project as well as helping the overall construction industry that suffers from a lack of skilled workers.

The development of personnel was also continued by expanding the training content offered at KreateAkademia and providing diverse in-person training in addition to online training. Although most of professional development comes through on-the-job learning at projects, comprehensive and well designed training content keep qualifications up to date and provides employees with a wider range of opportunities for development.

In the reporting period, despite the easing of the COVID-19 restrictions and an increase in in-person work, the working conditions remained safe at Kreate. The easing of restrictions had no impact on the progress of Kreate's projects in January–June, but it could be seen as an increase in short-term sick leaves during the reporting period.

In January–June 2022, Kreate Group had a total of 4 accidents affecting the lost-time injury frequency, and the 12-month average lost-time injury frequency proportional to the number of personnel was 8.8 during the reporting period. Kreate's lost-time injury frequency remains better than the construction industry average.

At the end of March, we launched a campaign that encouraged employees to make various safety observations. The campaign was a success and supported our goal of making the recording of safety observations a more essential part of our employees' daily routine. This makes it easier to even point out observations that may seem minor. Increasing the number of high-quality safety observations supports reaching Kreate's goal of zero accidents.

Kreate is doing systematic work towards better occupational safety by encouraging the continuous improvement of safety among supervisors and employees. In addition to the safety observation campaign and safety rounds, efforts during the reporting period included long-term development of the safety culture. Communicating openly on safety observations and near misses supports the development of even safer work and working methods.

Company management

As of 30 June 2022, Kreate's Management Team included the following people: Timo Vikström, President & CEO; Tommi Hakanen, Vice President, Special Foundation Construction; Jaakko Kivi, Vice President, Technical Office; Sami Laakso, Vice President, Transport Infrastructure Construction; Mikko Laine, Chief Financial Officer; Tommi Lehtola, Vice President, Foundation and Rock Engineering, and Circular Economy; Timo Leppänen, Vice President, Railway Construction;

Katja Pussinen, Vice President, HR, and Sami Rantala, Vice President, Bridge Construction and Repair.

Short-term risks and risk management

Kreate Group's risk management aims at continuous and systematic identification of the most significant risk factors and their optimal management such that the company's strategic and financial targets are reached. Kreate employs a risk management policy that guides the management of the overall risk exposure. Risk management is integrated into the Group's management, monitoring and reporting systems. Risk management covers the identification and assessment of risks as well as contingency plans for all the main risk categories.

The company classifies risks into strategic, operational, accident risks and financial risks.

Strategic risks

Global epidemics, pandemics and conflicts may have a material adverse effect on Kreate's business, the global economy and financial markets. Economic uncertainty will also affect 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.

Kreate operates in a competitive industry, and increased competition in the infrastructure construction market could have an adverse effect on Kreate's business. Kreate finds that increased competition could lead to tougher price competition as well as competition for available 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 on its strategy or adapting it to changes in the operating environment, or the strategy itself may be unsuccessful. Kreate may not necessarily be able to define, execute or, if necessary, adjust its business strategy successfully.

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

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

Kreate's key information systems are related to tender calculation, project monitoring, data modelling, measurements, payroll calculation and the management of monetary transactions.

Problems in the operation of the information systems that Kreate uses could have a material adverse effect on Kreate's business.

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

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

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

Economic and financing risks

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

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

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

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

Resolutions of the Annual General Meeting

Kreate Group Plc's Annual General Meeting was held on 29 March 2022. The Annual General Meeting adopted the financial statements for the financial year 2021 and granted the members of the Board of Directors and the President & CEO release from liability for the financial year 2021.

The Annual General Meeting decided that, based on the balance sheet verified for the financial year ending on 31 Dec 2021, a dividend of EUR 0.45 is issued per share for shares held outside the company. 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 31 March 2022. The dividends were paid on 11 April 2022.

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 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 2023. 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 2023. The authorisation revokes any previous unused authorisations for the repurchase and acceptance as a pledge of the company's own shares.

On 29 March 2022, Kreate Group issued a stock exchange release with the decisions taken by the Annual General Meeting and Board of Directors, which is available at:

<https://kreate.fi/tiedotteet/kreate-group-oyjn-varsinaisen-yhtiokokouksen-ja-hallituksen-paatokset-2/>.

Organisation of the Board of Directors

The Annual General Meeting on 29 March 2022 confirmed that the Board of Directors shall have six (6) members. Petri Rignell, Timo Kohtamäki, Elina Pienimäki, Timo Pekkarinen and Jussi Aine were re-elected as members of the Board. Petra Thorén was elected as a new member of the board. The term of office of all members of the Board shall end at the end of the 2023 Annual General Meeting.

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

Shares and trading

Treasury shares

Kreate did not purchase any treasury shares in the reporting period. On 30 June 2022, Kreate Group Plc held 90,000 shares as treasury shares.

The company has signed a contract with an external service provider on the management of the performance share plan and share bonus plan aimed at key persons. On 30 June 2022, the number of these shares reported on the consolidated balance sheet as treasury shares was 53,506 pieces, and all of these shares were purchased during the reporting period. This number of shares represented 0.60 per cent of all the shares and voting rights in the company. These shares are the property of EAI Kreate Holding Oy until the shares are transferred to the participants according to the incentive plans. EAI Kreate Holding Oy is legally owned by an external service provided but, based on a contract, Kreate exercises actual control in the arrangement and, therefore, the holding company is consolidated into the IFRS consolidated financial statement as a structured entity.

Trading in the company's shares

Kreate Group Plc's share capital at the end of June was EUR 80,000. The total number of outstanding shares in the company on 30 June 2022 was 8,984,772 shares.

978,195 of Kreate's shares were traded on the Helsinki Stock Exchange in January–June. The highest trading price was EUR 11.95 and the lowest price was EUR 8.14. The volume weighted average price of Kreate's shares during the reporting period was EUR 9.97.

The share's closing price on the last trading day of the reporting period, 30 June 2022, was EUR 8.17. 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 (90,000), was EUR 72.7 million.

Events after the reporting period

The Financing Arrangement

On 6 July 2022, the company signed a new credit and credit limit agreement worth EUR 52.5 million with OP Corporate Bank. The financing arrangement replaces Kreate Group's earlier credit limit and loan agreements that would have been due in 2023. The company intends to use EUR 25.75 million for refinancing its existing loans, and to reserve EUR 15 million as credit limits for the company's general working capital needs. The new financing arrangement has a duration of four years and it contains one financial covenant measuring the ratio between Kreate Group's net debt and operating profit.

Changes in Kreate Group's Management Team

Accounting Manager, Bachelor of Engineering Antti Kakko has been appointed Vice President, Bridge Construction and Repair and a member of Kreate Group's Management Team as of 1 November 2022. Antti has strong experience in infrastructure construction, particularly in the bridge construction segment at Kreate as well as previously at YIT and Destia.

Vice President, Bridge Construction and Repair Sami Rantala shall leave his position in Kreate Group's Management Team according to plan as of 1 November 2022 and continue to serve in the company as a technical advisor.

The foundation and concrete construction business will be divided and restructured within the organisation as of 1 August 2022. In connection with this, the current leader of the unit, Tommi Lehtola, shall leave his position in Kreate Group's Management Team and continue to serve in the company until the end of the year.

Tuusula, 27 July 2022

Kreate Group Plc

Board of Directors

NOTES

Calculation formulas for key figures

Tables for the January–June 2022 Half-year Report

Key figures by quarter

EUR million	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20
Order backlog	204.4	208.8	202.8	202.8	157.5	158.3	134.9	149.0	144.4
Revenue	67.0	50.4	75.8	70.6	52.9	38.3	62.0	65.4	58.0
Change in revenue, %	32.8	-33.4	7.4	33.4	38.0	-38.1	-5.2	12.7	16.1
EBITDA	3.5	2.1	4.1	5.1	3.4	1.7	3.1	4.9	3.9
EBITDA, %	5.3	4.2	5.4	7.2	6.3	4.4	5.0	7.5	6.7
EBITA	2.4	1.1	3.1	4.1	2.5	0.9	2.3	4.0	3.0
EBITA, %	3.6	2.2	4.1	5.8	4.7	2.3	3.8	6.1	5.1
Operating profit	2.4	1.0	3.0	4.1	2.4	0.8	2.3	3.9	2.9
Operating profit, %	3.5	2.1	4.0	5.8	4.6	2.2	3.7	6.0	5.0
Result for the period	1.6	0.6	2.4	3.1	1.8	-0.3	1.8	3.0	2.1
Capital employed	68.5	64.9	62.0	66.7	63.0	56.3	54.5	58.8	57.7
Return on capital employed, %	16.0	17.4	17.8	15.3	15.7	17.4	19.2	21.1	21.6
Return on equity, %	20.9	19.9	20.4	15.6	16.6	17.6	24.7	25.3	29.0
Net investments in operating activities	-1.0	-1.8	-1.5	-0.6	-2.1	-0.8	-1.7	-0.8	-1.0
Free cash flow from operating activities	-0.4	-1.2	7.7	-0.2	-3.7	0.1	7.2	2.2	2.5
Net working capital	3.6	0.5	-0.0	3.8	-0.3	-4.6	-5.4	1.0	-1.0
Net debt	29.4	23.1	20.9	28.1	27.4	18.8	27.9	16.5	18.4
Net debt/EBITDA, rolling 12 months	2.0	1.6	1.5	2.1	2.1	1.4	2.0	1.0	1.1
Equity ratio, %	31.6	38.2	38.6	32.3	33.4	38.2	26.3	38.7	35.8
Earnings per share, €	0.19	0.07	0.28	0.34	0.20	-0.04	0.07	0.41	0.28
Personnel at the end of the period	424	379	385	392	412	385	383	404	441
Personnel on average	407	378	389	398	396	382	390	414	427

Additional information on alternative performance measures

EUR million	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
Outstanding shares on average (1,000 pcs)	8,895	8,895	8,895	8,481	8,689
Amortisations from intangible assets	-0.0	-0.0	-0.1	-0.1	-0.2
Depreciations	-	-	-	-	-
Prepayments received	-	-	-	-	-

EUR million	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20
Outstanding shares on average (1,000 pcs)	8,895	8,895	8,895	8,895	8,895	8,062	7,365	7,365	7,365
Amortisations from intangible assets	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.1
Depreciations	-	-	-	-	-	-	-	-	-
Prepayments received	-	-	-	-	-	-	-	-	-

Calculation formulas for key figures

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

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

Interim Report for January–June 2022: Table section

Consolidated statement of income

EUR million	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
Revenue	67.0	52.9	117.4	91.2	237.6
Other operating income	0.3	0.3	0.6	0.3	0.5
Materials and services	-51.7	-40.6	-90.7	-68.0	-181.9
Employee benefit expenses	-9.5	-7.8	-16.5	-14.3	-32.3
Other operating expenses	-2.7	-1.8	-5.6	-4.4	-10.3
Share of the joint venture's profit	0.0	0.4	0.4	0.3	0.6
Depreciation, amortisation and impairment	-1.2	-0.9	-2.2	-1.8	-3.9
Operating profit	2.4	2.4	3.4	3.3	10.4
Financial income	0.0	0.0	0.0	0.0	0.0
Financial expenses	-0.3	-0.3	-0.6	-1.5	-2.1
Financial income and expenses	-0.3	-0.3	-0.6	-1.5	-2.1
Result before taxes	2.1	2.1	2.8	1.7	8.2
Income taxes	-0.4	-0.4	-0.5	-0.3	-1.3
Result for the period	1.6	1.8	2.3	1.4	6.9
Profit attributable to:					
Shareholders of parent	1.6	1.8	2.3	1.4	6.9
Earnings per share calculated from the income attributable to shareholders of the parent					
Undiluted, €	0.19	0.20	0.26	0.17	0.80
Diluted, €	0.19	0.20	0.26	0.17	0.80
Consolidated statement of comprehensive income					
Result for the period	1.6	1.8	2.3	1.4	6.9
Items that may be reclassified subsequently to the statement of income:					
Foreign exchange rate differences	0.0		0.0		
Total comprehensive income for the period	1.6	1.8	2.3	1.4	6.9
Comprehensive income attributable to:					
Shareholders of parent	1.6	1.8	2.3	1.4	6.9

Consolidated balance sheet

EUR million	6/2022	12/2021	6/2021
ASSETS			
Non-current assets			
Intangible assets	0.8	0.9	1.0
Goodwill	35.6	35.6	35.6
Tangible assets	19.2	17.9	17.4
Right-of-use assets	2.2	1.1	1.3
Investments in joint ventures	9.3	8.9	8.6
Other receivables	0.3	0.4	0.4
Deferred tax assets	0.7	0.7	0.7
Total non-current assets	68.0	65.5	65.0
Current assets			
Trade and other receivables	47.2	34.2	38.7
Income tax receivables	0.1	0.6	1.2
Cash and cash equivalents	8.4	6.3	1.8
Total current assets	55.8	41.1	41.6
Total assets	123.7	106.6	106.6
EQUITY			
Share capital	0.1	0.1	0.1
Reserve for invested unrestricted equity	19.7	19.7	19.7
Treasury shares	-0.5		
Foreign exchange rate differences	0.0		
Retained earnings	19.8	21.3	15.8
Total equity	39.1	41.1	35.6
LIABILITIES			
Non-current liabilities			
Interest-bearing debt	22.6	22.6	23.4
Deferred tax liabilities	1.2	1.1	0.8
Total non-current liabilities	23.8	23.8	24.2
Current liabilities			
Interest-bearing debt	15.2	4.6	5.8
Trade payables and other liabilities	43.6	34.5	38.9
Income tax liabilities	0.0	0.0	0.6
Provisions	2.1	2.6	1.5
Total current liabilities	60.9	41.7	46.8
Total liabilities	84.7	65.5	71.0
Total equity and liabilities	123.7	106.6	106.6

Consolidated cash flow statement

EUR million	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
Result for the period	1.6	1.8	2.3	1.4	6.9
Depreciation, amortisation and impairment	1.2	0.9	2.2	1.8	3.9
Financial income and expenses	0.3	0.3	0.6	1.5	2.1
Income taxes	0.4	0.4	0.5	0.3	1.3
Other adjustments	0.0	-0.5	-0.4	-0.4	-0.8
Total adjustments	1.9	1.1	2.9	3.2	6.5
Change in trade and other receivables	-16.7	-11.2	-12.9	-8.6	-4.1
Change in trade payables and other liabilities	13.8	6.7	9.4	3.2	-1.5
Change in provisions	-0.1	0.0	-0.5	0.1	1.2
Total change in working capital	-2.9	-4.5	-4.0	-5.4	-4.5
Cash flow from operations before financial items and taxes	0.6	-1.6	1.2	-0.8	8.9
Interest paid in operating activities	0.0	0.0	-0.1	0.0	-0.1
Interest received in operating activities	0.0	0.0	0.0	0.0	0.0
Other financial items	-0.1	-0.1	-0.2	-1.1	-1.3
Dividends received	0.0		0.0		
Taxes paid	-0.3	-0.4	-0.1	-1.4	-2.1
CASH FLOW FROM OPERATIONS	0.2	-2.2	0.8	-3.3	5.4
Investments in tangible and intangible assets	-1.0	-2.3	-3.1	-3.0	-5.6
Disposals of tangible and intangible assets	0.0	0.2	0.2	0.2	0.6
CASH FLOW FROM INVESTING ACTIVITIES	-1.0	-2.1	-2.8	-2.8	-4.9
Share issue				11.2	11.2
Acquisition of treasury shares	-0.5		-0.5		
Repayment of non-current loans				-6.3	-6.3
Drawdown of current loans	7.0	4.0	13.0	4.0	10.0
Repayment of current loans	-3.5	-0.6	-3.5	-4.5	-12.3
Repayment of lease liabilities	-0.2	-0.2	-0.4	-0.3	-0.7
Interest and other loan expenses	-0.5	-0.3	-0.5	-0.3	-0.3
Dividends paid	-4.0	-3.9	-4.0	-3.9	-3.9
CASH FLOW FROM FINANCING ACTIVITIES	-1.7	-0.9	4.1	-0.2	-2.3
CHANGE IN CASH AND CASH EQUIVALENTS	-2.5	-5.1	2.1	-6.4	-1.8
Cash and cash equivalents on the opening balance sheet	10.9	6.9	6.3	8.1	8.1
Change in cash and cash equivalents	-2.5	-5.1	2.1	-6.4	-1.8
Impact of the changes in foreign exchange rates	0.0		0.0		
Cash and cash equivalents at the end of the period	8.4	1.8	8.4	1.8	6.3

Consolidated statement of changes in equity

EUR million	Share capital	Reserve for invested unrestricted equity	Treasury shares	Foreign exchange rate differences	Retained earnings	Total equity
Equity as at 1 January 2021	0.0	8.3			18.3	26.6
Items of comprehensive income						
Result for the period					1.4	1.4
Total comprehensive income attributable to the owners of the parent					1.4	1.4
Transactions with the owners						
Increase in share capital	0.1	-0.1				
Share issue *		11.5				11.5
Dividend					-3.9	-3.9
Total transactions with the owners	0.1	11.4			-3.9	7.6
Equity as at 30 June 2021	0.1	19.7			15.8	35.6

^{*)} The gross proceeds from the share issue amounted to EUR 12.5 million. EUR 1.3 million in IPO fees have been recognised in the reserve for invested unrestricted equity, less the tax impact.

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

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

^{*)} The gross proceeds from the share issue amounted to EUR 12.5 million. EUR 1.3 million in IPO fees have been recognised in the reserve for invested unrestricted equity, less the tax impact.

Notes

Key accounting principles and basis for preparation

The Group's Half-year Report has been prepared in accordance with the IAS 34 Interim Reports standard. The Half-year Report should be read together with Kreate Group's consolidated financial statements for the financial year 2021.

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

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

The Half-year Report has been prepared in accordance with the key accounting principles presented in Kreate Group's consolidated financial statements for the financial year 2021, except for the revised IFRS standards that came into effect on 1 January 2022. The revised standards did not have an impact on the consolidated financial statements.

In June 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. Evli Alexander Incentives Oy ("EAI") is responsible for the procurement and management of the shares. To this end, EAI Kreate Holding Oy was established during financial period 2022; funded by Kreate, it will acquire shares pursuant to the agreement and in accordance with the provisions in the Limited Liability Companies Act concerning the funding of purchase of the company's own shares. These shares will be exclusively used as part of Kreate's share-based incentive plan in accordance with its terms. The holding company is legally owned by EAI but, based on the agreement, Kreate exercises actual controlling interest in the arrangement and acts as the principal, whereas EAI acts as an agent through the holding company. This control that results from contractual factors means that the holding company is consolidated into the IFRS consolidated financial statement as a structured entity.

In the spring, Kreate established the subsidiary Kreate Infra Sverige Ab in Sweden. The balance sheet of the foreign subsidiary has been converted into euros by using the exchange rates issued by the European Central Bank on the last date of the reporting period, and the income statement has been converted by using the average exchange rates for the reporting period. The foreign exchange rate difference resulting from the conversion of the subsidiary's balance sheet and income statement is recognised under foreign exchange rate differences in equity and the change is recognised under other items of comprehensive income.

The foreign exchange rate differences resulting from the elimination of foreign companies' acquisition cost and the conversion of profit and loss following the acquisition are presented in the statement of comprehensive income and under foreign exchange rate differences in equity. If a subsidiary or a part thereof is sold, the relating accumulated foreign exchange rate differences are recognised from equity in the income statement as part of sales profit or loss.

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

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

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

Segments

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

Revenue from customer contracts

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

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

EUR million	1–6/2022	1–6/2021	1–12/2021
Structural engineering ¹⁾	73.1	55.4	137.5
Transport infrastructure construction ²⁾	42.5	33.8	98.2
Other ³⁾	1.8	2.0	1.9
Total	117.4	91.2	237.6

¹⁾ Includes, among others, rock engineering, 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:

	1–6/2022	1–6/2021	1–12/2021
Cities and municipalities	27%	13%	16%
Government	35%	49%	47%
Private sector	38%	38%	37%

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

Working capital

EUR million	6/2022	12/2021	6/2021
Trade receivables	22.0	17.3	23.9
Assets based on contracts with customers	24.6	15.7	14.7
Loan receivables			0.0
Other receivables	0.6	1.1	0.1
Accrued income	0.0	0.0	0.0
Total trade and other receivables	47.2	34.2	38.7
Accrued personnel costs	0.0	0.0	0.0
Other accrued income	0.0	0.0	0.0
Total accrued income	0.0	0.0	0.0
Trade payables	18.3	12.4	13.8
Liabilities based on contracts with customers	9.9	4.8	10.1
Other liabilities	4.6	5.6	4.5
Accrued liabilities	10.8	11.7	10.5
Total trade payables and other liabilities	43.6	34.5	38.9
Interest liabilities	0.0	0.3	0.0
Accrued personnel costs	9.7	10.9	9.2
Other accrued liabilities	1.1	0.5	1.3
Total accrued liabilities	10.8	11.7	10.5

Financial assets and liabilities

EUR million	30 June 2022	Carrying amount	Fair value
Financial assets measured at amortised cost			
Non-current receivables		0.3	0.3
Non-current financial assets		0.3	0.3
Trade and other receivables		22.6	22.6
Current financial assets		22.6	22.6
Cash and cash equivalents		8.4	8.4
Total financial assets		31.3	31.3
Financial liabilities measured at amortised cost			
Loans from financial institutions		21.1	21.3
Lease liabilities		1.5	
Non-current interest-bearing liabilities		22.6	
Loans from financial institutions		4.5	4.5
Commercial papers		10.0	10.0
Lease liabilities		0.7	
Current interest-bearing liabilities		15.2	
Trade payables and other liabilities		22.9	22.9
Other current financial liabilities		22.9	22.9
Total financial liabilities		60.7	

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

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

The Group has only had financial assets and liabilities measured at amortised cost for the financial years 2021 and 2020.

On 8 March 2022, Kreate signed an agreement for a domestic commercial paper programme worth EUR 50 million. Within the framework of this programme, the company may issue commercial papers with a maturity of less than one year.

Changes in tangible assets

EUR million	6/2022	12/2021	6/2021
Acquisition cost as of 1 January	28.1	23.2	23.2
Increases	3.1	5.5	2.9
Decreases	-0.1	-0.6	0.0
Acquisition cost at the end of the period	31.0	28.1	26.2
Accrued depreciation, amortisation and impairment as of 1 January	-10.2	-7.5	-7.5
Accrued amortisation on the decreases	0.1	0.2	0.0
Amortisation for the period	-1.7	-3.0	-1.4
Accrued depreciation, amortisation and impairment at the end of the period	-11.9	-10.2	-8.8
Carrying amount at the end of the period	19.2	17.9	17.4

Changes in right-of-use assets

EUR million	6/2022	12/2021	6/2021
Acquisition cost as of 1 January	2.9	2.9	2.9
Increases	1.5	0.4	0.2
Decreases	-0.2	-0.4	-0.1
Acquisition cost at the end of the period	4.2	2.9	3.0
Accrued depreciation, amortisation and impairment as of 1 January	-1.7	-1.4	-1.4
Accrued amortisation on the decreases	0.2	0.4	0.1
Amortisation for the period	-0.4	-0.7	-0.3
Accrued depreciation, amortisation and impairment at the end of the period	-2.0	-1.7	-1.6
Carrying amount at the end of the period	2.2	1.1	1.3

Changes in intangible assets

EUR million	6/2022	12/2021	6/2021
Acquisition cost as of 1 January	5.2	5.1	5.1
Increases	0.0	0.1	0.1
Decreases			
Acquisition cost at the end of the period	5.2	5.2	5.2
Accrued depreciation, amortisation and impairment as of 1 January	-4.3	-4.2	-4.2
Accrued amortisation on the decreases			
Amortisation for the period	-0.1	-0.2	-0.1
Accrued depreciation, amortisation and impairment at the end of the period	-4.4	-4.3	-4.3
Carrying amount at the end of the period	0.8	0.9	1.0

Collateral and contingent liabilities

EUR million	6/2022	12/2021
Collateral given on behalf of the joint venture	0.0	0.0
Collateral given on behalf of joint project ventures	10.6	6.3
Other collateral	0.0	0.0
Guarantee liabilities from project contracts	38.4	35.2
Lease liabilities from short-term assets with a low value	0.4	0.5
VAT liability	0.3	0.3

Related-party transactions

The Group's related parties include the parent company, subsidiaries and the joint venture KFS Finland Oy. Related parties also include key management personnel, their close family members and communities where these persons exercise direct or indirect control. Key management personnel include the members of the Board of Directors, President & CEO, Senior Vice President and the members of the Group's Management Team.

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

EUR million	1–12/2021 Income	Expenses	12/2021 Receivables	Liabilities
Joint venture	6.7	-6.8	0.0	0.4
Other related parties ¹⁾		-0.2		

EUR million	1–6/2021 Income	Expenses	6/2021 Receivables	Liabilities
Joint venture	2.9	-2.6	0.4	0.9
Other related parties ¹⁾		-0.2		

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

Events after the reporting period

The Financing Arrangement

On 6 July 2022, the company signed a new credit and credit limit agreement worth EUR 52.5 million with OP Corporate Bank. The financing arrangement replaces Kreate Group's earlier credit limit and loan agreements that would have been due in 2023. The company intends to use EUR 25.75 million for refinancing its existing loans, and to reserve EUR 15 million as credit limits for the company's general working capital needs. The new financing arrangement has a duration of four

years and it contains one financial covenant measuring the ratio between Kreate Group's net debt and operating profit.

Changes in Kreate Group's Management Team

Accounting Manager, Bachelor of Engineering Antti Kakko has been appointed Vice President, Bridge Construction and Repair and a member of Kreate Group's Management Team as of 1 November 2022. Antti has strong experience in infrastructure construction, particularly in the bridge construction segment at Kreate as well as previously at YIT and Destia.

Vice President, Bridge Construction and Repair Sami Rantala shall leave his position in Kreate Group's Management Team according to plan as of 1 November 2022 and continue to serve in the company as a technical advisor.

The foundation and concrete construction business will be divided and restructured within the organisation as of 1 August 2022. In connection with this, the current leader of the unit, Tommi Lehtola, shall leave his position in Kreate Group's Management Team and continue to serve in the company until the end of the year.