

KREATE

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

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Kreate Group Plc Financial Statements Release 31 March 2021 at 08:30 a.m. EET

This release is a summary of Kreate Group's Financial Statements Bulletin 2020. The complete Financial Statement Bulletin is attached, and also available on the company's website at <https://kreate.fi/en/investor/>.

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

- 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.

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 Kanssi, 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

EUR million	10-12/ 2020	10-12/ 2019	1-12/ 2020	1-12/ 2019
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).

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 <https://kreate.fi/sjoittajille/tiedotteet-ja-raportit/raportit-ja-esitykset/> and a summary in English will be available at <https://kreate.fi/en/investor/releases-and-reports/reports/>. Kreate Groupin taloudellinen tiedottaminen vuonna 2021

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.

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 Plc
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Distribution: Nasdaq Helsinki, media ja kreate.fi/en

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About Kreate Group Oyj

Kreate Group is one of the leading infrastructure construction companies in Finland. The company offers solutions for bridges, roads and railways, environmental and ground engineering, circular economy and geotechnical needs. As a specialist in demanding projects, Kreate focuses on comprehensive quality and cost-effectiveness. The group's revenue was approximately EUR 235 million in 2020 and the company has over 400 employees. Kreate Group is listed on Nasdaq Helsinki.

Attachments

- [Download announcement as PDF.pdf](#)
- [Kreate Group Financial Statements Bulletin 2020.pdf](#)