

# Financial Statements Bulletin 2020

**Kreate Group Plc**

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A nighttime photograph of a cityscape featuring a multi-level highway interchange with light trails from traffic. In the background, several modern buildings are illuminated, and two large construction cranes are visible against the dark sky. The overall scene conveys a sense of urban development and infrastructure.

**KREATE**  
THE FUTURE IS BUILT TODAY

## KREATE'S FINANCIAL STATEMENTS BULLETIN 2020 A YEAR THAT MET EXPECTATIONS CREATES A GOOD BASIS FOR 2021

Kreate Group Plc, Financial statements bulletin 2020, 31 March 2021 at 8.30 a.m.

- After the review period, in February 2021, Kreate Group Plc was listed in Nasdaq Helsinki
- Demand from Finnish and international investors was strong in the Initial Public Offering and the IPO was oversubscribed many times over – Kreate got more than 18,600 new shareholders in the IPO
- Trading in Kreate's shares started on the Nasdaq Helsinki Ltd pre-list on 19 February 2021 and on the stock exchange list on 23 February 2021

### October–December in brief

- Revenue declined compared to the record-breaking comparison period and was EUR 62.0 (72.1) million
- EBITDA was EUR 3.1 (5.6) million, making up 5.0 (7.7) per cent of the revenue
- EBITA was EUR 2.3 (4.6) million, making up 3.8 (6.4) per cent of the revenue
- Free cash flow from operating activities was EUR 7.2 (12.4) million
- Earnings per share were EUR 0.07 (0.33)

### January–December in brief

- Order backlog was EUR 134.9 (177.2) million
- Revenue was EUR 235.3 (221.1) million
- EBITDA was EUR 14.0 (14.9) million, making up 6.0 (6.7) per cent of the revenue
- EBITA was EUR 10.5 (11.7) million, making up 4.5 (5.3) per cent of the revenue
- Free cash flow from operating activities was EUR 9.7 (14.5) million
- Interest-bearing net debt was EUR 27.9 (17.3) million
- Earnings per share were EUR 0.88 (1.00)
- The Board of Directors proposes to the Annual General Meeting convening on 5 May 2021 that based on the balance sheet to be adopted for the year 2020, a dividend of EUR 0.44 per share be paid for shares outside the company's ownership on the record date of the dividend. The rest of the distributable funds remain in unrestricted equity.

## Operating environment in 2021

In March 2021, the Confederation of Finnish Construction Industries RT's economic survey estimated that the entire construction cluster will decline by two per cent during this year. According to the recent economic survey, optimism in construction is increasing, but on the other hand, COVID-19 balanced expectations. Finland's general economic performance defines the basic level of construction in the new normal. There is clear pressure to increase the level of construction costs due to the steep rise in the global market prices of key construction materials. In 2022, construction activity is estimated to stay at the level of 2021.

The Finnish infrastructure construction market has shown stable growth historically. In 2020, the estimated market size was approximately EUR 7 billion, and it is expected to decline by 1.5 per cent in 2021. The declining outlook of infrastructure construction is affected by the weakening economic situation of municipalities outside growth centre areas, the simultaneous ending of major investment periods and the decline in infrastructure work related to building construction. Despite

the short-term outlook, the long-term trend of steady infrastructure growth and small volatility is very strong.

The COVID-19 pandemic has postponed the start of certain infrastructure construction projects during 2020, which also impacted the accumulation of Kreate's order backlog for 2021. The volume of calls for tender, which normalised in the last quarter of 2020, and customer activity are reflected particularly in the growing number of calls for tender in bridge construction, which is part of structural engineering. The large future rail investments, which have received much public attention, will not yet be reflected in construction volume, but smaller rail construction projects are, however, expected in the market. On the private side, investments are now deliberated for longer than usual, and planned investments, such as changes in the uses of old buildings, are not getting fully started. In the near term, particularly urbanisation, infrastructure renovation debt and public sector projects are expected to drive demand and strengthen Kreate's position as a builder of demanding projects.

The national traffic system plan is expected to introduce long-term thinking spanning over governments into traffic network development, which would also have a positive impact on the infrastructure construction market. The 12-year action plan included in the plan includes actions for the state and municipalities as well as a state funding programme for the traffic system. However, the growing share of construction costs borne by municipalities presents a problem in the plan and can in the worst case mean that projects are not implemented and that, for example, the condition of the road and street network and railways declines.

The supplementary budget published by the government in June 2020 contained over EUR 400 million for traffic network development projects as well as investments in the development of public transportation, infrastructure and renovation.

Despite the predicted slight decline of the total infrastructure market in 2021, Kreate estimates that both the structural engineering market and the traffic routes market will remain at least on the 2020 level.

## Guidance for 2021 (unchanged)

Kreate expects that its revenue (2020: EUR 235.3 million) will decline in 2021 compared to 2020.

As at 31 December 2020, Kreate's order backlog stood at EUR 134.9 million (31 December 2019: EUR 177.2 million). Of this, around EUR 111 million is expected to be realised during 2021 (31 December 2019: EUR 130.3 million during 2020). During the last 3 years, Kreate has generated on average EUR 107 million of additional revenue during a financial year on top of order backlog at the beginning of the year. Management estimates that, as of 31 December 2020, the expected profitability of the order backlog has been on a normal level.

## Key figures

| <b>EUR million</b>                       | <b>10-12/<br/>2020</b> | <b>10-12/<br/>2019</b> | <b>1-12/<br/>2020</b> | <b>1-12/<br/>2019</b> |
|--|------------------------|------------------------|-----------------------|-----------------------|
| Order backlog                            | 134.9                  | 177.2                  | 134.9                 | 177.2                 |
| Revenue                                  | 62.0                   | 72.1                   | 235.3                 | 221.1                 |
| Change in revenue, %                     | -5.2                   | 5.3                    | 6.4                   | 14.9                  |
| EBITDA                                   | 3.1                    | 5.6                    | 14.0                  | 14.9                  |
| EBITDA, %                                | 5.0                    | 7.7                    | 6.0                   | 6.7                   |
| EBITA                                    | 2.3                    | 4.6                    | 10.5                  | 11.7                  |
| EBITA, %                                 | 3.8                    | 6.4                    | 4.5                   | 5.3                   |
| Operating profit                         | 2.3                    | 4.6                    | 10.4                  | 11.5                  |
| Operating profit, %                      | 3.7                    | 6.3                    | 4.4                   | 5.2                   |
| Result for the period                    | 1.8                    | 3.9                    | 7.8                   | 8.7                   |
| Capital employed                         |                        |                        | 54.5                  | 53.6                  |
| Return on capital employed, %            | 19.2                   | 20.7                   | 19.2                  | 20.7                  |
| Return on equity, %                      | 24.7                   | 26.3                   | 24.7                  | 26.3                  |
| Net investments in operating activities  | -1.7                   | -1.2                   | -4.6                  | -5.0                  |
| Free cash flow from operating activities | 7.2                    | 12.4                   | 9.7                   | 14.5                  |
| Net working capital                      | -5.4                   | -4.0                   | -5.4                  | -4.0                  |
| Net debt                                 | 27.9                   | 17.3                   | 27.9                  | 17.3                  |
| Net debt/EBITDA                          | 2.0                    | 1.2                    | 2.0                   | 1.2                   |
| Equity ratio, %                          | 26.3                   | 34.5                   | 26.3                  | 34.5                  |
| Earnings per share, €**                  | 0.07                   | 0.33                   | 0.88                  | 1.00                  |
| Dividend per share, €**                  |                        |                        | 0.44*                 | 0.0                   |
| Personnel at the end of the period       | 383                    | 395                    | 383                   | 395                   |
| Personnel on average                     | 390                    | 394                    | 407                   | 376                   |

\*Board of Directors' proposal to Annual General Meeting

\*\*The calculation of earnings per share is based on the average number of Kreate Plc's shares in 2020 (7,454,895), and the calculation of dividend per share is based on the number of shares after the public listing (8,894,772).

## President and CEO Timo Vikström:

“I am very happy with our performance in 2020, which we already anticipated in the offering circular we published on 5 February 2021. Despite the impacts of the COVID-19 pandemic, we performed well: our revenue increased by 6.4 per cent compared to 2019 and was EUR 235.3 million. Regardless of the exceptional situation, our profitability also remained on a good level, above industry average, for the third consecutive year.

During the last quarter, our business developed in line with our expectations and the estimates we gave in connection with the listing. The comparison period, i.e. the final quarter of 2019, was exceptionally strong due to the high number of orders placed, favourable weather conditions and large projects running at the time, which is why our revenue and profitability for the fourth quarter of 2020 declined compared to the comparison period.

The year 2020 started out with a fast pace due to the order backlog that was still exceptionally high during the first quarter of 2020. The mild and, in places, snowless winter helped us advance our projects with exceptional efficiency during the first quarter of 2020. The year that started out splendidly took, however, a different turn as the COVID-19 pandemic struck. During the second quarter, the general slowing down of construction and the delays in starting construction projects impacted the number of calls for tender in both the private and the public sector and thereby affected the accumulation of the order backlog of the company. The operating environment started to recover only at the end of the third quarter, and during the fourth quarter we returned nearly to the level of previous years particularly in public calls for tender.

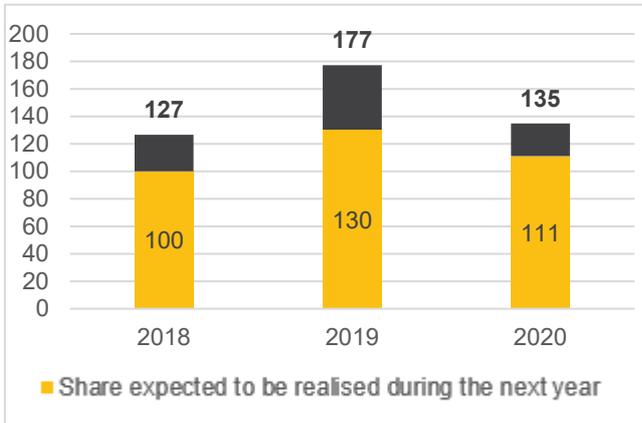
When it comes to projects, 2020 was one of the most significant years in our history. With efficient action, we managed to keep all our worksites operational despite the COVID-19 pandemic and were able to advance many large projects, including Tampereen Kansi, the infrastructure project of Terminal 2 at Helsinki Airport and the transfer of the Tampere freight station, very efficiently. In the last quarter of the year, we completed our first design and build contract with a development phase as we opened the Klaukkala ring road to traffic nearly a year ahead of schedule, underspending the planned budget by EUR 10 million. We also won two new design and build contracts with a development phase, of which the construction of the second phase of the E18 Turku ring road began in August and the construction of the Hanko overpass bridge began in October.

The design and build contracts with a development phase are one of the newest contract models, which enable the development of projects in cooperation with the customer and other parties. The customer satisfaction survey commissioned in 2020 also testifies to successful projects and cooperation. The survey indicates that compared to the general level in the industry, our customers in both the public and the private sector are exceptionally satisfied with the services we offer. I would like to thank our customers for successful cooperation and for their trust in our company. Our personnel also deserve special thanks: even in these special times, they have committed to developing our operations and succeeded in executing projects with high quality and on schedule.

Our company is starting the year 2021 from an excellent position. We have succeeded in strengthening our competitiveness in strategically important areas, for example, by increasing our capabilities in rail and bridge construction, and we have made important investments in special machinery and equipment. After the listing, our balance sheet is strong. In addition to good profitability and strong cash flow, we have robust technical expertise and the ability to execute all large infrastructure projects that demand special skill. From this position, we are well equipped to take on the year 2021 and proceed on the path of profitable growth in line with our strategic plans.”

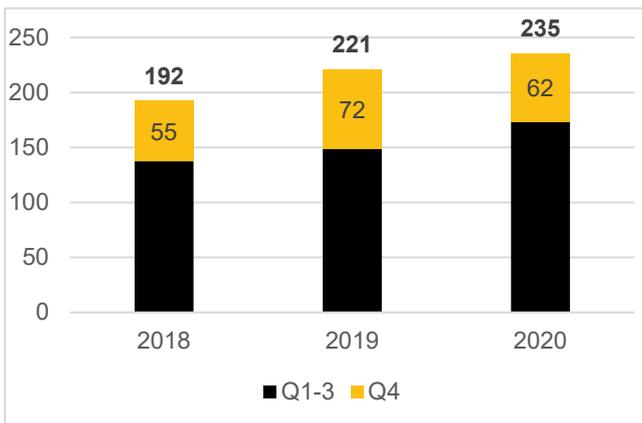
## Key figures

### Order backlog, EUR million



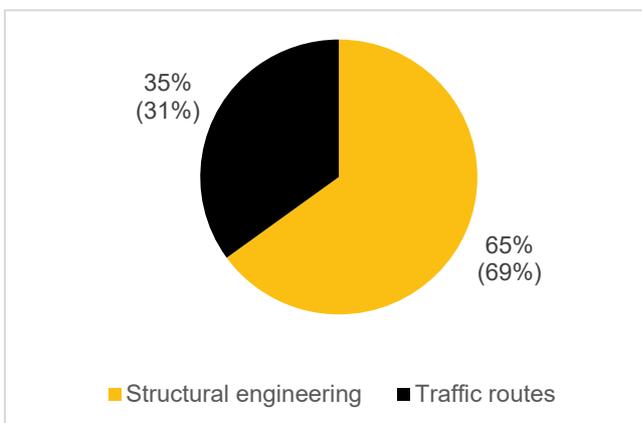
- **At the end of December 2020**, order backlog was EUR 134.9 (177.2) million
- Of this, around EUR 111 million is expected to be realised during 2021 (31 December 2019: EUR 130 million during 2020).
- The expected profitability of the order backlog was on a normal level.

### Revenue, EUR million

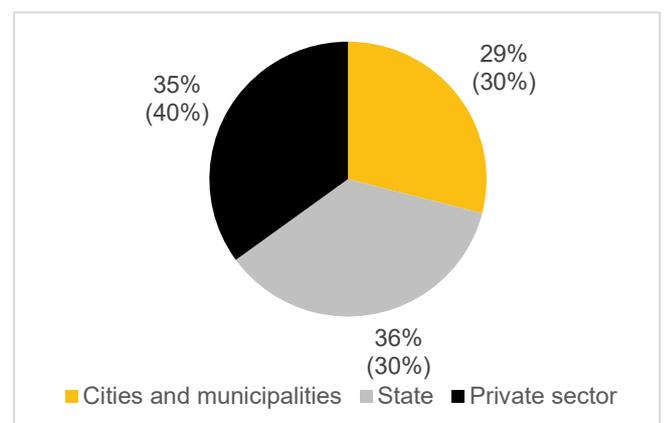


- **In October–December 2020**, revenue was EUR 62.0 (72.1) million
- Revenue increased from the comparison period in Traffic routes, but declined in Structural engineering due to the record-breaking comparison period
- **In January–December 2020**, revenue increased by 6.4 per cent to EUR 235.3 (221.1) million

### Revenue by business area 2020 (2019)

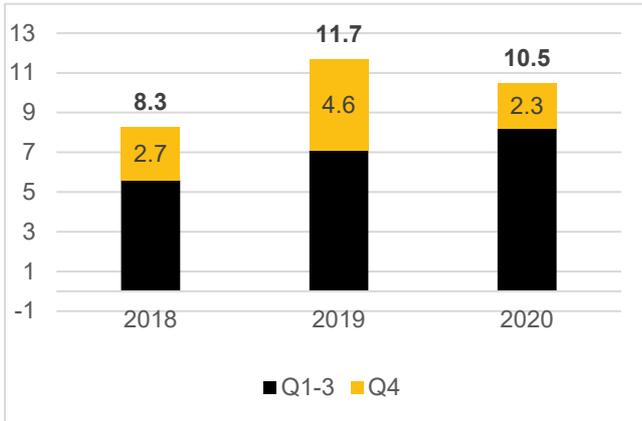


### Revenue by customer segment 2020 (2019)



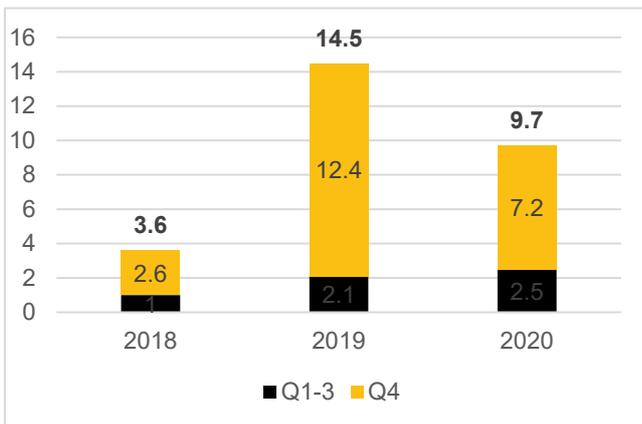
Traffic routes consists of Railway construction and Traffic routes, Structural engineering consists of bridge construction and repair, Foundation and Rock engineering and Circular economy.

**EBITA, EUR million**



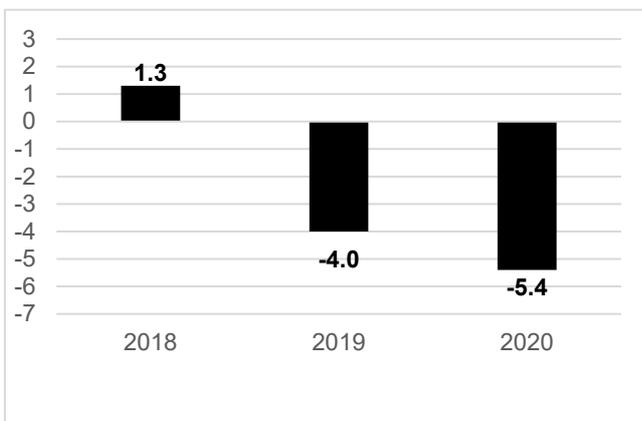
- **In October–December 2020**, EBITA was EUR 2.3 (4.6) million
- **In January–December 2020**, EBITA was EUR 10.5 (11.7) million
- The profitability of the Group was supported by projects proceeding according to plan
- The profitability level of the project base remained on the regular level

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



- **In October–December 2020**, free cash flow from operating activities was EUR 7.2 (12.4) million
- **In January–December 2020**, free cash flow from operating activities was EUR 9.7 (14.5) million

**Net working capital, EUR million**



- **At the end of December 2020**, the company's net working capital was EUR -5.4 (-4.0) million
- Net working capital remained on an excellent level with the management of project-specific working capital remaining at the core of the company's operations

## Operating environment 2020

The first impacts of the COVID-19 pandemic on the infrastructure construction operating environment were seen in early spring, as the volume of calls for tender from both the public and private sector declined considerably.

However, the effect of the pandemic on Finland's construction industry in 2020 was small. The volume of construction production remained near the level of 2019. Revenue from construction developed exceptionally well compared to other fields of business, such as industry, services and trade. In the construction industry, only renovation grew more slowly because projects had to be postponed. Civil engineering grew strongly in 2020, by about 5 per cent, due to public investments.

As the pandemic situation worsened and caused restrictions, calls for tender were sparse in the second and third quarter even though financing decisions were in order. Signs of a turn for the better were seen at the end of the third quarter. In the last quarter, both the volume of calls for tender and customer activity returned close to the level of the corresponding period in earlier years. However, there were still major differences between business areas. In bridge construction, the volume of calls for tender rose to a good level, whereas railway investments have not moved significantly forward. In the private sector, decisions to initiate investments were delayed or at a complete halt.

The lower-than-normal number of calls for tender caused changes in the accumulation of Kreate's order backlog and generally tightened the competition in the industry. The increase in the number of tenderers in all business areas, in foundation engineering in particular, lowered the price level of construction projects during the year and created challenges for the players in the industry. The number of players capable of executing a project remained lower only in technically challenging projects requiring special expertise. Kreate's profile as a builder of strategic infrastructure projects requiring special skills was an advantage in the tightened market situation, as the competitive situation remained more moderate in such projects.

## The impact of COVID-19 on Kreate's business and personnel

In March 2020, Kreate made quick decisions to safeguard the health of its personnel as the COVID-19 epidemic was declared as a global pandemic. In addition to personnel safety, the company wanted to ensure the timely progress of several demanding and critical projects by reacting quickly to the changed situation.

In practice, visits of outsiders to worksites and offices were restricted, the breaks of employees were staggered, cleaning of break rooms and offices was increased and tasks were re-planned to avoid close contacts. In addition, remote meetings and working were implemented in all functions where this was possible. Mask use was recommended in close contact situations.

Due to fast action, continuing regular communications and carefulness of the personnel, the impacts of the COVID-19 pandemic have remained small in ongoing projects, and the progress or completion of none of the projects has been jeopardised during the reporting period.

## Order backlog

The uncertainty caused by the COVID-19 pandemic was reflected in order backlog development. The number of new calls for tender as well as investment decisions declined in late spring. The lower-than-normal volume of new calls for tender continued until early autumn, when tenders started to recuperate towards the level of the corresponding period in previous years. In the last quarter of the year, the number of calls for tender in the public sector in particular returned to a near-normal level. At the end of December 2020, order backlog was on a satisfactory level at EUR 134.9 (177.2) million. Of this, around EUR 111 million is expected to be realised during 2021 (31 December 2019: EUR 130 million during 2020). The expected profitability of the order backlog was on a normal level.

## Revenue

### Group revenue by business area

| EUR million                         | 10-12/<br>2020 | 10-12/<br>2019 | 1-12/<br>2020 | 1-12/<br>2019 |
|-------------------------------------|----------------|----------------|---------------|---------------|
| Engineered structures <sup>1)</sup> | 34.7           | 49.1           | 152.1         | 152.5         |
| Traffic routes <sup>2)</sup>        | 28.4           | 23.4           | 84.5          | 68.4          |
| Other <sup>3)</sup>                 | -1.1           | -0.3           | -1.2          | 0.2           |
| Total                               | 62.0           | 72.1           | 235.3         | 221.1         |

1) includes construction of foundations, concrete structures and bridges, among others

2) includes construction of railways, highways and roads, among others

3) includes intra-Group eliminations

### October–December 2020

In October–December, Kreate Group's revenue was EUR 62.0 (72.1) million. Revenue increased from the comparison period in Traffic routes but declined in Structural engineering due to the record-breaking comparison period. The COVID-19 pandemic had no material impact on the progress of projects.

### January–December 2020

In January–December, the Group's revenue increased to EUR 235.3 (221.1) million. In Structural engineering, revenue remained on the previous year's level at EUR 152.1 (152.5) million, but in Traffic routes, revenue increased to EUR 84.5 (68.4) million. The revenue growth in Traffic routes was supported by Kreate's route projects proceeding according to plan as well as by the volume growth in railway construction.

In January–December, 29 (30) per cent of the Group's revenue came from cities and municipalities, 36 (30) per cent from the state and 35 (40) per cent from the private sector.

## Profitability

| EUR million           | 10-12/<br>2020 | 10-12/<br>2019 | 1-12/<br>2020 | 1-12/<br>2019 |
|-----------------------|----------------|----------------|---------------|---------------|
| EBITDA                | 3.1            | 5.6            | 14.0          | 14.9          |
| EBITDA, %             | 5.0            | 7.7            | 6.0           | 6.7           |
| EBITA                 | 2.3            | 4.6            | 10.5          | 11.7          |
| EBITA, %              | 3.8            | 6.4            | 4.5           | 5.3           |
| Operating profit      | 2.3            | 4.6            | 10.4          | 11.5          |
| Operating profit, %   | 3.7            | 6.3            | 4.4           | 5.2           |
| Result for the period | 1.8            | 3.9            | 7.8           | 8.7           |
| Earnings per share, € | 0.07           | 0.33           | 0.88          | 1.00          |

### October–December 2020

The Group's EBITDA in October–December was EUR 3.1 (5.6) million, making up 5.0 (7.7) per cent of the revenue. EBITA was EUR 2.3 (4.6) million, making up 3.8 (6.4) per cent of the revenue. The Group's operating profit was EUR 2.3 (4.6) million, making up 3.7 (6.3) per cent of the revenue. Earnings per share during the period were EUR 0.07 (0.33).

### January–December 2020

The Group's EBITDA in January–December was EUR 14.0 (14.9) million, making up 6.0 (6.7) per cent of the revenue. EBITA was EUR 10.5 (11.7) million, making up 4.5 (5.3) per cent of the revenue. The Group's operating profit was EUR 10.4 (11.5) million, making up 4.4 (5.2) per cent of the revenue. The profitability of the Group was supported by projects proceeding according to plan. The profitability of the project base remained on the regular level.

The Group's profit before taxes was EUR 9.3 (10.3) million. Taxes for the financial period amounted to EUR 1.5 (1.6) million, with the effective tax rate standing at 16.2 (15.4) per cent. Result for the period was EUR 7.8 (8.7) million. Earnings per share were EUR 0.88 (1.00).

## Consolidated cash flow, balance sheet and financial standing

In January–December, free cash flow from operating activities was EUR 9.7 (14.5) million. At the end of December, the company's net working capital was EUR -5.4 (-4.0) million. Net working capital remained on an excellent level with the management of project-specific working capital remaining at the core of the company's operations.

On 15 December 2020, Kreate agreed with its partner bank on the rearrangement of Kreate's existing credit facility. In connection with the rearrangement, Kreate withdrew a total of EUR 34.3 million from the Facility Agreement on 30 December 2020, refinanced its liabilities under its existing credit facility and repaid the equity shareholder loans granted to it as well as interest accrued on them, totalling EUR 17.8 million.

At the end of December 2020, interest-bearing net debt was EUR 27.9 (17.3) million. Interest-bearing net debt was increased by the repayment of equity shareholder loans and their interests in December 2020. The company's cash and cash equivalents as at the end of December amounted to EUR 8.1 (12.7) million, in addition to which the company had undrawn revolving overdraft and credit limits of EUR 10.0 (10.0) million. Interest-bearing debt amounted to EUR 36.0 (30.0) million,

of which EUR 1.5 (1.6) million constituted lease liabilities under IFRS 16. The average interest of interest-bearing debt excluding lease liabilities recognised on the balance sheet was 2.7 per cent.

Consolidated balance sheet total at the end of 2020 was EUR 101.3 million. Equity was EUR 26.6 million. Equity ratio stood at 26.3 (34.5) per cent at the end of the year and the company's return on capital employed at 19.2 (20.7) per cent. The company's equity ratio was weakened by the repayment of equity shareholder loans and their interests in December 2020.

## Capital expenditures

During 2020, the company continued to invest in machinery and equipment and on further improving machinery management. Net investments in operating activities were EUR 4.6 (5.0) million in January–December. The most significant share of capital expenditures comprised investments in tangible assets, mainly in machinery and equipment, special equipment in particular. Kreate's gross investments in intangible and tangible assets amounted to EUR 5.1 (5.3) million in the financial year ended 31 December 2020. In December 2020, Kreate carried out a strategic investment in which it acquired a track tamping machine worth EUR 1.1 million for its railway business.

Kreate did not carry out any business acquisitions in January–December 2020.

Research and development expenditure made up a total of 0.1 (0.1) per cent of the Group's revenue in 2020.

## Personnel

At the end of December, Kreate Group had 383 (395) employees. The average number of personnel in January–December was 407 (376).

Due to the COVID-19 pandemic, the company made changes in its ways of operating and its guidelines and instructions to safeguard the well-being and health of its personnel. Visits of outsiders to worksites and offices were restricted, the breaks of employees were staggered, cleaning of break rooms and offices was increased and tasks were re-planned to avoid close contacts. In addition, remote meetings and working were implemented in all functions where this was possible, and alternatives to support mental coping were provided.

At the end of September, the company prepared for the second wave of the pandemic by recommending mask use in close contact situations. The actions proved to be correct, as by the end of the year, the corona virus had not spread in any of the company's projects and working conditions had remained safe for the personnel.

During the reporting period, the company continued personnel development and training to ensure qualifications, in particular. Strategically important recruitments were continued especially by strengthening expertise in rail and bridge construction.

The performance reviews carried out during the year have helped to recognise career aspirations of the employees and to map the capabilities needed for ensuring the effective implementation of the company's strategy. In the last quarter, a decision to launch KreateAkademia was made to support personnel development. The goal is to increase efficiency in implementing shared practices, competence development and personnel training in, for example, work safety, responsibility and communications. KreateAkademia applies different learning methods from traditional classroom teaching to e-learning and workshops.

In 2020, there were a total of eight accidents affecting lost-time accident frequency, and relative to the number of personnel, lost-time accident frequency was 11.1, i.e. better than the industry

average. During the year, work safety development was continued by involving supervisors and personnel in the continuous improvement of safety by enhancing close call reporting and by providing tools and information to develop the safety culture. Work safety communications and activities also focused on preventing the COVID-19 pandemic from spreading at worksites and offices.

## Company management

At the end of December, the company's Management Team included Timo Vikström, President and CEO; Jaakko Kivi, Senior Vice President, Transport infrastructure; Tommi Hakanen, Vice President, Technical Office; Antti Heinola, CFO; Tommi Lehtola, Vice President, Foundation and concrete construction; Ville Niutanen, Vice President, Special foundation engineering; Katja Pussinen, Head of HR; Sami Rantala, Vice President, Bridge construction and repair; Juha Salminen, Vice President, Railway construction; and Petri Uitus, Technical Director.

## General Meetings

### Annual General Meeting

The Annual General Meeting was held in Tuusula on 12 May 2020. The AGM adopted the Financial statements for 2019 and discharged the members of the Board of Directors and the President and CEO from liability for the financial year 2019. The AGM resolved in accordance with the Board's proposal that no dividend be distributed and that the profit for the period, EUR 5,579,716.18, be transferred to the profit/loss account.

Timo Kohtamäki, Ronnie Neva-aho, Janne Näränen, Petri Rignell and Markus Väyrynen were elected to the company's Board of Directors. It was resolved that for the year 2020, the members of the Board of Directors shall be paid the following remuneration: EUR 13,500 to the Chairman of the Board of Directors and EUR 9,000 to the members of the Board of Directors. Janne Näränen will not be paid a remuneration. The meeting attendance fee is paid twice a year.

The firm of authorised public accountants KPMG Oy was elected as the auditor, with Turo Koila, Authorised Public Accountant, as the principal auditor.

In its organising meeting, the Board of Directors elected from its members Petri Rignell as its Chairman.

### Shareholders' meeting

With the unanimous resolution of the company's shareholders on 16 December 2020, Elina Pienimäki was elected as a new member in the company's Board of Directors. After the election, the members of Kreate's Board of Directors are Petri Rignell (Chairman), Timo Kohtamäki, Ronnie Neva-aho, Janne Näränen, Elina Pienimäki and Markus Väyrynen.

In addition, the shareholders of Kreate resolved to amend the remuneration of the Chairman of the Board of Directors so that the Chairman of the Board of Directors is paid a monthly fee of EUR 4,725 from 1 December 2020.

## Short-term risks and risk management

The goal of Kreate Group's risk management is continuous and systematic identification of the most significant risk factors and their optimal management in a way that allows the company to reach its strategic and financial targets. Kreate has a risk management policy that steers the management of 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 main risk categories.

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

### **Strategic risks**

Global epidemics and pandemics may have a material adverse effect on Kreate's business, the global economy and financial markets. Economic uncertainty has weakened consumers' and businesses' economic activity and confidence in the economy, which has also impacted Kreate's private sector customers. In the public sector, the effects of the coronavirus disease on public finances could also be reflected in a reduction or postponement of planned investments.

Unfavourable economic development and economic conditions in Finland or across the world could have a material adverse effect on Kreate's business through e.g. weaker demand. Unfavourable economic development in Finland could impact Kreate's business in many ways, including Kreate's income, assets, solvency, business and/or financial position as well as those of its customers and subcontractors. Moreover, Kreate may not necessarily be able to take advantage of the business opportunities arising from fluctuations in the economy nor be able to adapt its operations to a long-term economic downturn or stagnation.

Kreate's business performance is partly dependent on the general development of the public finances and the political decision steering them, as a majority of Kreate's revenue derives from public sector customers. Kreate executes, for example, road and railway construction projects, demand for which is largely dependent on transport policy plans and political decisions.

Kreate operates in a competitive sector, and more intense competition in the infrastructure construction market could have an adverse effect on Kreate's business. Tougher competition due to the entry of new players or an increase in the supply of infrastructure construction services could, in Kreate's view, lead to intensifying price competition as well as competition over available labour.

Kreate conducts some of its business through a joint venture in which it has limited control. Kreate's ground engineering business is centralised in KFS Finland, a joint venture in which it owns 50%. Kreate's limited control in joint ventures could hamper Kreate's ability to force the joint ventures to act in Kreate's interests and to refrain from acting against Kreate's interests.

### **Operational and accident risks**

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

Failure to attract qualified personnel and loss of key employees as well as implementation partners' or subcontractors' problems with resources may have an adverse effect on Kreate's operability.

Successful project management significantly affects the profitability of Kreate's business, as Kreate is responsible for a considerable number of demanding infrastructure construction projects simultaneously. Failures in project management could have a material adverse effect on Kreate's business.

Kreate's business is highly project-based, as Kreate's revenue consists almost entirely of individual projects and Kreate does not have operations generating significant recurring revenue. Therefore, project acquisition, success in projects and their cost-effective execution is important for Kreate.

Failures in projects could have an impact, for example, on the future availability of projects and thus have a material adverse effect on Kreate's business.

Kreate's business is dependent on the proper functioning of the information systems and technologies it uses. 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 used by Kreate could have a material adverse effect on Kreate's business.

Kreate's business involves health and safety risks. Accidents and occupational accidents are more frequent on construction sites than in many other industrial sectors. If any health and safety risk materialises, it could have a material adverse effect on Kreate's business, financial position, results of operations and future prospects.

Kreate uses both its own employees and subcontractors in the execution of projects. The errors committed by Kreate's own employees or its subcontractors could cause unexpected and unforeseen personal injuries or material damages to third parties due to, for example, fires or depression of the ground and the damage this may cause to buildings. Such errors can incur unexpected and unforeseen additional expenses for Kreate, the amount of which could be very significant.

Kreate is exposed to environmental risks in its operations. Environmental aspects and the promotion of environmental issues are at the core of Kreate's corporate responsibility. The most significant environmental risks are related to noise nuisance, dust nuisance and potential release of environmentally harmful substances, especially fuels from machinery, in Kreate's and its subcontractors' activities, for example as a result of faulty or negligent handling or disposal of such substances. If any risk related to compensation claims or sanctions over environmental damage should materialise, it could have a material adverse effect on Kreate's business, financial position and results of operations.

### **Economic and financing risks**

In its business operations, Kreate is exposed to interest rate, credit, counterparty and liquidity risks. The aim of the Group's interest rate risk management is to minimise the adverse effects 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.

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.

Uncertainty in the financial market may mean that the price of the financing needed to carry out Kreate's business will increase or that the financing will be less readily available. Kreate aims to reduce the risk relating to the availability of financing by maintaining liquidity by means of efficient management of cash flows and solutions linked to it, such as committed credit lines. Kreate aims to mitigate the maturity risk related to debt financing through time diversification of the repayment dates of its debt financing and anticipatory refinancing of maturing debt.

The Group estimates on each financial statements date whether there is evidence of impairment on financial assets or group of financial assets. The need for impairment on assets is estimated both individually and collectively.

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 can be accessed at the company website at [www.kreate.fi/en/ipo](http://www.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 2020, estimated to be published on 6 April 2021.

## Shares and shareholders

Kreate Group Oy's share capital at the end of December was EUR 2,500. The total number of outstanding shares in the company on 31 December 2020 was 7,454,895 shares, of which the company held 90,000 as treasury shares.

## Proposal of the Board of Directors for distribution of the result for the period

The distributable funds of the parent company Kreate Group Plc on 31 December 2020 were EUR 17,600,468.80.

The Board of Directors proposes to the Annual General Meeting convening on 5 May 2021 that based on the balance sheet to be adopted for the year 2020, a dividend of EUR 0.44 per share be paid for shares outside the company's ownership on the record date of the dividend. The rest of the distributable funds remain in unrestricted equity.

On the drafting day of the proposal on the distribution of profit for the period, 30 March 2021, there were a total of 8,894,772 shares outside the ownership of the company, and the corresponding total amount of dividend is EUR 3,913,699.68.

## Kreate Group's financial reporting in 2021

The planned publication dates of Kreate Group Plc's financial reports in 2021 are as follows:

- interim report January–March 2021 28 April 2021
- half-year report January–June 2021 28 July 2021, and
- interim report January–September 2021 27 October 2021

The 2020 Annual Report is estimated to be published on 6 April 2021. Kreate Group's Annual General Meeting is planned to be held on 5 May 2021.

## Webcast for analysts and media

A live webcast for analysts and media will be held today on 31 March 2021 at 11:00 a.m. The event is held in Finnish. CEO and President Timo Vikström and CFO Antti Heinola will host the event.

The Finnish language webcast can be viewed live at <https://kreate.videosync.fi/2020-tulos/register>. A recording of the webcast will become available later on the company website at [kreate.fi/sijoittajille/tiedotteet-ja-raportit/raportit-ja-esitykset/](http://kreate.fi/sijoittajille/tiedotteet-ja-raportit/raportit-ja-esitykset/) and a summary in English will be available at [kreate.fi/en/investor/releases-and-reports/reports/](http://kreate.fi/en/investor/releases-and-reports/reports/).

## Events after the reporting period

### Public listing

On 25 January 2021 Kreate announced that it was planning an Initial Public Offering and listing its shares on the stock exchange list of Nasdaq Helsinki Ltd. The IPO started on 8 February 2021,

and the public and personnel offering ended on 15 February 2021 and the institutional offering on 17 February 2021.

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 in the Initial Public Offering 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 Nasdaq Helsinki Ltd pre-list on 19 February 2021 and on the stock exchange list on 23 February 2021.

Kreate accumulated gross funds of approximately EUR 12.5 million and the sellers (Intera Fund II Ky and certain other current shareholders of Kreate) received gross funds of approximately EUR 27.2 million. 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.

### **Change of company form and Board authorisations and remunerations**

By unanimous resolution of the shareholders on 25 January 2021, the company's company form was changed from a private limited company to a public company. In connection with the resolution, shareholders authorised the Board to resolve 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 resolved to issue 1,529,877 new shares under this authorisation. The authorisation is valid until 31 March 2021.

In addition, the shareholders resolved on 25 January 2021 to authorise the Board of Directors to resolve on the issuance of shares, as well as the issuance of option rights and other special rights entitling to shares pursuant to Chapter 10 of the Finnish 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 is valid until the end of the 2021 Annual General Meeting, however, no longer than until 30 June 2021.

On 25 January 2021, shareholders also resolved to authorise the Board to resolve on a repurchase of own shares. The total number of own shares to be repurchased is a maximum of 900,000 shares. However, the company, together with its subsidiaries, may not at any time own more than 10 per cent of all shares in the company. Pursuant to the authorisation, own shares can only be repurchased with unrestricted equity. The authorisation is valid until the end of the 2021 Annual General Meeting, however, no longer than until 30 June 2021.

On 25 January 2021 it was also resolved that the Chairman of the company's Board of Directors is paid a monthly fee of EUR 4,750 and members of the Board of Directors a monthly fee of EUR 2,000 starting from 1 January 2021. In addition, it was resolved that an additional remuneration 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.

Tuusula, 31 March 2021

Kreate Group Plc  
Board of Directors

### NOTES

Calculation formulas for key figures  
Table section of the 2020 Financial Statements Bulletin

| <i>EUR million</i>                       | Q4/20 | Q3/20 | Q2/20 | Q1/20 | Q4/19 | Q3/19 | Q2/19 | Q1/19 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenue                                  | 62.0  | 65.4  | 58.0  | 50.0  | 72.1  | 68.5  | 51.7  | 28.9  |
| Change in revenue, %                     | -5.2  | 12.7  | 16.1  | -30.7 | 5.3   | 32.5  | 78.8  | -47.5 |
| EBITDA                                   | 3.1   | 4.9   | 3.9   | 2.2   | 5.6   | 5.2   | 3.2   | 1.0   |
| EBITDA, %                                | 5.0   | 7.5   | 6.7   | 4.3   | 7.7   | 7.6   | 6.1   | 3.4   |
| EBITA                                    | 2.3   | 4.0   | 3.0   | 1.3   | 4.6   | 4.4   | 2.4   | 0.2   |
| EBITA, %                                 | 3.8   | 6.1   | 5.1   | 2.6   | 6.4   | 6.4   | 4.7   | 0.8   |
| Operating profit                         | 2.3   | 3.9   | 2.9   | 1.2   | 4.6   | 4.3   | 2.4   | 0.2   |
| Operating profit, %                      | 3.7   | 6.0   | 5.0   | 2.5   | 6.3   | 6.3   | 4.6   | 0.8   |
| Result for the period                    | 1.8   | 3.0   | 2.1   | 0.9   | 3.9   | 3.5   | 1.6   | -0.2  |
| Earnings per share, €                    | 0.07  | 0.41  | 0.28  | 0.12  | 0.33  | 0.48  | 0.22  | -0.03 |
| Order backlog                            | 134.9 | 149.0 | 144.4 | 162.3 | 177.2 | 204.1 | 198.2 | 133.3 |
| Capital employed                         | 54.5  | 58.8  | 57.7  | 58.1  | 53.6  | 60.8  | 63.0  | 58.7  |
| Return on capital employed, %            | 19.2  | 21.1  | 21.6  | 21.5  | 20.7  | 16.2  | 15.8  | 14.7  |
| Return on equity, %                      | 24.7  | 25.3  | 29.0  | 29.4  | 26.3  | 27.6  | 28.9  | 23.9  |
| Net investments in operating activities  | -1.7  | -0.8  | -1.0  | -1.0  | -1.2  | -1.5  | -1.1  | -1.2  |
| Free cash flow from operating activities | 7.2   | 2.2   | 2.5   | -2.2  | 12.4  | 5.0   | -2.2  | -0.6  |
| Net working capital                      | -5.4  | 1.0   | -1.0  | -0.8  | -4.0  | 3.6   | 5.3   | 1.5   |
| Net debt                                 | 27.9  | 16.5  | 18.4  | 20.9  | 17.3  | 25.7  | 31.4  | 28.9  |
| Net debt/EBITDA                          | 2.0   | 1.0   | 1.1   | 1.3   | 1.2   | 2.0   | 2.5   | 2.6   |
| Equity ratio, %                          | 26.3  | 38.7  | 35.8  | 36.8  | 34.5  | 33.6  | 31.1  | 34.3  |
| Personnel at the end of the period       | 383   | 404   | 441   | 407   | 395   | 391   | 396   | 343   |
| Personnel on average                     | 390   | 414   | 427   | 398   | 394   | 389   | 380   | 341   |

## Additional information on alternative performance measures

| <i>EUR million</i>                   | 10-12/<br>2020 | 10-12/<br>2019 | 1-12/<br>2020 | 1-12/<br>2019 |
|--------------------------------------|----------------|----------------|---------------|---------------|
| Outstanding shares on average        | 7.4            | 7.3            | 7.4           | 7.3           |
| Amortisations from intangible assets | 0.0            | 0.0            | -0.2          | -0.2          |
| Depreciations                        | -              | -              | -             | -             |
| Prepayments received                 | -              | -              | -             | -             |

| <i>EUR million</i>                   | Q4/20 | Q3/20 | Q2/20 | Q1/20 | Q4/19 | Q3/19 | Q2/19 | Q1/19 |
|--------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Outstanding shares on average        | 7.4   | 7.4   | 7.4   | 7.4   | 7.3   | 7.3   | 7.3   | 7.3   |
| Amortisations from intangible assets | 0.0   | 0.0   | -0.1  | 0.0   | 0.0   | -0.1  | 0.0   | 0.0   |
| Depreciations                        | -     | -     | -     | -     | -     | -     | -     | -     |
| Prepayments received                 | -     | -     | -     | -     | -     | -     | -     | -     |

## Calculation formulas for key figures

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

| PERFORMANCE MEASURE                      | CALCULATION FORMULA   |
|--|---|
| <b>IFRS KEY FIGURES</b>                  |   |
| Earnings per share                       | $\frac{\text{Profit attributable to the owners of the parent – interest and expenses of the capital loan recorded on the period adjusted with tax impact}}{\text{Weighted average number of outstanding shares during the period}}$ |
| <b>Alternative performance measures</b>  |   |
| EBITDA                                   | Operating profit + depreciation, amortisation and impairment  |
| EBITA                                    | Operating profit + amortisation of intangible assets + impairments  |
| Order backlog                            | Amount of unrecognised revenue from customer contracts at the end of period   |
| Capital employed                         | Equity + net debt   |
| Return on capital employed               | $\frac{\text{Operating profit, rolling 12 months}}{\text{Capital employed on average}} *100$  |
| Return on equity, %                      | $\frac{\text{Profit for the period, rolling 12 months}}{\text{Equity on average}} *100$   |
| 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, %                          | $\frac{\text{Equity}}{\text{(Balance sheet total – advance payments received)}} *100$   |

## Financial statements release 2020: Table section

## Consolidated statement of comprehensive income

| <i>EUR million</i>   | <b>10-12/2020</b> | <b>10-12/2019</b> | <b>1-12/2020</b> | <b>1-12/2019</b> |
|--|-------------------|-------------------|------------------|------------------|
| Revenue  | 62.0              | 72.1              | 235.3            | 221.1            |
| Other operating income   | 0.2               | 0.1               | 0.3              | 0.2              |
| Materials and services   | -48.2             | -54.9             | -180.6           | -168.9           |
| Employee benefit expenses  | -8.2              | -8.6              | -32.4            | -29.0            |
| Other operating expenses   | -3.0              | -3.3              | -9.8             | -9.6             |
| Share of joint venture's profit  | 0.4               | 0.1               | 1.2              | 1.0              |
| Depreciation, amortisation and impairment  | -0.8              | -1.0              | -3.7             | -3.4             |
| <b>Operating profit</b>  | <b>2.3</b>        | <b>4.6</b>        | <b>10.4</b>      | <b>11.5</b>      |
| Financial income   | 0.1               | 0.0               | 0.1              | 0.0              |
| Financial expenses   | -0.5              | -0.3              | -1.2             | -1.2             |
| Financial income and expenses  | -0.4              | -0.3              | -1.1             | -1.2             |
| <b>Result before taxes</b>   | <b>1.9</b>        | <b>4.3</b>        | <b>9.3</b>       | <b>10.3</b>      |
| Income taxes   | 0.0               | -0.4              | -1.5             | -1.6             |
| <b>Result for the period</b>   | <b>1.8</b>        | <b>3.9</b>        | <b>7.8</b>       | <b>8.7</b>       |
| <b>Comprehensive income for the period</b>   | <b>1.8</b>        | <b>3.9</b>        | <b>7.8</b>       | <b>8.7</b>       |
| Profit attributable to:  |                   |                   |                  |                  |
| Shareholders of parent   | 1.8               | 3.9               | 7.8              | 8.7              |
| Earnings per share calculated from the income attributable to shareholders of the parent |                   |                   |                  |                  |
| Undiluted, EUR   | 0.07              | 0.33              | 0.88             | 1.00             |
| Diluted, EUR   | 0.07              | 0.33              | 0.88             | 1.00             |

## Consolidated balance sheet

| EUR million                              | 12/2020      | 12/2019      |
|--|--------------|--------------|
| <b>ASSETS</b>                            |              |              |
| <b>Non-current assets</b>                |              |              |
| Intangible assets                        | 1.0          | 0.9          |
| Goodwill                                 | 35.6         | 35.6         |
| Property, plant and equipment            | 15.8         | 14.1         |
| Right-of-use assets                      | 1.5          | 1.6          |
| Investments in joint ventures            | 8.4          | 7.6          |
| Other receivables                        | 0.1          | 0.3          |
| Deferred tax assets                      | 0.5          | 0.2          |
| <b>Non-current assets total</b>          | <b>62.7</b>  | <b>60.4</b>  |
| <b>Current assets</b>                    |              |              |
| Inventory                                |              | 0.0          |
| Trade and other receivables              | 30.4         | 32.1         |
| Income tax receivables                   | 0.1          | 0.3          |
| Cash and cash equivalents                | 8.1          | 12.7         |
| <b>Current assets total</b>              | <b>38.6</b>  | <b>45.1</b>  |
| <b>Total assets</b>                      | <b>101.3</b> | <b>105.5</b> |
| <b>EQUITY</b>                            |              |              |
| Share capital                            | 0.0          | 0.0          |
| Reserve for invested unrestricted equity | 8.3          | 8.3          |
| Capital loan                             |              | 16.2         |
| Retained earnings                        | 18.3         | 11.9         |
| <b>Total equity</b>                      | <b>26.6</b>  | <b>36.4</b>  |
| <b>LIABILITIES</b>                       |              |              |
| <b>Non-current liabilities</b>           |              |              |
| Interest-bearing debt                    | 30.4         | 24.5         |
| Deferred tax liabilities                 | 0.7          | 0.5          |
| <b>Non-current liabilities total</b>     | <b>31.1</b>  | <b>25.0</b>  |
| <b>Current liabilities</b>               |              |              |
| Interest-bearing debt                    | 5.6          | 5.5          |
| Trade and other payables                 | 35.8         | 36.2         |
| Income tax liabilities                   | 0.7          | 1.0          |
| Provisions                               | 1.5          | 1.5          |
| <b>Current liabilities total</b>         | <b>43.6</b>  | <b>44.1</b>  |
| <b>Total liabilities</b>                 | <b>74.7</b>  | <b>69.1</b>  |
| <b>Equity and liabilities total</b>      | <b>101.3</b> | <b>105.5</b> |

## Consolidated cash flow statement

| EUR million  | 10-12/2020   | 10-12/2019  | 1-12/2020    | 1-12/2019   |
|--|--------------|-------------|--------------|-------------|
| Result for the period                                      | 1.8          | 3.9         | 7.8          | 8.7         |
| Depreciation, amortisation and impairment                  | 0.8          | 1.0         | 3.7          | 3.4         |
| Financial income and expenses                              | 0.4          | 0.3         | 1.1          | 1.2         |
| Income taxes   | 0.0          | 0.4         | 1.5          | 1.6         |
| Other adjustments  | -0.5         | -0.1        | -1.3         | -1.1        |
| Total adjustments  | 0.8          | 1.6         | 4.9          | 5.1         |
| Change in trade and other receivables                      | 4.3          | 5.8         | 1.9          | -0.6        |
| Change in inventories                                      |              | 0.1         | 0.0          | 0.1         |
| Change in trade and other payables                         | 2.2          | 1.7         | -0.4         | 5.8         |
| Change in provisions                                       | -0.2         | 0.5         | 0.0          | 0.4         |
| Total change in working capital                            | 6.4          | 8.1         | 1.6          | 5.6         |
| Cash flow from operations before financial items and taxes | 9.0          | 13.5        | 14.3         | 19.5        |
| Interest paid in operating activities                      | 0.0          | 0.0         | 0.0          | 0.0         |
| Interest received in operating activities                  | 0.0          | 0.1         | 0.0          | 0.1         |
| Other financial items                                      | -0.2         | -0.1        | -0.3         | -0.3        |
| Dividends received   |              |             | 0.5          |             |
| Taxes paid   | 0.1          | -0.2        | -1.3         | -1.0        |
| <b>CASH FLOW FROM OPERATIONS</b>                           | <b>8.9</b>   | <b>13.3</b> | <b>13.2</b>  | <b>18.3</b> |
| Investments in tangible and intangible assets              | -2.0         | -1.2        | -5.1         | -5.3        |
| Disposals of tangible and intangible assets                | 0.2          | 0.0         | 0.5          | 0.3         |
| Repayment of loan receivables                              |              |             |              | 1.3         |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                 | <b>-1.7</b>  | <b>-1.2</b> | <b>-4.6</b>  | <b>-3.7</b> |
| Equity investments   |              | 0.1         |              | 0.2         |
| Drawdown of equity loan                                    |              | 0.2         |              | 0.4         |
| Repayment of equity loan                                   | -16.2        | -1.5        | -16.2        | -1.5        |
| Drawdown of non-current loans                              | 33.9         |             | 33.9         |             |
| Repayment of current loans                                 | -27.6        | -1.9        | -28.0        | -3.8        |
| Repayment of lease liabilities                             | -0.2         | -0.2        | -0.7         | -0.7        |
| Interest and other loan expenses                           | -1.9         | -2.2        | -2.1         | -2.6        |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                 | <b>-11.9</b> | <b>-5.5</b> | <b>-13.1</b> | <b>-8.1</b> |
| <b>CHANGES IN CASH AND CASH EQUIVALENTS</b>                | <b>-4.8</b>  | <b>6.7</b>  | <b>-4.5</b>  | <b>6.6</b>  |
| Cash and cash equivalents on the opening balance sheet     | 12.9         | 6.0         | 12.7         | 6.1         |
| Change in cash and cash equivalents                        | -4.8         | 6.7         | -4.5         | 6.6         |
| Cash and cash equivalents at the end of the period         | 8.1          | 12.7        | 8.1          | 12.7        |

## Consolidated statement of changes in equity

|   | Share capital | Reserve for<br>invested<br>unrestricted equity | Equity loan | Retained earnings | Total equity |
|---|---------------|--|-------------|-------------------|--------------|
| <b>EUR million</b>  |               |  |             |                   |              |
| Equity as at 1 Jan 2019   | 0.0           | 8.1  | 17.4        | 4.5               | 30.0         |
| <i>Items of comprehensive income</i>                                |               |  |             |                   |              |
| Result for the period   |               |  |             | 8.7               | 8.7          |
| Total comprehensive income attributable to the owners of the parent |               |  |             | 8.7               | 8.7          |
| <i>Transactions with the owners</i>                                 |               |  |             |                   |              |
| Equity investments  |               | 0.2  |             |                   | 0.2          |
| Equity loan   |               |  | -1.2        |                   | -1.2         |
| Interest on equity loan   |               |  |             | -1.4              | -1.4         |
| Total transactions with the owners                                  |               | 0.2  | -1.2        | -1.4              | -2.4         |
| Equity as at 31 Dec 2019  | 0.0           | 8.3  | 16.2        | 11.9              | 36.4         |

|   | Share capital | Reserve for<br>invested<br>unrestricted equity | Equity loan | Retained earnings | Total equity |
|---|---------------|--|-------------|-------------------|--------------|
| <b>EUR million</b>  |               |  |             |                   |              |
| Equity as at 1 Jan 2020   | 0.0           | 8.3  | 16.2        | 11.9              | 36.4         |
| <i>Items of comprehensive income</i>                                |               |  |             |                   |              |
| Result for the period   |               |  |             | 7.8               | 7.8          |
| Total comprehensive income attributable to the owners of the parent |               |  |             | 7.8               | 7.8          |
| <i>Transactions with the owners</i>                                 |               |  |             |                   |              |
| Equity investments  |               |  |             |                   |              |
| Equity loan   |               |  | -16.2       |                   | -16.2        |
| Interest on equity loan   |               |  |             | -1.3              | -1.3         |
| Total transactions with the owners                                  |               |  | -16.2       | -1.3              | -17.5        |
| Equity as at 31 Dec 2020  | 0.0           | 8.3  |             | 18.3              | 26.6         |

## Notes

### Key accounting principles and basis for preparation

The Group's Financial statements release has been prepared in accordance with the IAS 34 Interim Reports standard. The Financial statements release should be read together with Kreate Group's consolidated financial statements for the financial year 2019.

The Financial statements release has been prepared in euros and presented in millions of euros, unless stated otherwise. The figures have been rounded to the nearest one million euros with one decimal place, and due to this, the sums of individual figures may differ from the presented total amounts.

The financial statements release has been prepared in accordance with the key accounting principles presented in Kreate Group's consolidated financial statements for the financial year 2019, except for the revised IFRS standards that came into effect on 1 January 2020. The revised standards did not have an impact on the consolidated financial statements.

The preparation of financial statements release according to the IFRS requires the use of the management's discretion, estimates and assumptions that affect the amount of assets and liabilities, as well as the amount of income and expenses reported for the reporting period. Such estimates and assumption of the management are based on previous experience and other justified factors.

Kreate Group has applied estimates and discretion in factors that may lead to 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 the projects, as well as a comprehensive estimate of the progress and degree of completion of the projects. The management estimates the probability of the income when determining the sales proceeds. Should the estimates on the project's outcome change, revenue recognition is adjusted during the reporting period when the change became known for the first time.
- Recognition of provisions: At the end of the reporting period, the Group estimates if it has a probable payment obligation, whether legal or factual, 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 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. Consolidated goodwill was tested on 30 November 2020. The recoverable amount of the Group's cash-generating unit significantly exceeded its carrying amount.
- 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 unrecognised interest liabilities of associated companies are recognised only if the management estimates that an adequate amount of taxable income can be generated in the future to utilise the unused losses and undeducted interest liabilities of associated companies for taxation purposes.

## COVID-19 pandemic

In March 2020, Kreate made quick decisions to safeguard the health of its personnel as the COVID-19 epidemic was declared as a global pandemic. In addition to personnel safety, the company wanted to ensure the timely progress of several demanding and critical projects by reacting quickly to the changed situation.

In practice, visits of outsiders to worksites and offices were restricted, the breaks of employees were staggered, cleaning of break rooms and offices was increased and tasks were re-planned to avoid close contacts. In addition, remote meetings and working were implemented in all functions where this was possible. Mask use was recommended in close contact situations.

Due to fast action, continuing regular communications and carefulness of the personnel, the impacts of the COVID-19 pandemic have remained small in ongoing projects, and the progress or completion of none of the projects has been jeopardised during the reporting period.

The COVID-19 pandemic has only had a minor impact on the business of Kreate Group.

## Segments

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

## Revenue from customer contracts

A significant part of Kreate Group's sales income from customer contracts originates from infrastructure construction and engineering projects. Over 90% of the Group's revenue is generated in Finland.

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

| EUR million                         | 10-12/2020  | 10-12/2019  | 1-12/2020    | 1-12/2019    |
|-------------------------------------|-------------|-------------|--------------|--------------|
| Engineered structures <sup>1)</sup> | 34.7        | 49.1        | 152.1        | 152.5        |
| Traffic routes <sup>2)</sup>        | 28.4        | 23.4        | 84.5         | 68.4         |
| Other <sup>3)</sup>                 | -1.1        | -0.3        | -1.2         | 0.2          |
| <b>Total</b>                        | <b>62.0</b> | <b>72.1</b> | <b>235.3</b> | <b>221.1</b> |

<sup>1)</sup> includes construction of foundations, concrete structures and bridges, among others

<sup>2)</sup> includes construction of railways, highways and roads, among others

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

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

|                           | 1-12/2020 | 1-12/2019 |
|---------------------------|-----------|-----------|
| Cities and municipalities | 29%       | 30%       |
| Government                | 36%       | 30%       |
| Private sector            | 35%       | 40%       |

Seasonality in the infrastructure projects carried out by the Company has an impact on the Company's results and timing of the cash flows.

## Working capital

| EUR million                                       | 12/2020     | 12/2019     |
|---|-------------|-------------|
| <b>Inventory</b>                                  |             | 0.0         |
| Trade receivables                                 | 18.9        | 20.8        |
| Assets based on customer contracts                | 11.2        | 11.3        |
| Loan receivables                                  | 0.0         | 0.0         |
| Other receivables                                 | 0.2         | 0.0         |
| Accrued income                                    | 0.0         | 0.0         |
| <b>Total trade and other receivables</b>          | <b>30.4</b> | <b>32.1</b> |
| Accrued personnel costs                           | 0.0         | 0.0         |
| Other accrued income                              | 0.0         | 0.0         |
| Total accrued income                              | 0.0         | 0.0         |
| Trade payables                                    | 9.0         | 10.6        |
| Liabilities based on customer contracts           | 11.0        | 13.5        |
| Other liabilities                                 | 3.4         | 2.2         |
| Accrued liabilities                               | 12.3        | 9.9         |
| <b>Total trade payables and other liabilities</b> | <b>35.8</b> | <b>36.2</b> |
| Interest liabilities                              | 0.0         | 0.0         |
| Accrued personnel costs                           | 10.5        | 8.7         |
| Other accrued liabilities                         | 1.8         | 1.2         |
| Total accrued liabilities                         | 12.3        | 9.9         |

## Financial assets and liabilities

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

| EUR million                                      | 31 December 2019 | Carrying amount | Fair value |
|--|------------------|-----------------|------------|
| Financial assets measured at amortised cost      |                  |                 |            |
| Non-current receivables                          |                  |                 |            |
|  |                  | 0.3             | 0.3        |
| Non-current financial assets                     |                  |                 |            |
| Trade and other receivables                      |                  | 20.8            | 20.8       |
| Current financial assets                         |                  |                 |            |
| Cash and cash equivalents                        |                  | 12.7            | 12.7       |
| Total financial assets                           |                  | 33.8            | 33.8       |
| Financial liabilities measured at amortised cost |                  |                 |            |
| Loans from financial institutions                |                  |                 |            |
|  |                  | 22.8            | 23.1       |
| Hire purchase liabilities                        |                  |                 |            |
|  |                  | 0.7             | 0.7        |
| Lease liabilities                                |                  |                 |            |
|  |                  | 1.0             |            |
| Non-current interest-bearing liabilities         |                  |                 |            |
| Loans from financial institutions                |                  |                 |            |
|  |                  | 4.3             | 4.3        |
| Hire purchase liabilities                        |                  |                 |            |
|  |                  | 0.6             | 0.6        |
| Lease liabilities                                |                  |                 |            |
|  |                  | 0.6             |            |
| Current interest-bearing liabilities             |                  |                 |            |
| Trade payables and other liabilities             |                  |                 |            |
|  |                  | 12.8            | 12.8       |
| Other current financial liabilities              |                  |                 |            |
|  |                  | 12.8            | 12.8       |
| Total financial liabilities                      |                  | 42.8            |            |

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

The Group only has financial assets and liabilities measured at amortised cost for the financial years 2020 and 2019.

## Changes in tangible assets

| EUR million  | 12/2020 | 12/2019 |
|--|---------|---------|
| Acquisition cost as at 1 Jan   | 21.0    | 17.1    |
| Increases  | 4.9     | 4.9     |
| Decreases  | -3.3    | -1.0    |
| Acquisition cost at the end of the period                              | 22.6    | 21.0    |
| Accrued amortisation and impairment as at 1 Jan                        | -6.9    | -5.0    |
| Accrued amortisation on the decreases                                  | 2.9     | 0.6     |
| Amortisation for the period  | -2.8    | -2.6    |
| Accrued depreciation, amortisation and impairment at the end of period | -6.8    | -6.9    |
| Carrying amount at the end of the period                               | 15.8    | 14.1    |

## Changes in right-of-use assets

| EUR million  | 12/2020 | 12/2019 |
|--|---------|---------|
| Acquisition cost as at 1 Jan   | 2.5     | 2.2     |
| Increases  | 0.6     | 1.1     |
| Decreases  | -0.2    | -0.8    |
| Acquisition cost at the end of the period                              | 2.9     | 2.5     |
| Accrued amortisation and impairment as at 1 Jan                        | -0.9    | -0.9    |
| Accrued amortisation on the decreases                                  | 0.2     | 0.7     |
| Amortisation for the period  | -0.7    | -0.7    |
| Accrued depreciation, amortisation and impairment at the end of period | -1.4    | -0.9    |
| Carrying amount at the end of the period                               | 1.5     | 1.6     |

## Changes in intangible assets

| EUR million  | 12/2020 | 12/2019 |
|--|---------|---------|
| Acquisition cost as at 1 Jan   | 5.3     | 5.2     |
| Increases  | 0.2     | 0.1     |
| Decreases  | -0.4    |         |
| Acquisition cost at the end of the period                              | 5.1     | 5.3     |
| Accrued amortisation and impairment as at 1 Jan                        | -4.4    | -4.2    |
| Accrued amortisation on the decreases                                  | 0.4     |         |
| Amortisation for the period  | -0.2    | -0.2    |
| Accrued depreciation, amortisation and impairment at the end of period | -4.2    | -4.4    |
| Carrying amount at the end of the period                               | 1.0     | 0.9     |

## Collateral and contingent liabilities

| EUR million   | 12/2020 | 12/2019 |
|---|---------|---------|
| <u>Mortgages and shares given as collateral for loans from financial institutions</u> |         |         |
| Book value of pledged shares  | 52.0    | 52.0    |
| Given real estate mortgages   | 5.0     | 5.4     |
| Floating charges given  | 75.4    | 75.4    |
| <u>Other contingent liabilities</u>   |         |         |
| Collateral given on behalf of joint venture   | 0.1     | 0.1     |
| Other collateral  | 0.0     | 0.1     |
| Guarantee liabilities from project contracts  | 36.4    | 39.9    |
| Lease liabilities from short-term assets with low value                               | 0.6     | 0.7     |
| VAT liability   | 0.1     | 0.2     |

## Related-party transactions

The Group's related parties include the parent company, subsidiaries, joint venture KFS Finland Oy and the companies belonging to the group of companies of the controlling shareholder Intera Fund II Ky. Related parties also include key persons in the management, their close family members and communities in which the aforementioned persons exercise direct or indirect control. The key management includes the members of the Board of Directors, the managing director, the deputy managing director and the members of the Group's management team.

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

| EUR million                         | 1-12/2019<br>Income | Expenses <sup>2)</sup> | 12/2019<br>Receivables | Liabilities <sup>2)</sup> |
|-------------------------------------|---------------------|------------------------|------------------------|---------------------------|
| Intera Fund II Ky                   |                     | -0.8                   |                        | 6.8                       |
| Joint venture                       | 16.2                | -6.5                   | 3.9                    | 0.2                       |
| Other related parties <sup>1)</sup> |                     | -0.6                   |                        | 3.5                       |

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

<sup>2)</sup> Expenses and liabilities to Intera Fund II Ky and other related parties include the capital loan converted to equity and the related interest expenses.

## Events after the end of reporting period

### **Public listing**

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

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 in the Initial Public Offering 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 Nasdaq Helsinki Ltd pre-list on 19 February 2021 and on the stock exchange list on 23 February 2021.

Kreate accumulated gross funds of approximately EUR 12.5 million and the sellers (Intera Fund II Ky and certain other current shareholders of Kreate) received gross funds of approximately EUR 27.2 million. 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.

### **Change of company form and Board authorisations and remuneration**

By unanimous resolution of the shareholders on 25 January 2021, the company's company form was changed from a private limited company to a public company. In connection with the resolution, shareholders authorised the Board to resolve 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 resolved to issue 1,529,877 new shares under this authorisation. The authorisation is valid until 31 March 2021.

In addition, the shareholders resolved on 25 January 2021 to authorise the Board of Directors to resolve on the issuance of shares, as well as the issuance of option rights and other special rights entitling to shares pursuant to Chapter 10 of the Finnish 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 is valid until the end of the 2021 Annual General Meeting, however, no longer than until 30 June 2021.

On 25 January 2021, shareholders also resolved to authorise the Board to resolve on a repurchase of own shares. The total number of own shares to be repurchased is a maximum of 900,000 shares. However, the company, together with its subsidiaries, may not at any time own more than 10 per cent of all shares in the company. Pursuant to the authorisation, own shares can only be repurchased with unrestricted equity. The authorisation is valid until the end of the 2021 Annual General Meeting, however, no longer than until 30 June 2021.

On 25 January 2021 it was also resolved that the Chairman of the company's Board of Directors is paid a monthly fee of EUR 4,750 and members of the Board of Directors a monthly fee of EUR 2,000 starting from 1 January 2021. In addition, it was resolved that an additional remuneration 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.