



**KREATE**  
THE FUTURE IS BUILT TODAY

**ANNUAL REVIEW 2020**



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## KREATE IN BRIEF

Kreate is a Finnish infrastructure construction company focused particularly on executing projects that are technically demanding or require special know-how.

Our service offering includes traffic route construction, structural engineering and circular economy services. We provide versatile solutions for bridges, roads and railways, environmental and foundation engineering, circular economy and geotechnical needs. We are a leading player especially in bridge construction and foundation engineering, when measured in volume and know-how.

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

Kreate Group is composed of the Group's parent company Kreate Group Plc together with its wholly-owned subsidiaries (Kreate Oy and Kreate Rata Oy), in addition to which the Group has a 50% holding in the joint venture KFS Finland Oy, which specialises in ground engineering. We mainly operate in Finland.

In 2020, our consolidated revenue was EUR 235 million and we employed more than 400 people. Kreate was listed on the stock exchange list of Nasdaq Helsinki in February 2021.

Personnel over

**400**

“

We have worked with many infrastructure builders, and Kreate's cooperativeness is in a league of its own. The chemistry between people simply works: they have understood what service really means.”

Customer satisfaction survey 2020  
Private sector customer

Revenue

**~ 235 M€****100+**  
projects  
annually

NPS index

**71**

EBITDA

**6%**

Annual growth

**6.4%**

Order backlog

**~ 135 M€**



# HIGHLIGHTS 2020

A circular economy project was launched in Hirvihaara. The multi-year project provides alternatives for material experimentation and promotes the creation of sustainable solutions in infrastructure construction.



Infrastructure project for Neste's first low-carbon traffic station with attention to circular economy and environmental aspects.



Kreate to cooperate on excavation work for Metsä Fibre's billion-euro project in Kemi.

The design and build contract with development phase for the Hanko overpass bridge initiated with bridge demolition work.

MARCH

JULY

AUGUST

OCTOBER

NOVEMBER

DECEMBER

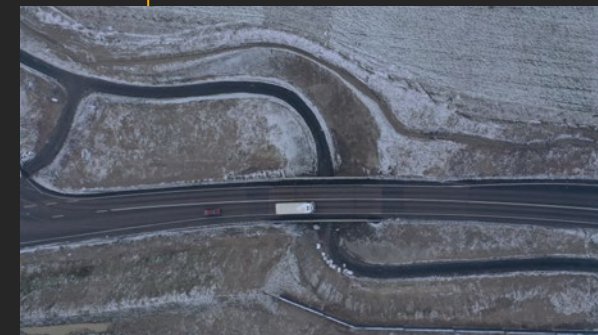
Competitive tendering win: E18 Turku ring road, Kausela-Pukkila design and build contract with development phase.



The historical transfer of the Tampere freight station opens doors for a new kind of urban development.



The Kimola Canal opened for water traffic.



Klaukkala bypass opened for traffic nearly a year ahead of schedule and about EUR 10 million under budget.

Environmental certification from the Construction Quality Association.



## IMPORTANT SUCCESSES IN AN EXCEPTIONAL YEAR – WE GO STRONGLY FORWARD

I am very happy with our performance in 2020. Despite the impacts of the COVID-19 pandemic, we increased our revenue and maintained our profitability at a good level above the industry average for a third consecutive year. We have our personnel to thank for our success. Even in these special times, they committed to developing our operations and succeeded in executing our projects with high quality and on schedule.

**T**he year 2020 started at a good pace at Kreate, driven by an exceptionally high order backlog. The mild and, in places, snowless winter helped us advance our projects effectively during the first quarter. However, like for many other companies, the year that started out splendidly took a new turn due to the global COVID-19 pandemic.

As the pandemic situation worsened and caused restrictions, construction slowed down and the start of construction projects was delayed, which reduced the volume of calls for tender and tightened competition in the industry. Our strategic specialisation in demanding infrastructure projects was an asset in the tightened market situation, as the number of players capable of carrying out projects remained smaller only in projects that were technically challenging and required special know-how. In the last quarter, however, the operating environment started to recover and public calls for tender in particular returned close to the level of previous years.



Thanks to our quick reactions, continuous instructions and guidance and the commitment of our personnel, we succeeded in safeguarding the health of our personnel and ensuring that our many demanding and critical projects proceeded on schedule. The impacts of the COVID-19 pandemic were small in terms of ongoing projects, and the progress or completion of none of the projects was jeopardised in 2020.

### Excellent progress in demanding projects

We carried out, won and efficiently advanced several large projects, such as the unique Tampere Deck project and the infrastructure project of Terminal 2 at Helsinki Airport, which comprises various types of construction.

The absolutely most memorable project of the year was the transfer of the old Tampere freight station from the way of the new layout of a road. Once again, our skilled professionals proved that they have the courage to take on the wildest challenges and complete them successfully. The historical transfer project also served as an important example of bold decision-making that supports urban development while opening doors for new kind of urban planning.

Good pre-planning, excellent cooperation right from the development phase and strong spirit of collaboration, for their part, spurred on the completion of the Klaukkala bypass project ahead of schedule. In November, we opened the Klaukkala ring road for traffic almost a year ahead of schedule and EUR 10 million under the planned budget. In addition, we opened for water traffic the unique Kimola Canal, the construction of which called for versatile expertise.

During the year, 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, with which we have gotten off to a good start. They enable the development of projects in cooperation with the customer and other parties.



**When it comes to projects,  
2020 was one of the most  
significant years in our history.**

### In good financial shape for the new year

We managed the year shaped by the COVID-19 pandemic quite well, as our revenue increased by 6.4 per cent compared to 2019 and was more than EUR 235 million. In the Structural engineering business, revenue remained on the previous year's level at slightly over EUR 150 million, and Traffic routes grew by more than 16 million, ending up at more than EUR 84 million. In Traffic routes, growth was supported by traffic projects proceeding according to plan and volume growth in railway construction. Our profitability also remained on a good level, above industry average, for the third consecutive year.

The national traffic system plan is expected to introduce long-term thinking spanning over governments into traffic network development, and to reflect positively in the infrastructure construction market. Furthermore, 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. I believe that the applicable market in structural engineering and traffic routes will at least remain on the 2020 level.

### Development in line with strategy

During the year, we proceeded towards stronger specialisation and a higher level of expertise and difficulty, in line with our strategy period. We will seek growth from an increased focus on projects that are technically demanding or require special skills and from consideration for the opportunities evoked by the changing operating environment.

Despite the pandemic, we promoted the systematic strengthening of our competitiveness in strategically important areas. We continued our efforts to improve machinery and equipment as well as machinery management. We invested particularly in special machinery and acquired, among other things, a track tamping machine for the railway business.

We strengthened our strategically important capability areas and increased our capabilities especially in railway and bridge construction. Our machine is well-oiled and ready to go, and we are starting 2021 from a strong basis. 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 skills.

### High customer satisfaction drives us

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. We will continue cooperation in current and new projects, further improving our operations.

From this position, we take on the year 2021 and proceed on the path of profitable growth in line with our strategic plans.

### Timo Vikström

President and CEO  
Kreate Group Plc



## NEW OPPORTUNITIES IN A CHANGING OPERATING ENVIRONMENT

The development and course of infrastructure construction in the near future will be affected by the densification of city centres, the growing significance of public transport infrastructure, new procurement models, circular economy and digitalisation. We will respond to the changing operating environment by deepening our expertise and by using our versatile expertise for the good of the customer.





## DENSIFICATION OF CITY CENTRES

The appeal of city centres continues to grow. Consequently, repair construction, technical works and building permits for change of use and renovations will become increasingly common in infrastructure construction.

→ Our robust expertise in technically challenging construction projects even in densely built environments as well as our specialised expertise in coastal construction put us in an excellent position to respond to construction needs in city centres also in the future.

## GROWING SIGNIFICANCE OF PUBLIC TRANSPORT INFRASTRUCTURE

Public transport infrastructure projects will become increasingly common, with construction concentrating in the vicinity of railways and light rail connections. Railway construction expertise will be highlighted in future projects, and the railway construction market will grow on account of major rail projects both in urban growth centres as well as between regional centres.

→ Our versatile expertise in railway construction along with our experience in construction projects in high-traffic environments support our competitiveness in rail projects. In addition, our innovative approach enables employing the best practices in executing projects.

## NEW PROCUREMENT MODELS

Public sector projects are increasingly carried out in some other way than traditional contracting tenders. The new procurement models used in complex, large-scale projects require new types of expertise from contractors, such as capacity for collaboration as well as partner and design management. At the same time, references and formal qualifications are becoming increasingly important in contracting tenders.

→ The new procurement models offer us increased opportunities to influence the projects together with the other partners, resulting in improved cost-effectiveness and innovative and sustainable construction solutions.

## CIRCULAR ECONOMY

As natural resources are depleted, the use of virgin materials has to be controlled, which increases demand for more sustainable and effective material solutions. Material efficiency becomes more important, and circular economy solutions may offer a competitive advantage. Sustainable operations and values also increase attractiveness as an employer.

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

## DIGITALISATION

The significance of digital tools and processes is highlighted in joint contracts where the customer wants to be well-informed about the progress of the project. Opportunities for improving efficiency are also provided by the digitalisation of machinery as well as improvements in bidding, quality assurance, subcontracting, and site and work supervision.

→ We will streamline the construction process from design to subcontracting by utilising intelligent data processing. We improve work safety through automating hazardous work phases and standardised processes and we adopt new methods and equipment that improve personal safety.

# STRATEGY GUIDES PROFITABLE GROWTH

We effectively execute comprehensive solutions for even the most complex infrastructure projects with a solution-oriented approach, all the while keeping the promises we make. During the 2024 strategy period, we will seek growth from an increased focus on demanding constructions and from consideration for the opportunities evoked by the changing operating environment. We aim at being a profitable growth company with an entrepreneurial spirit and the most attractive employer in the industry.

**We have a clear strategy that aims at continued profitable growth**

We are a profitable growth company with an entrepreneurial spirit, executing even the most demanding infrastructure projects. For skilled professionals, we offer the most attractive work community in the industry and opportunities for growth.

**1.**

We are positioned in growing market segments

**2.**

We strengthen and expand our customer base and service offering

**3.**

We support the strategy with selected acquisitions

**4.**

We support the strategy with selected acquisitions

**We continue improving operational efficiency and profitability.**

## 1. Positioning in growing market segments

We plan to focus on executing complex infrastructure projects also in the future. We aim to leverage our good market position and to grow in the core market segments that especially benefit from the increased complexity of infrastructure construction. These include, for instance, projects carried out in densely built urban environments and in demanding soil conditions.

## 2. Strengthening and expanding the customer base and service offering

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

## 3. Supporting the strategy with selected acquisitions

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

## 4. Continuous improvement of operational efficiency and profitability

We seek revenue growth and maintain a good level of profitability by ensuring the personnel's high level of expertise, by winning tenders and by developing internal collaboration and efficient processes. As one way of improving our operational business practices and efficiency, we have implemented an annual development programme aiming at improved efficiency of operations.





## We build our competitiveness by reinforcing the cornerstones of our business

### ABILITY TO WIN

Our offer calculation is consistent and efficient, and we have the ability to make the winning offer. We know our customers and embark in partnerships with them to carry out even the most complex projects.

### WELL-LUBRICATED MACHINE

Being the best in the industry requires a well-lubricated machine – we do not lose to any competitor in the efficiency of operations. Our flat organisation suits our business and uses resources efficiently.

### ACHIEVING MORE TOGETHER

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

### BEST PEOPLE IN THE INDUSTRY

The best talent in the industry works for us – we are a responsible employer and the most attractive workplace in infrastructure construction. Our personnel get to focus on what matters, develop their competences and move forward in their careers.

### Values

## STRONG VALUES AT THE CORE OF OUR CORPORATE CULTURE

In addition to the cornerstones of our business, our corporate culture is based on values guiding our operations and management. The values create a foundation for our open corporate culture and guarantee a solution-oriented and reliable approach to our customers.

### INTEGRITY

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

### HUMANITY

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

### ENTREPRENEURSHIP

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

### STRAIGHTFORWARDNESS

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

# WE MAKE SUSTAINABLE CHOICES TOGETHER

We are developing a committed and healthy work community with a desire to develop our operations in all areas, from high-quality project operations to corporate responsibility and profitability. High-quality management of human resources, occupational safety, promotion of circular economy in infrastructure construction and the company's profitable growth are core drivers of sustainability in Kreate's business.





Together with our committed professionals, we are building our company's financial success and profitable growth to ensure continuity and the well-being for our personnel and create a basis for taking our other stakeholders into consideration. Our Group's code of conduct supports activities in line with our values, promoting good corporate citizenship and sustainable development.

In 2020, we also took steps forward with regard to the environment, when The Construction Quality Association RALA granted our management system an environmental certification which is based on the ISO 14001 system and tailored to meet the special needs of the Finnish construction industry.

### New energy in personnel development

We want to be an attractive employer that listens to its employees and continuously increases openness in its operations and corporate culture. The COVID-19 pandemic reduced common events and encounters or made them virtual, which increased the importance of performance and follow-up reviews. In the discussions, we received comprehensive feedback from the personnel regarding their own career aspirations as well as job satisfaction and issues that require developing.

Based on strategic capability and career needs, the Management Team decided in the last quarter to start advancing KreateAkademia, the goal of which is to improve implementing shared practices, competence development and personnel training for example in sustainability, supervisory work and communications. KreateAkademia applies different learning methods from traditional classroom teaching to e-learning and workshops.

However, learning on the job and gradually taking on more challenging projects remains at the core of personnel development. The combination of responsibility, new challenges and support from more senior colleagues enables our people to build stronger professional skills and create career paths also in the future.

### Improving work safety in special circumstances

We continued work safety development by involving supervisors and personnel in the continuous improvement of safety by developing close call reporting and by providing tools and information to develop the safety culture. Due to the COVID-19 pandemic, work safety communications and activities focused on preventing the coronavirus from spreading at worksites and offices. Visits of outsiders to worksites were restricted, which also impacted the number of safety audits and management's safety walks. However, the reduced worksite visits were compensated with efficient communications and by organising remote safety trainings and meetings.

Our personnel bases its work on the code of conduct and our core values, which during the COVID-19 season was evident in meticulous attention to instructions, respect for others and a spirit of working together for a common goal. Thanks to our quick action and the continuing regular communications as well as the carefulness of our personnel, the impacts of the COVID-19 pandemic on our personnel and ongoing projects remained small. Sick leaves did not increase in 2020, either.

In the 2020 observation period, eight accidents affecting lost-time accident frequency occurred in our Group. The commitment and strong professional skills of our personnel promote the realisation of the zero-incident model as well as safety development in all areas.



### Promoting circular economy in infrastructure construction increases sustainability in the entire industry

Our operating model includes identifying, offering and utilising solutions supporting the circular economy. We implement solution alternatives requested by customers according to their wishes, but we also actively seek other opportunities to promote circular economy in infrastructure construction.

In 2020, we promoted circular economy in infrastructure construction in various ways. We participated in Infra Contractors Association in Finland and Finnish Environmental Industries YTP, carrying out influencing work aimed

at promoting the use of recycled materials in public procurement, among other things. We also participated in the UUMA 3 programme, which promotes the use of recovered materials in groundworks, and represented infrastructure contractors in a steering group that drafted the Low-carbon roadmap of construction industry 2035, led by the Confederation of Finnish Construction Industries RT.

We drove circular economy in both our own circular economy projects and the infrastructure projects of our other business units. In addition to the Hirvihaara circular economy project spanning several years, we initiated shorter projects, some of which we already completed during 2020. The protection embankment for the Hirvihaara shooting sports

centre in Mäntsälä, being built using recovered materials, offers a unique opportunity to scale up proven solutions in our route and foundation engineering projects, which for its part promotes the creation of sustainable solutions in infrastructure construction.

The appropriate utilisation of materials is of utmost importance in infrastructure construction, and comprehensive consideration of the circular economy in all projects increases environmental friendliness and cost-effectiveness. As professionals, we always ensure that the conditions for recycled materials are met, that the possibilities in circular economy are examined thoroughly and that a high-quality end result is delivered.

Responsibility theme	Measured aspect	Indicator	Measurement frequency	2017	2018	2019	2020
Work practices	personnel turnover,%	Exit turnover,%	1 y	16	5.5	8.1 YTD	5.1
Work practices	Number of students and trainees	% of personnel	1 y	6.7		4.78	5.1
Work practices	Share of men and women of clerical employees	% of clerical employees	1 y	men 84.3 women 15.7	men 81.0 women 19.0	men 89 women 11	men 89.5 women 10.5
Work practices	employee Net Promoter Score	Net Promoter Score in personnel survey	1 y	24	58	64	64*
Safety and health	Number of work-related accidents	Lost-time Accident Frequency	1 mth	9.3	16.4	9.14	9.9**
Safety and health	Amount of absences due to illness	Absences due to illness,%	1 mth	2	1	3	2.7
Environment	No occurrences of environmental damage	pcs	1 y	0	0	0	0
Quality of internal operations	Serious deviations in audits	pcs	1 y	2	0	0	0
Social responsibility	No violations of code of conduct	pcs	1 y	0	0	0	0

\* The eNPS figure for 2020 is the same as in 2019, because a survey was not carried out due to the pandemic.

\*\*The lost-time accident frequency for 2020 also includes KFS Finland Oy, while the figure for earlier years includes Kreate Group with its wholly owned subsidiaries (without KFS Finland the Lost-time Accident Frequency was 11.1 in 2020).



# VERSATILE AND STRONG SPECIAL EXPERTISE IN INFRASTRUCTURE CONSTRUCTION

We offer all infrastructure construction services under one roof and make things easy, respecting our customers' business. Our solution-oriented capabilities are best expressed in demanding projects requiring that the constructor has especially high expertise, ability to work closely together with engineers and the skill to finish projects successfully.





## STRUCTURAL ENGINEERING

The Structural engineering business consists of bridge construction and repair, foundation and concrete engineering as well as rock engineering. We are a leading player especially in bridge construction and foundation engineering, when measured in volume and know-how.

**BRIDGE CONSTRUCTION AND REPAIR** covers both the construction of new bridges and the repair of existing ones. Our strong experience is reflected in the versatile and demanding nature of the projects we have executed. We apply decades of bridge construction experience also in other infrastructure construction projects, such as demanding structural and concrete engineering projects.

### Highlights from projects in 2020

- The old stone bridge of Pomarkku was completed in May. The stone bridge, built in 1913, was reassembled with thinner stones to maintain its old appearance but with a modern core. Reconciling the measurements of the concrete structure and the right look of the stone structure was challenging but rewarding.
- We won the competitive tendering for the design and build contract with a development phase for the Hanko overpass bridge. The project included a development phase in which the look and structure of the bridge was redesigned. We began the demolition work for the overpass bridge at the end of the year, after which we will continue to build the bridge, which is situated in the city centre and crosses the railway line.
- We transferred the old Tampere freight station to make way for a new layout of a road. We made careful pre-prepara-

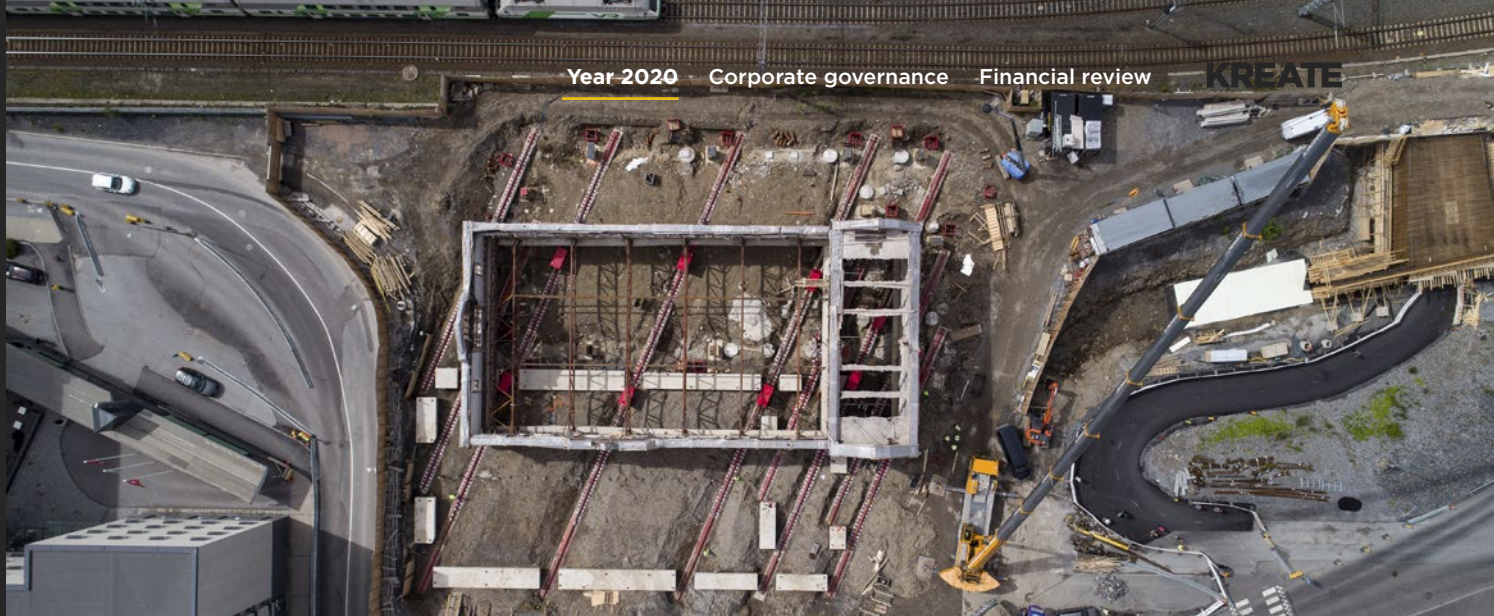
tions to ensure that the brick building remained intact during lift, transfer and setting on the new foundation.

- We nearly completed our part of the unique Tampere Deck project situated in a traffic junction in the centre of the city.
- At the end of the year, we completed the technically demanding renovation of the Lauttasaari bridge in Helsinki. We renovated and strengthened the structures of the bridge and closed permanently the raising leaf of the bridge.
- During the year, we constructed several railway bridges, which we jacked into place during a track break. One of the bridges was the Pinninkatu street railway bridge in Tampere.

**OUR EXPERTISE IN FOUNDATION  
ENGINEERING** is evident in comprehensive foundation and concrete engineering solutions that require high-quality construction as well as strong know-how in data modelling and casting.

### Highlights from projects in 2020

- We transformed the Kimola Canal in the middle of the Kouvola-Heinola-Lahti triangle from a logging canal into a pleasant waterway for boating. The interesting lock and waterway project showcased the entire spectrum of infra-



structure construction and the seamless cooperation of our units. The project included many technically challenging aspects, such as the excavating and reinforcing of the rock tunnel and the massive concrete structures and integrating them with the hefty locks.

- We continued the versatile Terminal 2 infrastructure project at Helsinki Airport. In addition to the concrete structures, the project includes the excavation for the ring rail connection, the foundation and concrete structures of the new car park and terminal as well as the construction of the decks for taxi and pick-up and drop-off traffic.

- We implemented infrastructure construction solutions for the traffic station of the future commissioned by Neste in Tuusula. It was Finland's first low-emission station with a more than 30 per cent smaller carbon footprint. As an infrastructure constructor, we ensured that circular economy and environmental thinking and the low-carbon principle were already observed in the excavation phase of the project. The site is a fine example of how the use of recycled materials does not limit construction or influence its methods.





**OUR KNOW-HOW IN SPECIAL FOUNDATION CONSTRUCTION** is concentrated in the joint venture KFS Finland, of which we own 50% and which is the market leader in its area of business. The ground engineering functions cover, among others, jet grouting, stabilisations, drill piling, construction of retaining walls and anchoring.

#### Highlights from projects in 2020

- Electricity company Tampereen Sähkölaitos commissioned a new boiler unit in Naistenlahti for electricity and district heating production. The project was executed under the leadership of bridge professionals, but KFS took care of drill piling and anchoring of pile planking in a tight schedule.

- The renovation of the Hirvijoki and Livu railway bridges located on the Turku-Uusikaupunki track section was implemented as a joint project. The Bridge construction and repair unit was responsible for the construction of the Hirvijoki railway bridge, anchored bulkheads, element pile slabs, new concrete pillars and rails in the project area at Nousiainen. In addition, the Livu railway bridge and the bulkheads at Mynämäki were renovated.

- The KFS Finland Stabilisation and Drilled piles unit participated with the Route unit in the construction of the Peijinkatu, Peijinkuja and Peijinkulma streets and Hannuksenuisto park for the City of Espoo.

**OUR ROCK ENGINEERING** expertise enables challenging residential area excavations, quarrying and rock engineering operations even in demanding projects.

#### Highlights from projects in 2020

- The rock engineering unit was responsible for the massive excavations for the Klaukkala ring road. There was 450,000 m<sup>3</sup> to excavate and at times, our experts even worked on a busy motorway.

- During 2020, we worked on large excavations and mostly finished them in the Trunk road 5 Nuutilanmäki-Juva project.

- In the autumn, we started improvement works on the busy Trunk road 9 at Orivesi, and the rock engineering unit is responsible for excavations.





## TRAFFIC ROUTES

The Traffic routes business includes the construction of streets and roads as well as railways.



## CIRCULAR ECONOMY



**IN TRAFFIC ROUTES**, we focus especially on demanding and wide-spanning projects that involve demanding technical aspects, such as geotechnical structures, several exit ramps and crossroads. We often carry out projects in demanding environments, for example street repair work in urban areas.

Highlights from projects in 2020

- In April, we initiated a large design and build contract with a development phase for the second phase of the E18 Turku ring road. In the project, we are for example expanding the Kausela-Pukkila section to be four lanes wide, improving the multi-level junction at Kausela, repairing and renewing the bridges crossing Aurajoki river and carrying out road improvements on Trunk road 10 between the ring road and Kaarinantie.
- We opened the Klaukkala ring road to traffic nearly a year ahead of schedule and underspent the budget by about EUR 10 million. We carried out careful planning already in the tendering phase, and our greatest innovation was developing the mass balance of the project. We raised the road and were able to make use of all soil and rock material in the construction instead of transporting it away. The solution sped up the work, increased cost-efficiency and reduced the carbon footprint of the project.
- The Trunk road 5 Nuutilanmäki-Juva project spanning

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

Highlights from projects in 2020

- We started the Hirvihaara circular economy project, which spans many years and in which we are constructing a protection embankment for the Mäntsälä shooting sports centre using recycled materials. During 2020, we initiated a digitalisation project in Hirvihaara with the aim to promote the safe use and tracking of circular economy materials and speed up permitting processes. In addition, we submitted a permit

many years proceeded as planned: we advanced several bridge sites and opened a road running parallel to the trunk road in the summer.

- At the end of the year, we signed a contract with Metsä Fibre on the preparatory excavation work of the Kemi bioproduct factory, covering four projects. Our project entity is part of Metsä Fibre's EUR 1.5 billion bioproduct factory investment.

**OUR RAILWAY CONSTRUCTION** functions include construction works relating to railways, rail yards, tramways and subways. The projects vary from more extensive railyard modernisations to smaller bridge and mass replacement works.

Highlights from projects in 2020

- We won the project for the Lauritsala station included in the Luumäki-Imatra railway project and started work in the summer. The project includes, among other things, the construction of new rails at the Lauritsala station, the new Tunnelikatu underpass involving challenging construction work, the construction of a service road and safety device, electrical rail and heavy current work.
- We carried out the construction and rail work for the Myllykoski station included in the Kouvola-Kotka/Hamina rail project. We installed four long points and renewed the platforms of the current Myllykoski station.

application including extensive reports and research to the environmental authorities. The project offers a unique opportunity to scale up proven solutions in our route and foundation engineering projects, which for its part promotes the creation of sustainable solutions in infrastructure construction.

- In the Hirsala Golf project, the circular economy unit executes the renovation, backfill and levelling of the driving range and the asphaltting of the road leading to the area. The raising of the driving range is carried out using surplus soil, and the construction site roads are built with crushed concrete.
- At the end of 2020, we received the environmental permit for the new Marjala circular economy area, which will serve as a processing area for recycled materials. The construction of the circular economy area will also be carried out using recycled materials.



# WHY INVEST IN KREATE



Kreate's ability to generate value for shareholders and other stakeholders is based on the company's strong profit-making ability as well as a stable market and specialised expertise that stays in demand. We aim at better-than-average profitability through skilled and motivated personnel, first-class references and satisfied customers.

## Large market with stable growth prospects

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

## Broad and differentiated offering meeting customers' needs

Kreate's broad and differentiated offering and its pioneer approach to using digital tools and processes create a competitive advantage, as urbanisation concentrates the infrastructure construction market in the largest cities. Construction in a dense, already built urban environment requires special competences, such as underground construction and managing challenging soil conditions.

## First-class references

Kreate has excellent references for demanding infrastructure projects as well as expertise and experience in very demanding projects. In the industry, references for prior work have an important role, which is why our successful references will continue to be a competitive advantage.

## Attractive employer and skilled personnel

Our personnel's experience spans hundreds of complex

and demanding infrastructure projects. Our expertise is supported by the personnel's high level of education and their motivation to develop. Our own employees usually carry out the most demanding tasks in the projects, while we collaborate with subcontractors mainly in repetitive tasks. Using our own personnel enables better visibility and project management at the construction sites. We attract and retain talent by offering challenging projects requiring versatile competences, clear career paths and a lucrative remuneration system.

## Satisfied customer base

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

## Efficient operating model

Thanks to our efficient processes, we are able to carry out projects as planned in a profitable way. This is ensured by skilled project management, work planning and scheduling as well as consistent work processes that also enable the efficient utilisation of special expertise and specialised fleet across Finland. We participate in tenders systematically and focus particularly on tendering for technically complex projects or projects that require special skills. Our professional bidding processes help our company to win tenders while ensuring a good level of profitability in projects.

## Strong financial position

We have achieved strong revenue growth while maintaining a good level of profitability and return on equity. The profitability and growth rate have exceeded the industry average. Return on capital employed has also been high, on average 18.1% in 2018–2020. Free cash flow from operating activities has been strong, as profitability has been at a good level and the business model does not tie up a large amount of capital.

# FINANCIAL TARGETS 2020–2024

## GROWTH

We aim for net sales of EUR 300 million in 2024 through a balanced combination of organic growth and selective bolt-on acquisitions.

## PROFITABILITY

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

## GEARING

We aim for net debt to EBIDTA below 2.0x.

## DIVIDEND POLICY

We aim to distribute at least half of the annual net result as dividends, taking into account Kreate's financial position, cash flows and growth opportunities.







# CORPORATE GOVERNANCE



# KREATE GROUP PLC CORPORATE GOVERNANCE STATEMENT 2020

## 1 INTRODUCTION

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

In 2020, Kreate's corporate governance system was based on Kreate's Articles of Association, the Finnish Companies Act (624/2006, as amended) and other legislation applicable to the company.

As of the listing of Kreate, Kreate has also complied with the Finnish Corporate Governance Code 2020 (the "Corporate Governance Code") published by the Finnish Securities Market Association, which entered into force on 1 January 2020, and Nasdaq Helsinki Ltd's rulebook for issuers of shares (the "Rules of the Exchange"). The Corporate Governance Code is available on the Finnish Securities Market Association's website at [www.cgfinland.fi](http://www.cgfinland.fi).

## 2 GOVERNANCE

### 2.1 General Meeting of shareholders

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

Kreate's General Meeting resolves on matters determined by the Finnish Companies Act and Kreate's Articles of Association. Key matters to be resolved by the General Meeting are accepting the financial statements, discharging the members of the Board of Directors and the President and CEO from liability, deciding on the distribution of profit, electing the members of the Board of Directors and the auditor and deciding on their respective remuneration. Furthermore, according to the Finnish Companies Act, shareholders have the right to require a certain issue to be dealt with at the General Meeting, provided that the issue fall within the competence of the General Meeting.

Kreate's Annual General Meeting is held annually no later than six months after the end of Kreate's financial year. The notice to the Annual General Meeting must be sent to the

shareholders by a notice published on the company's website no earlier than three months and no later than three weeks prior to the Annual General Meeting, however no later than nine days before the record date of the Annual General Meeting.

Kreate's Annual General Meeting 2020 was held in Helsinki on 5 May 2020

### 2.2 Board of Directors

The Board of Directors is to oversee the governance of the company and the appropriate organisation of the company's operations in accordance with the Finnish Companies Act. According to Kreate's Articles of Association, Kreate's Annual General Meeting elects a minimum of three and a maximum of ten Board members, and the Board of Directors elects a chairman from among its members. In 2020, proposals for the composition of the Board of Directors were made by the Board of Directors.

#### 2.2.1 Tasks and operations of the Board of Directors

In accordance with the Corporate Governance Code, Kreate's Board of Directors has prepared a written charter for its operations in connection with the listing, which sets out the Board's key tasks and operating principles. The charter of operations of the Board of Directors of Kreate entered into force on 8 February 2021 by a resolution of the Board of Directors.

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

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

- directs and oversees Kreate's management and operations;

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

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

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

During 2020, the Board convened a total of 14 times. Information on the participation of Board members in the meetings is presented in section 2.2.2 below.

#### 2.2.2 Composition of the Board of Directors

The members of the Board of Directors must have sufficient

qualifications and skills, as well as the opportunity to spend sufficient time on Board work. Experience and expertise that complement each other is sought for the Board, and Kreate's objective is to ensure that the age and gender distribution of Board members and educational background are taken into account in addition to experience, competence and industry knowledge in the preparation of composition of the Board of Directors. Kreate believes that the composition of its Board of Directors is appropriately diverse.

At the Annual General Meeting of 2020, Petri Rignell (Chairman), Timo Kohtamäki, Ronnie Neva-aho, Janne Näränen, and Markus Väyrynen were elected to the Board of Directors. In addition, Elina Pienimäki was elected as a new member to the Board of Directors by a unanimous resolution made by Kreate's shareholders on 16 December 2020.

The following table sets forth information about Kreate's Board members as at 31 December 2020:

## 2.3 Board committees

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

The Board of Directors had no committees in 2020.

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

Name	Personal information	Total number of shares as at 31 December 2020	Attendance at Board meetings during 2020
<b>Petri Rignell</b>	Chair of the Board of Directors Member of the Board since 2015 Born: 1962 Education: M.Sc. Technology Main occupation: CEO of PriRock Oy Not independent of Kreate but independent of its major shareholders	69,908 <sup>(1)</sup>	14/14
<b>Timo Kohtamäki</b>	Member Board of Directors Member of the Board since 2015 Born: 1963 Education: Lic.Sc. Technology Main occupation: CEO and Chair of the Board of Timo Kohtamäki Consulting Oy Independent of Kreate and its major shareholders	25,952	14/14
<b>Ronnie Neva-aho</b>	Member of the Board of Directors Member of the Board since 2014 Born: 1967 Education: Upper secondary school graduate Main occupation: CEO of Maxirate Oy and Rimole Oy Independent of Kreate and its major shareholders	143,599	14/14
<b>Janne Näränen</b>	Member of the Board of Directors Member of the Board since 2014 Born: 1975 Education: M.Sc. Technology and Economics Main occupation: Partner at Intera Partners Oy Independent of Kreate but not of its major shareholders.	0	14/14
<b>Elina Pienimäki</b>	Member of the Board of Directors Member of the Board since 2020 Born: 1979 Education: M.Sc. Economics Main occupation: CEO of Wulff-Group Plc. Independent of Kreate and its major shareholders	0	0/0
<b>Markus Väyrynen</b>	Member of the Board of Directors Member of the Board since 2019 Born: 1972 Education: M.Sc. Technology Main occupation: Chair of the Board of Directors of Insplan Oy Independent of Kreate and its major shareholders	15,075	14/14

<sup>(1)</sup> Indirect holding through PriRock Oy.



### 3 CEO AND MANAGEMENT

#### 3.1 President and CEO

The President and CEO is responsible for managing, supervising and controlling the business operations of Kreate. Further, the President and CEO is responsible for the day-to-day executive management of Kreate in accordance with the instructions and orders given by the Board of Directors. In addition, the President and CEO ensures that the accounting practices of Kreate comply with the relevant laws and that its financials have been organised in a reliable manner. The duties of the President and CEO are governed primarily by the Finnish Companies Act. The President and CEO shall provide the Board of Directors and its members with the information necessary for the performance of the duties of the Board of Directors.

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

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

#### 3.2 Management Team

The duties of The Management Team of Kreate is to assist the President and CEO in planning of the operations and operational management. In addition, the Management Team prepares potential investments, acquisitions and development projects. The Management Team convenes on a regular basis, and it comprises of the directors of key business areas and service units. The Board of Directors decides on the remuneration of the members of the Management Team.

The following table sets forth the information about the members of Kreate's Management Team as at 31 December 2020:

Name	Personal information	Total number of shares as at 31 December 2020
<b>Timo Vikström</b>	President & CEO Born: 1968 Education: Engineer, eMBA	83 075
<b>Tommi Hakanen</b>	Director, Technical office Born: 1978 Education: M.Sc. Technology, B.Sc. Enineering	14 764
<b>Antti Heinola</b>	CFO Born: 1973 Education: M.Sc. Economics	77 008
<b>Jaakko Kivi</b>	Senior Vice President, Traffic routes Born: 1971 Education: M.Sc. Engineering	40 816
<b>Tommi Lehtola</b>	Head of Business Area, Foundation and concrete construction Born: 1980 Education: B.Sc. Engineering	52 900
<b>Ville Niutanen</b>	Managing Director, KFS Finland Oy Born: 1972 Education: PhD, Master of Arts, B.Sc. Engineering	23 633
<b>Katja Pussinen</b>	Head of HR Born: 1975 Education: M.Sc. Economics, Bachelor of Economics	33 963
<b>Sami Rantala</b>	Head of Business Area, Bridge construction and repair Born: 1970 Education: M.Sc. Engineering	470 130 <sup>(1)</sup>
<b>Juha Salminen</b>	Managing Director, Kreate Rata Oy Born: 1966 Education: B.Sc. Engineering, Civil and construction engineering technician	297 709 <sup>(2)</sup>
<b>Petri Uitus</b>	Technical Director Born: 1967 Education: Civil engineer	45 454

<sup>(1)</sup> Including indirect ownership through Beachfish Invest Oy (79,596 shares) and direct ownership (390,534 shares).

<sup>(2)</sup> Including indirect ownership through Lynx Rave Invest Oy (68,449 shares) and direct ownership (229,260 shares).

### 4 RISK MANAGEMENT, INTERNAL CONTROL AND AUDIT

#### 4.1 Risk management

Kreate's risk management is based on a risk management policy approved by the Board of Directors, which aims at comprehensive and proactive management of risks. The Board of Directors of Kreate approves the risk management policy and its targets, and directs and oversees the planning and implementation of the risk management. The objective of Kreate's risk management policy is to continuously and systematically identify the most significant risk factors and manage them optimally so that the company achieves its strategic and financial targets. The policy is based on managing the group's overall risk exposure and not merely the individual risk factors.

A risk is defined as an external or internal uncertainty that, if realised, would have a positive or negative effect on Kreate's abilities to reach strategic and financial targets in a sustainable and ethical way.

Risk management is an integrated part of the group's management, monitoring and reporting systems. Risk management covers risk identification, assessment and contingency plans for all major risk categories. Kreate divides risk factors into strategic, operational, accident and financial risks.

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

- reducing, sharing or transferring of risk, for example by changing operations, improving controls, insuring or contracting;
- eliminating the risk, for example by giving up activities that are too risky and preparing for the risk to materialise, e.g. through recovery plans, and
- risk acceptance without specific risk management measures.

For risk management measures, persons responsible are appointed who are responsible for the planning, implementation and monitoring of the measures. The measures identified will be linked to action plans and monitoring.

The President and CEO carries the total responsibility for risk management. The President and CEO is responsible for organising and planning, developing, coordinating and monitoring the risk management strategy as well as for its implementation and communication throughout the organisation. The President and CEO reports to the Board of Directors. The Group Management team is responsible for the implementation of risk management, i.e. identification of risks, monitoring and assessing risks and risk-related actions. The group's financial management is

responsible for identifying and assessing financial risks, and reports to Group Management.

## 4.2 Internal control and audit

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

# 5 OTHER INFORMATION

## 5.1 Insider management

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

The insider policy complements the provisions of Market Abuse Regulation (596/2014/EU) and related regulations, domestic regulation, especially Chapter 51 of the Finnish Criminal Code (39/1889) and the Finnish Securities Markets Act (746/2012), the Rules of the Exchange, the Guidelines for Insiders of Nasdaq Helsinki Ltd and the guidelines of Finnish Financial Supervisory Authority on insider matters in force at each time.

The person in charge of insider issues in Kreate is Kreate's CFO and Kreate's Group Controller shall act as his/her deputy. The person in charge of insider matters performs duties relating to Kreate's insider administration, monitors compliance with the obligations under Kreate's insider policy, is in charge of insider lists and lists maintained of persons discharging managerial responsibilities and persons closely associated with them as well as of duties related to trading restrictions and notifications of transactions.

Kreate's has set up a whistle blowing procedure in order for the persons employed by Kreate to have means of notifying cases in which there is reasonable doubt that someone employed by Kreate would have violated laws and regulations concerning securities markets.

## 5.2 Obligation to notify transactions

As of the listing persons discharging managerial responsibilities of Kreate and persons closely associated with them shall notify their transactions in financial instruments of Kreate to Kreate and to the Finnish Financial Supervisory Authority promptly and

no later than three business days after the date of the transaction. Kreate discloses notifications of transactions by means of a stock exchange release within two working days of receiving the notification. Kreate does not disclose notifications of transactions prior to the annual threshold of EUR 5,000 being met.

The Chairman and the deputy Chairman of the Board of Directors, members and any deputy members of the Board of Directors, the President and CEO and any deputy CEO's as well as Kreate's Management Team are deemed to be persons discharging managerial responsibilities in Kreate.

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

## 5.3 Insider lists and trading restrictions

Kreate enters all persons having de facto access to inside information and working for Kreate under a contract of employment, or otherwise performing tasks through which they have de facto access to inside information, in a project-specific insider list.

Persons entered into a project-specific insider list and other persons who are in possession of inside information regarding Kreate are prohibited from trading in Kreate's financial instruments, cancelling or amending an order to acquire or dispose of such financial instruments, recommending another person to trade in such financial instruments or inducing another person to trade in such financial instruments after being in possession of the information concerning the project.

Persons discharging managerial responsibilities are prohibited from conducting transactions, on their own account or for the account of a third party, in Kreate's financial instruments before the announcement of a quarterly financial report, half-yearly report or the financial statements release for a period of 30 days preceding the announcement of the quarterly financial report, half-yearly report or financial statements release, until the end of the day of publication of such report included (the closed window). In case the financial statements include information that has not been previously disclosed in the financial statements release and such information may have material effect, such as future outlook, the closed window applies also to the financial statements.

In addition, Kreate has decided to also apply the closed window to persons participating in the preparation and drawing-up of quarterly financial reports, half-yearly reports or the financial statements releases of Kreate (company's trading restriction).

Prior to conducting transactions in Kreate's financial instruments, persons discharging managerial responsibilities and persons to whom the company's trading restriction applies, must always confirm with the person in charge of insider issues that

there is no impediment to conducting a transaction. A transaction in Kreate's financial instrument must not be conducted before the person in charge of insider issues has approved the transaction, and the transaction must be conducted within two weeks from the approval.

## 5.4 Principles for related party transactions

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

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

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

# 6 AUDIT

Pursuant to the Articles of Association, the company has one auditor that shall be an auditing firm approved by the Finnish Patent and Registration Office. The auditor's term of office begins from the General Meeting deciding on the auditor's election and ends at the close of the next Annual General Meeting following the election.

Kreate's Annual General Meeting held on 2 May 2019 elected audit firm KPMG Oy Ab as Kreate's auditor, with Turo Koila, APA, as its principal auditor, which also acted as Kreate's auditor in the financial year 2020.

Fees paid to the auditor for the audit in 2020 were EUR 38 thousand and for other non-audit services EUR 111 thousand.



# KREATE GROUP PLC – REMUNERATION REPORT OF THE GOVERNING BODIES

## 1 INTRODUCTION AND REMUNERATION PRINCIPLES

The corporate governance of Kreate Group Plc complies with the Finnish Companies Act and the Finnish Corporate Governance Code 2020 (the "Corporate Governance Code") issued by the Finnish Securities Markets Association.

No remuneration policy prepared under the Corporate Governance Code has been presented to Kreate's Annual General Meeting prior to this remuneration report. The first remuneration policy will be presented to the company's Annual General Meeting on 5 May 2021.

This remuneration report presents information on the remuneration of Kreate's Board of Directors and President and CEO for the period between 1 January 2020 and 31 December 2020, as well as comparative information as applicable for the years from 2019 to 2017. Comparative information for 2016 is not available, as the company has not prepared comparable financial statements for the financial year 2016.

As of 2021, the remuneration of Kreate's governing bodies is based on a remuneration policy. The remuneration policy will be applied until the Annual General Meeting of 2025, unless the Board of Directors decides to present it before the Annual General Meeting earlier. The objective of the remuneration policy is to promote the company's long-term financial performance and assist in implementing Kreate's strategy, in which the company pursues a position as one of Finland's leading implementers of demanding infrastructure construction projects. The primary objective of the remuneration policy is to ensure that Kreate follows performance based remuneration, which rewards for implementing Kreate's strategy in a simple, transparent and comprehensible manner.

The remuneration policy is based on the following key principles:

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

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

## 2 DEVELOPMENT IN REVENUE AND OPERATING PROFIT AND REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS, PRESIDENT AND CEO AND PERSONNEL FROM 2017 TO 2020

The tables below set forth the development of Kreate's revenue and profit for the period from the year 2017 to 2020 as well as the development of remuneration of the company's Board of Directors, President and CEO and personnel for the period between 2017 and 2020.

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

(EUR thousand)	2020	2019	2018	2017
Remuneration paid to the Chair of the Board of Directors <sup>(1)</sup>	54	54	57	29
Change (%)	0.0	-5.3	96.5	
Remuneration paid to ordinary members of the Board of Directors, in total	28	27	18	18
Change (%)	3.7	50.0	0.0	
Remuneration paid to the President and CEO <sup>(2)</sup>	427	323	311	451
Change (%)	32.2	3.9	-31.0	
Remuneration paid to Kreate employees, on average	64	60	57	52
Change (%)	6.4	5.6	8.9	

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

<sup>(2)</sup> The remuneration of the President and CEO for 2017 consists of the remuneration of Timo Vikström, Jouni Happonen and Petri Rignell. Vikström started as the company's President and CEO in July 2017 and Rignell acted as the company's interim President and CEO from May 2016 to June 2017.

### 3 REMUNERATION OF THE BOARD OF DIRECTORS 2020

Kreate's Annual General Meeting held on 12 May 2020, resolved that for 2020 the members of the Board of Directors shall be paid the following remuneration: EUR 13,500 to the Chair of the Board of Directors and EUR 9,000 to the members of the Board of Directors. No remuneration was paid to Janne Näränen.

The following table sets forth the remuneration paid to the members of the Board of Directors from 1 January to 31 December 2020.

2020	Annual remuneration (EUR)	Other financial benefits (EUR)
Petri Rignell, chair <sup>(1)</sup>	11,475	43,000
Timo Kohtamäki, member	9,000	
Ronnie Neva-aho, member	9,000	
Janne Näränen, member	0	
Elina Pienimäki, member	750	
Markus Väyrynen, member	9,000	
In total	39,225	43,000

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

### 4 REMUNERATION OF THE PRESIDENT AND CEO 2020

The President and CEO's remuneration consisted of a fixed base salary, a variable salary component, and a pension benefit. The share of the performance bonus was a maximum of 71.5 per cent of the annual salary. In addition, the President and CEO was entitled to a supplementary pension paid by the company. According to the supplementary pension agreement, the amount of the supplementary pension was 15 per cent of the fixed base salary. The date of withdrawal is at the discretion of the President and CEO, but the supplementary pension can be withdrawn at the earliest from the age of 58. The supplementary pension is defined contribution scheme.

The following table sets forth the remuneration paid to the President and CEO from 1 January to 31 December 2020.

2020	EUR 1,000
Fixed base salary	254
Performance bonus	139
Supplementary pension	35
In total	427

The performance bonus paid was based on the financial and operational targets set by the Board of Directors for the President and CEO for the 2019 financial year. The targets were related to the company's working capital and, among other things, the number of work related accidents. The President and CEO's performance bonus based on the 2019 financial year was EUR 139 thousand.

At the beginning of 2020, the Board of Directors set a short-term performance bonus criteria for the President and CEO, on the basis of which the President and CEO earned a performance bonus of EUR 150 thousand for 2020. The performance bonus was paid in the first quarter of the financial year 2021.



# BOARD OF DIRECTORS 31 Dec. 2020



**Petri Rignell**

M.Sc. Technology  
Member of the Board since 2015,  
Chair of the Board of Directors



**Timo Kohtamäki**

Lic.Sc. Technology  
Member of the Board since 2015



**Ronnie Neva-aho**

Upper secondary school graduate  
Member of the Board since 2015



**Janne Näränen**

M.Sc. Technology and Economics  
Member of the Board since 2014



**Elina Pienimäki**

M.Sc. Economics  
Member of the Board since 2020



**Markus Väyrynen**

M.Sc. Technology  
Member of the Board since 2019

# MANAGEMENT TEAM

31 Dec. 2020

**Timo Vikström**

President & CEO  
Engineer, eMBA  
Member of the Management  
Team since 2017

**Jaakko Kivi**

Senior Vice President, Traffic routes  
M.Sc. Engineering  
Member of the Management  
Team since 2018

**Tommi Hakanen**

Director, Technical office  
M.Sc. Technology, B.Sc. Engineering  
Member of the Management  
Team since 2020

**Antti Heinola**

CFO  
M.Sc. Economics  
Member of the Management  
Team since 2017

**Tommi Lehtola**

Head of Business Area, Foundation and concrete construction  
B.Sc. Engineering  
Member of the Management  
Team since 2016

**Ville Niutanen**

Managing Director, KFS Finland Oy  
PhD, Master of Arts, B.Sc. Engineering  
Member of the Management  
Team since 2018

**Katja Pussinen**

Head of HR  
M.Sc. Economics,  
Bachelor of Economics  
Member of the Management  
Team since 2017

**Sami Rantala**

Head of Business Area, Bridge construction and repair  
M.Sc. Engineering  
Member of the Management  
Team since 2014

**Juha Salminen**

Managing Director, Kreate Rata Oy  
B.Sc. Engineering,  
Civil and construction engineering technician  
Member of the Management  
Team since 2017

**Petri Uitus**

Technical Director  
Civil engineer  
Member of the Management  
Team since 2015





# FINANCIAL REVIEW



# REPORT OF THE BOARD OF DIRECTORS

Kreate is a Finnish company focusing on demanding infrastructure construction. Kreate's offering consists of traffic routes, including railway, road and street construction, as well as engineered structures, including bridge construction and repair, foundation and concrete engineering, ground engineering and rock engineering. In addition, Kreate provides circular economy services. Kreate aims to be one of leading implementers of demanding infrastructure construction projects in Finland, offering well-functioning comprehensive solutions for demanding infrastructure construction projects based on its broad know-how and service offering.

Kreate is a leading player especially in bridge construction and ground engineering, when measured in volume and know-how. The company's operations are guided by strong values through which it offers solution-driven services, quality and cost-efficiency to its clientele made up of both private and public customers. The Group has operations mainly in Finland.

Kreate Group is composed of the Group's parent company Kreate Group Plc together with its wholly-owned subsidiaries (Kreate Oy and Kreate Rata Oy), in addition to which the Group has a 50% holding in the joint venture KFS Finland Oy, which specialises in ground engineering. Kreate is a Finnish infrastructure sector company that constructs demanding infrastructure projects.

## STRATEGY 2024 AND FINANCIAL TARGETS

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

### Clear strategy that aims at continued profitable growth

#### 1. Positioning in growing market segments

Kreate leverages its good market position and grows in the core market segments that especially benefit from the

increased complexity of infrastructure construction. These include, for instance, projects carried out in densely built urban environments and in demanding soil conditions.

#### 2. Strengthening and expanding the customer base and service offering

The company's strategy is to strengthen its customer base and service offering. There are opportunities for growth and expansion in different market segments, such as large commercial ports and waterways, technical works of railways and light rail solutions, construction of streets in demanding urban areas and wind farm projects.

#### 3. Supporting the strategy with selected acquisitions

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

#### 4. Continuous improvement of operational efficiency and profitability

The company seeks to maintain a good level of profitability and increase its revenue by ensuring the personnel's high level of expertise, by winning tenders and by developing internal collaboration and efficient processes. As one way of improving operational practices and efficiency, the company has implemented an annual development programme aiming at improved efficiency of operations.

#### Financial targets

##### Growth

We aim for revenue of EUR 300 million in 2024 through a balanced combination of organisational growth and selective bolt-on acquisitions.

##### Profitability

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

#### Gearing

We aim for net debt to EBITDA below 2.0x.

#### Dividend policy

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

## OPERATING ENVIRONMENT IN 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 smaller 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.

## FINANCIAL PERFORMANCE

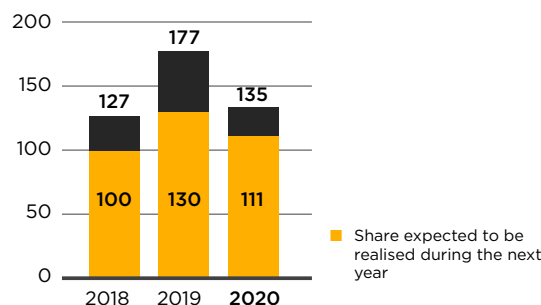
### Order backlog

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 normal level. In the last quarter of the year, the number of calls for tender in the public sector in particular returned near the level of the corresponding period in previous years. 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.

Kreate continued to successfully execute new collaborative contracts such as the Trunk road 5 Nuutilanmäki-Juva

### ORDER BACKLOG

EUR million



project, the Tampere Deck project and Helsinki Airport T2 infrastructure project, and towards the end of the year, the company signed a design and build contract with a development phase on the multi-year E18 Turku ring road Kausela-Pukkila project. In the autumn, Kreate made a design and build contract with a development phase for the Hanko overpass bridge, and at the end of the year, an agreement was made with Metsä Fibre on preparatory excavation work for the Kemi bioproduct factory, covering four projects. Kreate's project entity is part of Metsä Fibre's EUR 1.5 billion bioproduct factory investment.

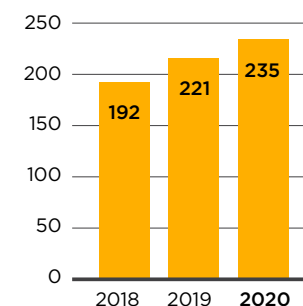
Other projects that were ongoing and completed in 2020 include, for instance, the construction of the Kimola Canal and opening it for water traffic. The transfer of the Tampere freight station to make way for the layout of a new road, construction of a new boiler unit for Tampereen Sähkölaitos in Naistenlahti for electricity and district heating production and the Klaukkala ring road, which was opened for traffic nearly a year ahead of schedule and approximately EUR 10 million under budget.

### Revenue and result

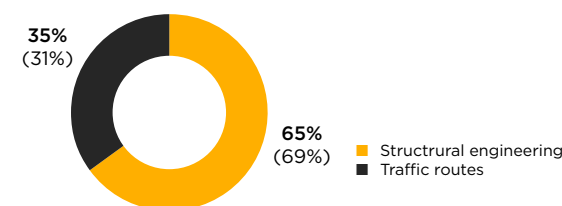
In the financial year 2020, Kreate Group's revenue increased by 6.4 per cent to EUR 235.3 (221.1) million. In Structural engineering, revenue remained on the previous year's level at EUR 152.1 (152.5) million, but in Traffic routes, revenue increased to EUR 84.5 (68.4) million.

### REVENUE

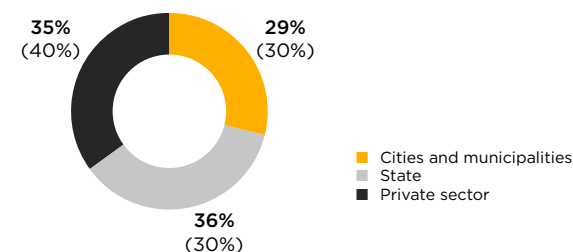
EUR million



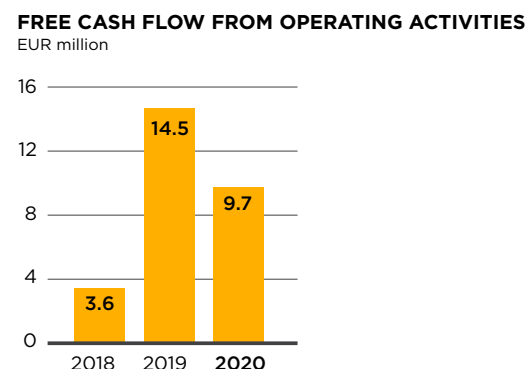
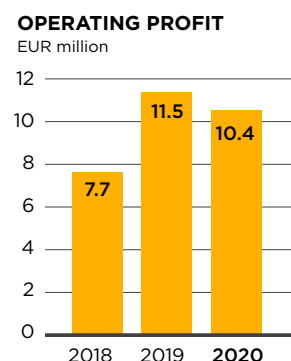
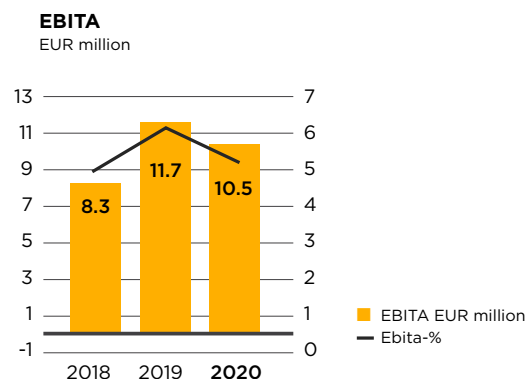
### REVENUE BY BUSINESS AREA 2020 (2019)



### 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.



The share of Structural engineering of the revenue for 2020 was 65 (69) per cent and the share of Traffic routes was 35 (31) per cent. The growth in Traffic routes was supported by significant traffic projects proceeding according to plan. The COVID-19 pandemic did not significantly impact the progress of projects in the Group's order backlog.

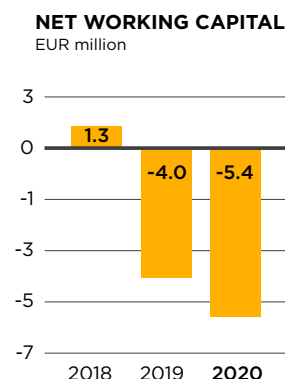
Public sector players form the majority of The Group's customer base. 29 (30) per cent of the Group's revenue came from cities and municipalities, 36 (30) per cent from the state and 35 (40) per cent from the private sector.

The Group's EBITDA in 2020 was EUR 14.0 (14.9) million, making up 6.0 (6.7) per cent of the revenue. In the financial year 2020, EBITA was EUR 10.5 (11.7) million, making up 4.5 (5.3) per cent of the revenue. 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. The Group's operating profit in the financial year was EUR 10.4 (11.5) million, making up 4.4 (5.2) per cent of the revenue.

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).

#### Cash flow and financial standing

In the financial year 2020, free cash flow from operating activities was EUR 9.7 (14.5) million. At the end of the financial year, 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.

#### Business acquisitions

The Group did not execute any new M&A transactions or business acquisitions in 2020.



## Research and development

The purpose of Kreate's research and development is to support the project operations and to create new operating models. To develop the company's strategic cornerstones, efficient tender calculation and operations, one of the key focus areas in research and development was the continued development of the operating system and the harnessing of new digital systems and technologies to support Kreate's project and tendering operations. Development of digital systems focused particularly on harmonising drone operations to create a clear operating model. The work included basic photography and videography as well as an advanced photogrammetric survey process.

Development of competencies in data modelling and information management in infrastructure construction are among the key targets of Kreate's research and development activities. The basis of the development work is expanding the capabilities and understanding of the personnel in the sphere of digitalisation of construction. In 2020, skills were improved through data modelling software training, from the basics to advanced use. Development of tendering operations was supported by launching a quantity surveying development project, which continues in 2021. The development project includes process streamlining as well as training in better tools.

Research and development expenses accounted for about 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.

## Occupational safety

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. During the year, work safety development was continued by involving supervisors and personnel in the continuous improvement of safety by developing close call reporting and by providing tools and information to develop the safety culture.

Due to the COVID-19 pandemic, work safety communications and activities focused on preventing the pandemic from spreading at worksites and offices. Visits of outsiders to worksites was restricted, which also impacted the number of safety audits and management's safety walks. However, the reduced worksite visits were compensated with efficient communications and by organising remote safety trainings and meetings. Internal work safety and hot work permit trainings were also increased, with attention to restrictions caused by the COVID-19 pandemic. In 2021, the company aims to increase quality and safety audits and management safety walks at worksites within the limits set by the COVID-19 situation.

Kreate Group continuously maintains a zero-accidents mentality. Development work is continued with safety management, training, participation of the supervisors and employees in continuous improvement of safety, creating a more open culture for sharing information and caring for and respecting others.

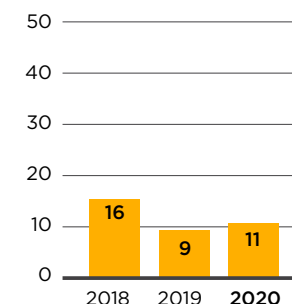
## Personnel development

As an employer, Kreate wants to listen to its personnel to increase the openness of its operations and corporate culture. The COVID-19 pandemic reduced shared encounters or made them virtual, which increased the importance of performance and follow-up reviews. The performance reviews carried out during the year helped to recognise career aspirations of the employees and to map the capabilities needed for ensuring the effective implementation of the company's strategy.

To support personnel development, the company made in the last quarter a decision to launch KreateAkademia in order to increase efficiency in implementing shared practices, competence development and personnel training for example in occupational safety, sustainability, supervisory work and communications.

However, learning on the job and gradually taking on

## LOST-TIME ACCIDENT FREQUENCY



more challenging projects remains at the core of personnel development. The combination of responsibility, new challenges and support from more senior colleagues enables our people to build stronger professional skills and create career paths also in the future.

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.

## MANAGEMENT TEAM

At the end of the review period, 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, Vice President, HR; Sami Rantala, Vice President, Bridge construction and repair; Juha Salminen, Vice President, Railway construction; and Petri Uitus, Technical Director.

## RESOLUTIONS OF THE ANNUAL GENERAL MEETING

### Annual General Meeting

The Annual General Meeting was held in Tuusula on 12 May 2020.

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.

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

### Adoption of the financial statements

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.

### Auditor

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

### 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.

### SHARES AND SHARE CAPITAL

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

### SHORT-TERM RISKS AND UNCERTAINTIES

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 engineer-

ing 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 limits. 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.

## ENVIRONMENT

In November 2020, The Construction Quality Association RALA granted Kreate Oy's management system an environmental certification which is based on the ISO 14001 system and tailored to meet the special needs of the Finnish construction industry.

During the review period, Kreate updated its environmental programme and its operating system especially concerning environmental matters. At the end of the year, the company started drafting an environmental manual addressing Kreate's environmental code of practice more widely from the perspective of sustainability and environmental, material and energy efficiency.

### Circular economy

Kreate wants to promote the circular economy in construction and find ways to move from talk to action. In 2020, Kreate advanced circular economy in infrastructure construction through many different projects and forums. The company carried out influencing work in the Infra Contractors Association in Finland and Finnish Environmental Industries YTP aimed at promoting the use of recycled materials in public procurement, among other things. Kreate and KFS Finland also participated in the UUMA 3 programme, which aimed to promote the use of recovered materials in groundworks in Finland. In addition, Kreate represented infrastructure contractors in a steering group that drafted the Low-carbon roadmap of construction industry 2035, led by the Confederation of Finnish Construction Industries RT.

Kreate also took steps forward with regard to circular economy projects in 2020. The company initiated new short-term projects and related permitting processes as well as its multi-year circular economy project in Hirvihaara. The project involves constructing a protection embankment required by the authorities in the Hirvihaara shooting sports centre in Mäntsälä, using recycled materials. The embankment dampens noise and prevents the spread of shotgun pellets in the environment and waterways.

During 2020, Kreate initiated a digitalisation project in Hirvihaara with the aim to promote the safe use and tracking of circular economy materials and speed up permitting processes. In addition, the company made a permit application including extensive reports and research to the environmental authorities. The goal is to preserve virgin natural resources for high-quality construction and use approved recycled materials for embankment construction. Applying circular economy in the project provides versatile alternatives for material experimentation, as well, which for its part supports the creation of new sustainable solutions in infrastructure construction.

## 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 are:

Retained earnings	5,370,774.10
Profit (loss) for the period	3,950,037.36
Reserve for invested unrestricted equity	8,279,657.34
Distributable equity	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 not held by the company 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 not held by the company, and the corresponding total amount of dividend is EUR 3,913,699.68.

## OPERATING ENVIRONMENT IN 2021

In March 2021, the economic survey of the Confederation of Finnish Construction Industries RT estimated that the entire construction cluster will decline by two per cent during this year. According to the new economic survey, optimism in construction will increase, but on the other hand, COVID-19 balanced expectations. The general performance of the Finnish economy defines the basic level of construction in the new normal. There is clear pressure towards increasing

construction costs due to the steep rise in the global market prices of key construction materials. In 2022, construction is estimated to remain on the same level as in 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 low 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 infrastruc-

ture 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**

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

On 31 December 2020, Kreate's order backlog was 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.

## **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 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 2000 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.

Helsinki. 30 March 2021

Kreate Group Plc  
Board of Directors



## Key figures

EUR million	2020	2019	2018
Revenue	235.3	221.1	192.4
Change in revenue from previous financial period,%	6.4	14.9	33.7
EBITDA	14.0	14.9	10.7
EBITDA,%	6.0	6.7	5.6
EBITA	10.5	11.7	8.3
EBITA,%	4.5	5.3	4.3
Operating profit	10.4	11.5	7.7
Operating profit,%	4.4	5.2	4.0
Result for the period	7.8	8.7	3.8
Earnings per share, €	0.88	1.00	0.53
Order backlog	134.9	177.2	126.6
Capital employed	54.5	53.6	57.5
Return on capital employed,%	19.2	20.7	14.5
Return on equity,%	24.7	26.3	20.0
Net investments in operating activities	-4.6	-5.0	-3.7
Free cash flow from operating activities	9.7	14.5	3.6
Net working capital	-5.4	-4.0	1.3
Net debt	27.9	17.3	27.5
Net debt/EBITDA	2.0	1.2	2.6
Equity ratio,%	26.3	34.5	31.3
Personnel at the end of the period	383	395	342
Personnel on average	407	376	319

# Calculation formulas

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



## Consolidated statement of comprehensive income

EUR 1,000	Note	2020	2019
Revenue	2.1	235,307	221,097
Other operating income	2.2	311	234
Materials and services	2.3	-180,648	-168,889
Employee benefit expenses	2.5.1, 8.3	-32,334	-29,013
Other operating expenses	2.4	-9,823	-9,577
Share of joint ventures' profit	7.2	1,210	1,049
Depreciation, amortisation and impairment	5	-3,671	-3,396
Operating profit		10,352	11,505
Financial income		80	43
Financial expenses		-1,168	-1,225
Financial income and expenses	3.2	-1,088	-1,183
Profit before taxes		9,265	10,322
Income taxes	6.1	-1,499	-1,592
RESULT FOR THE PERIOD		7,765	8,730
COMPREHENSIVE INCOME FOR THE PERIOD		7,765	8,730
Profit attributable to:			
Shareholders of parent		7,765	8,730
Earnings per share calculated from the income attributable to shareholders of the parent			
Undiluted, EUR		0.88	1.00
Diluted, EUR		0.88	1.00

The Notes are an integral part of the Financial Statements.

## Consolidated balance sheet

EUR 1,000	Note	31 Dec 2020	31 Dec 2019
<b>ASSETS</b>			
Non-current assets			
Intangible assets	5.3	963	924
Goodwill	5.3, 5.4	35,594	35,594
Property, plant and equipment	5.1	15,772	14,117
Right-of-use assets	5.2	1,463	1,588
Investments in joint ventures	7.2	8,351	7,640
Other receivables	3.3	131	317
Deferred tax assets	6.2	463	223
Non-current assets total		62,737	60,403
Current assets			
Inventory			3
Trade and other receivables	4.1	30,358	32,107
Income tax receivables	6.1	81	250
Cash and cash equivalents	3.3	8,146	12,693
Current assets total		38,585	45,053
<b>TOTAL ASSETS</b>		<b>101,322</b>	<b>105,457</b>

EUR 1,000	Note	31 Dec 2020	31 Dec 2019
<b>EQUITY</b>			
Share capital		3	3
Reserve for invested unrestricted equity		8,280	8,280
Capital loan			16,209
Retained earnings		18,336	11,867
Total equity	3.1	26,618	36,359
<b>LIABILITIES</b>			
Non-current liabilities			
Interest-bearing debt	3.3, 3.4	30,385	24,512
Deferred tax liabilities	6.2	750	502
Non-current liabilities total		31,135	25,015
Current liabilities			
Interest-bearing debt	3.3, 3.4	5,620	5,458
Trade and other payables	4.2	35,763	36,177
Income tax liabilities	6.1	705	971
Provisions	8.1	1,482	1,477
Current liabilities total		43,569	44,083
<b>Total liabilities</b>		<b>74,704</b>	<b>69,097</b>
<b>EQUITY AND LIABILITIES TOTAL</b>		<b>101,322</b>	<b>105,457</b>

The Notes are an integral part of the Financial Statements.



## Consolidated cash flow statement

EUR 1,000	Note	2020	2019
Result for the period		7,765	8,730
Depreciation, amortisation and impairment		3,671	3,396
Financial income and expenses		1,088	1,183
Income taxes		1,499	1,592
Other adjustments		-1,316	-1,060
Total adjustments		4,942	5,110
Change in trade and other receivables		1,935	-649
Change in inventories		3	52
Change in trade and other payables		-373	5,809
Change in provisions		5	429
Total change in working capital		1,569	5,641
Cash flow from operations before financial items and taxes		14,276	19,481
Interest paid in operating activities		-42	-4
Interest received in operating activities		2	121
Other financial items		-290	-316
Dividends received		500	
Taxes paid		-1,264	-1,008
CASH FLOW FROM OPERATIONS		13,183	18,273
Investments in tangible and intangible assets	3.6, 5.1, 5.3	-5,150	-5,311
Disposals of tangible and intangible assets	5.1, 5.3	537	348
Repayment of loan receivables	7.2		1,300
CASH FLOW FROM INVESTING ACTIVITIES		-4,613	-3,663

EUR 1,000	Note	2020	2019
Equity investments	3.1		153
Drawdown of equity loan	3.1		357
Repayment of equity loan	3.1	-16,209	-1,509
Drawdown of non-current loans	3.6	33,918	
Repayment of current loans	3.6	-28,022	-3,800
Repayment of lease liabilities	3.6	-665	-658
Interest and other loan expenses	3.1, 3.2	-2,138	-2,600
CASH FLOW FROM FINANCING ACTIVITIES		-13,116	-8,058
CHANGES IN CASH AND CASH EQUIVALENTS		-4,546	6,553
Cash and cash equivalents on the opening balance sheet		12,693	6,140
Change in cash and cash equivalents		-4,546	6,553
Cash and cash equivalents at the end of the period		8,146	12,693

The Notes are an integral part of the Financial Statements.

## Consolidated statement of changes in equity

EUR 1,000	Share capital	Reserve for invested unrestricted equity	Capital loan	Retained earnings	Total equity
Equity as at 1 Jan 2019	3	8,127	17,362	4,534	30,025
Items of comprehensive income					
Result for the period				8,730	8,730
Total comprehensive income attributable to the owners of the parent				8,730	8,730
Transactions with the owners					
Equity investments		153			153
Equity loan			-1,152		-1,152
Interest on equity loan				-1,397	-1,397
Total transactions with the owners		153	-1,152	-1,397	-2,396
Equity as at 31 Dec 2019	3	8,280	16,209	11,867	36,359

EUR 1,000	Share capital	Reserve for invested unrestricted equity	Capital loan	Retained earnings	Total equity
Total equity as at 1 Jan 2020	3	8,280	16,209	11,867	36,359
Items of comprehensive income					
Result for the period				7,765	7,765
Total comprehensive income attributable to the owners of the parent				7,765	7,765
Transactions with the owners					
Equity investments					
Equity loan			-16,209		-16,209
Interest on equity loan				-1,297	-1,297
Total transactions with the owners			-16,209	-1,297	-17,506
Equity as at 31 Dec 2020	3	8,280		18,336	26,618

The Notes are an integral part of the Financial Statements.

# Notes to the consolidated financial statements

## Group information

Kreate Group Plc together with its subsidiaries is a Finnish infrastructure sector group that constructs demanding infrastructure. The Group's offering consists of bridge, road and railway construction and foundation, concrete, ground and rock engineering, as well as the circular economy and environmental business. The Group is a leading player especially in bridge construction and ground engineering, when measured in volume and know-how. Our operations are guided by strong values through which we offer solution-driven projects to our clientele made up of both private and public customers. The Group has operations mainly in Finland.

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

The company's Board of Directors has approved these consolidated financial statements at its meeting held on 30 March 2021. Under the Finnish Companies Act, shareholders have the opportunity to adopt or reject the financial statements at the General Meeting held after they are published. The General Meeting also has the right to resolve on revising the financial statements.

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

### 1.1. Accounting principles

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union, and in compliance with the IAS and IFRS standards and SIC and IFRIC interpretations valid as at 31 December 2020. The notes to the consolidated financial statements are also compliant with the legislation governing accounting and companies that supplements the IFRSs.

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

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

The Group does not have foreign units, and the number of foreign currency denominated business transactions is low.

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

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

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

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

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

- Recognition of income from projects (note 2.1): The Group recognises sales income from project contracts over time. Recognition of sales income is based on the management's estimates on the sales income and expenses of 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 (note 8.1): 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. A provision is recognised on onerous (loss-making) contracts once the direct expenses necessary for fulfilling the obligation exceed the benefits received from the contract.
- Testing of goodwill for impairment (note 5.4): The Group has one cash-generating unit, Kreate Group, and it is the lowest level where goodwill is monitored. The Group tests impairment annually or whenever the management discerns indications that the recoverable amount may be less than the carrying amount.
- Lease agreements (note 5.2): The management assesses the use of extension, termination or purchase options related to leases and the lease term of leases valid until further notice.
- Recognition of deferred tax assets (note 6): Deferred tax assets from the confirmed losses of the previous financial periods or 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.

### 1.3. Operating 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 governing body, i.e. the Board of Directors and the CEO together monitor the whole Group and the segment's figures match the consolidated numbers.

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

The Group has not yet applied the revised standards and interpretations already published by IASB, the effective date of which has not been before 31 December 2020. The Group will adopt them from the effective date of each standard and interpretation, or if the effective date is other than the first day of the financial period, from the beginning of the financial period following the effective date. According to the current estimate of the Group, these have no material impacts on future consolidated financial statements.

## 2. Result from business operations

### 2.1. Revenue and long-term projects

#### Accounting policy applied in the financial statements – Revenue recognition

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

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

#### Recognition of sales revenue over time

The Group's income arises almost fully from infrastructure construction project contracts. The Group's most common contract types are fixed-price project contract, design and build contract, design and build contract including a development phase, and project management contract. Each contract is treated as a separate whole, and the income deriving from it is recognised as revenue over time, based on the degree of completion of the performance obligation. In some contracts, separate development and building phases can be identified, in which case the customer expressly approves the shift to the building phase. Kreate addresses the development and building phase as a whole, however in such a manner that the building phase is included in the project contract only after the customer has committed to the building phase. This leads materially to the same outcome as recognising the phases as income separately. Revenue from customer contracts is recognised over time, as the customer is considered to exercise control over the asset where the service is performed. The asset item arising from a customer contract is not deemed to have an alternative use for the Group. The Group also possesses the effective right to receive payment for work performed by the time of review.

The determination of sales revenue recognised over time is based on the degree of completion of the performance obligation. The degree of completion of the performance obligation is determined in conjunction with each project based on the costs arising from the work performed at the time of review as a percentage of the estimated total project costs. The sales revenue from a project may be impacted by potential incremental and alteration work, the pricing principles for which are determined on a contractual basis. The Group's contracts may also include variable payments such as bonuses or sanctions. The estimated project revenue and the total costs are updated at the end of each reporting period. Where the outcome of a long-term project cannot be estimated reliably, project revenue is recognised only to the extent of project costs incurred that it is probable will be recoverable. When it is probable that total costs needed for completing a project will exceed total project revenue, the expected loss is recognised as an expense immediately.

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

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

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

### Management's discretion – Revenue recognition

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

The Group's revenue consists of sales revenue recognised over time that, in all material respects, are revenue from infrastructure construction contracts. The Group's projects last from a few months to a few years, with most spanning less than 12 months. Like in the infrastructure construction industry in general, operations are seasonal and projects yield most revenue between early spring and late autumn. Over 90% of the Group's revenue is generated in Finland. The asset items and liabilities based on customer contracts are itemised in Notes 4.1 and 4.2.

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

EUR 1,000	2020	2019
Engineered structures <sup>1)</sup>	152,061	152,501
Traffic ways <sup>2)</sup>	84,458	68,410
Other <sup>3)</sup>	-1,212	186
Total	235,307	221,097

<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:

%	2020	2019
Cities and municipalities	29%	30%
Government	36%	30%
Private sector	35%	40%

#### Order backlog

EUR 1,000	2020	2019
Amount unrecognised as revenue		
Recognised over the year	110,884	130,293
Recognised at a later date	24,009	46,883
Amount unrecognised as revenue, total	134,893	177,176

### Impact of COVID-19 on Kreate Group's business

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.

Due to fast action, continuous and regular communications and carefulness of the personnel, the impacts of the COVID-19 pandemic have remained small in terms of ongoing projects, and the progress or completion of any of the projects has not been jeopardised during the financial period.

The uncertainty caused by the COVID-19 pandemic was reflected on the development of the order backlog. The number of new calls for tender as well as decisions to commence new investments declined at the end of spring. The decreased number of new calls for tender continued until the beginning of autumn when their numbers started to return toward normal levels. During the last quarter of the year, activity returned to almost normal levels, especially in the public sector.

## 2.2. Other operating income

Other operating income totalled EUR 0.3 (0.2) million during the financial period and consists mainly of the sale of scrap metal and tangible assets as well as insurance indemnities.

## 2.3. Materials and services

### Materials and services

EUR 1,000	2020	2019
Materials and supplies		
Procurements during the year	41,729	40,372
Change in stocks	0	55
External services	138,920	128,461
Materials and services, total	180,648	168,889

## 2.4. Other operating expenses

### Other operating expenses

EUR 1,000	2020	2019
Lease expenses from short-term leases	1,191	971
Lease expenses from leases with low value	323	282
Voluntary personnel related expenses *)	1,039	1,294
Travel expenses	3,359	2,909
IT expenses	1,015	969
Other operating expenses *)	2,895	3,152
Other operating expenses, total	9,823	9,577

\*) The company has transferred training expenses to be presented in Voluntary personnel related expenses instead of Other operating expenses and has adjusted the relevant comparison data.

### 2.4.1. Auditors' fees

#### Auditors' fees

EUR 1,000	2020	2019
KPMG Oy		
Audit	38	38
Tax consultancy	1	3
Other services	110	
Auditors' fees, total	149	41

## 2.5. Personnel

### 2.5.1. Employee benefits

#### Accounting policy applied in the financial statements – Employee benefits

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

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

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

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

All personnel expense items are recognised as an expense based on performance.

#### Personnel expenses

EUR 1,000	2020	2019
Salaries and remuneration	27,110	24,390
Pension expenses	4,122	3,997
Other personnel benefits	1,103	626
Salaries and remuneration, total	32,334	29,013

Management's salaries and remuneration are itemised in Note 8.3 concerning related parties.

### 2.5.2. Number of employees

#### Number of employees

	2020	2019
Average number of white-collar personnel	233	215
Average number of blue-collar personnel	174	161
Average number of personnel	407	376
Number of personnel at the end of the period	383	395

The average number of personnel in the joint venture KFS Finland Oy during 2020 was 55 (2019: 57).



### 3. Capitalisation

#### 3.1. Equity

##### Accounting policy applied in the financial statements – Equity

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

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

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

Equity loans from shareholders are classified under equity in the consolidated financial statements because the company does not have a payment obligation related to the loan capital or interest. Interest paid on equity loans is recognised directly in retained earnings. Unpaid interest is recognised in interest liabilities. The Group redeemed the shareholder loans during the financial period, and the Group had no equity loans on 31 December 2020.

##### Reserve for invested unrestricted equity

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

Shares	Outstanding shares	Treasury shares	Total shares
Number of shares as at 31 Dec 2018	7,297,097	90,000	7,387,097
Changes in 2019	67,798		67,798
Number of shares as at 31 Dec 2019	7,364,895	90,000	7,454,895
Changes in 2020	-	-	-
Number of shares as at 31 Dec 2020	7,364,895	90,000	7,454,895

As at 31 December 2020, the number of Kreate Group Plc shares was 7,454,895 and the company's share capital amounted to EUR 2,500. The company holds 90,000 own shares (treasury shares), the acquisition cost of which is EUR 99,300, which has been deducted from the reserve for invested unrestricted equity.

##### Reserve for invested unrestricted equity

No own shares were acquired in the 2020 financial year or the 2019 comparison year. During the financial year, the company did not make any new equity investments (2019: EUR 0.2 million).

##### Equity loans

During the financial year, Kreate Group Plc had shareholder loans that fulfil the criteria for equity loans and have been treated as part of equity. The Company redeemed the shareholder loans on 30 December 2020 and at the same time, the Company paid the accrued interests

from the loans. The loan interest was 10%, and the Group did not have any payment obligation related to the loans' principal or interest. See also Note 8.3.

The amount of equity loans at the end of the comparison period was EUR 16.2 million. Interest of EUR 1.3 million (2019: EUR 1.4 million) on equity capital loans was booked from retained earnings, adjusted for tax impacts, during the reporting period.

No dividends were distributed in the 2020 and 2019 financial years.

#### 3.2. Financial income and expenses

##### Financial income and expenses

EUR 1,000	2020	2019
Dividend income and other income from shares	0	
Interest income	80	43
Other financial income	0	0
Total financial income	80	43
Interest expenses from financial liabilities measured at amortised cost	-763	-878
Interest expenses from lease liabilities	-29	-27
Other interest expenses	-8	-4
Other financial expenses	-368	-316
Total financial expenses	-1,168	-1,225
Total financial income and expenses	-1,088	-1,183

#### 3.3. Financial assets and liabilities

##### Accounting policy applied in the financial statements

##### – Financial assets and liabilities

##### Financial assets

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

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

Financial assets are recognised and derecognised on the balance sheet on the settlement date. Derecognition of financial assets occurs when the Group's contractual right to cash flows ceases to be valid or is lost, or when their risks and income have, in all material respects, been transferred outside the Group. When a financial asset item is derecognised on the balance

sheet, the arising gains or loss is recognised directly under financial income or expenses on the income statement (or, in the case of trade receivables, under other operating income or expenses) together with foreign exchange gains or losses, if any.

#### Financial assets measured at amortised cost

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

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

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

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

The asset items and liabilities based on customer contracts are itemised in Notes 4.1 and 4.2.

#### Financial assets measured at fair value through profit or loss

The Group had no financial assets measured at fair value through profit or loss in the financial periods 2020 and 2019.

#### Financial liabilities

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

#### Financial liabilities measured at amortised cost

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

#### Financial liabilities measured at fair value through profit or loss

The Group had no financial liabilities measured at fair value through profit or loss in the financial periods 2020 and 2019.

#### Cash and cash equivalents

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

#### Fair value measurement

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

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

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

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

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

#### Financial assets and liabilities measured at amortised cost

31 Dec 2020 EUR 1,000	Carrying amount	Fair value
Financial assets		
Receivables	131	131
Non-current financial assets	131	131
Trade and other receivables	19,093	19,093
Current financial assets	19,093	19,093
Cash and cash equivalents	8,146	8,146
Total financial assets	27,370	27,370
Financial liabilities		
Interest-bearing debt	29,252	29,583
Hire purchase liabilities	281	281
Lease liabilities	852	
Non-current interest-bearing liabilities	30,385	
Interest-bearing debt	4,667	4,667
Hire purchase liabilities	317	317
Lease liabilities	636	
Current interest-bearing liabilities	5,620	
Trade payables and other liabilities	12,391	12,391
Other current financial liabilities	12,391	12,391
Total financial liabilities	48,396	

31 Dec 2019 EUR 1,000	Carrying amount	Fair value
<b>Financial assets</b>		
Non-current receivables	317	317
Non-current financial assets	317	317
Trade and other receivables	20,810	20,810
Current financial assets	20,810	20,810
Cash and cash equivalents	12,693	12,693
Total financial assets	33,819	33,819
<b>Financial liabilities</b>		
Interest-bearing debt	22,846	23,100
Hire purchase liabilities	663	663
Lease liabilities	1,003	
Non-current interest-bearing liabilities	24,512	
Interest-bearing debt	4,300	4,300
Hire purchase liabilities	558	558
Lease liabilities	600	
Current interest-bearing liabilities	5,458	
Trade payables and other liabilities	12,833	12,833
Other current financial liabilities	12,833	12,833
Total financial liabilities	42,802	

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

### 3.4. Financial risk management

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

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

#### Interest rate risk

The aim of the Group's interest rate risk management is to minimise the 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. Changes in interest rates have an impact on profit or loss and balance sheet items as well as on cash flow. The Group may take long-term debts under a variable or fixed rate. The ratio of variable rate debt to fixed rate debt can be altered using interest rate derivatives, if

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

At the date of these financial statements, the Group had a total of EUR 34.5 million (2019: 28.4) in interest-bearing secured loans from financial institutions. The Group's average interest, taking into account loans from financial institutions and hire purchase debts, was 2.7%.

#### Credit and counterparty risk

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

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

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. Evidence of impairment on an individual item may include signs of a debtor's significant financial difficulties, bankruptcy or non-performance of contractual payments. Changes to an impairment loss entry and credit losses are presented under other operating expenses.

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

The amount of impairment and credit losses during the financial year was EUR 114 thousand (2019:3). During the financial period, the Company has recorded a larger entry than before on expected credit losses based on the situation of small, individual players during the COVID-19 pandemic. However, the Company does not see the COVID-19 pandemic as having a significant impact on its credit and counterparty risk.

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

#### Maturity of trade receivables

EUR 1,000	Unmatured	0 to 30 days	30 to 90 days	More than 90 days	Total	Expected	Carrying amount
31 Dec 2020	17,685	1,187	51	0	18,923	-60	18,863
31 Dec 2019	19,456	1,219	77	28	20,780	-3	20,777



**Liquidity risk**

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

The Group's cash and cash equivalents as at the end of 2020 amounted to EUR 8.1 million (2019: 12.7), in addition to which the Group had undrawn revolving overdraft and credit limits of EUR 10.0 million. The Group reports its loan covenants to its lenders every three months. The financial covenants applied to the loans concern the ratio of net debt to EBITDA and the cash flow. The covenants had not been breached in financial years 2020 or 2019.

**Contractual cash flows of financial liabilities, including interest**

2020 EUR 1,000	2021	2022	2023-2024	2025→	Total
Loans from financial institutions	5,607	5,489	25,619		36,716
Hire purchase liabilities	332	292			624
Lease liabilities	658	524	342		1,525
Trade payables and other liabilities	12,391				12,391

2019 EUR 1,000	2020	2021	2022-2023	2024→	Total
Loans from financial institutions	4,820	23,503			28,323
Hire purchase liabilities	588	601	89		1,278
Lease liabilities	633	563	462		1,658
Trade payables and other liabilities	12,833				12,833

**3.5. Management of the capital structure**

Equity at the time of the financial statements consists of the share capital, the reserve for invested unrestricted equity and retained earnings. The aim of the Group's capital management is to ensure the normal preconditions for operations. The Group redeemed the equity shareholder loans included in equity on 30 December 2020.

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

**Net debt**

EUR 1,000	31 Dec 2020	31 Dec 2019
Interest-bearing debt	36,005	29,970
Cash and cash equivalents	8,146	12,693
Net debt	27,859	17,277

**EBITDA**

EUR 1,000	31 Dec 2020	31 Dec 2019
Operating profit	10,352	11,505
Depreciation, amortisation and impairment	3,671	3,396
EBITDA	14,023	14,900

**Refinancing arrangement**

On 15 December 2020, the Group agreed with its partner bank on the rearrangement of its existing credit facility. In connection with the rearrangement, the existing facility agreement of no more than EUR 61.0 million was modified with regard to, i.a., its maturity, margins and covenants. After the rearrangement, the credit facility agreement includes a bank loan totalling EUR 34.25 million, a revolving credit facility of EUR 10.0 million, an uncommitted bank guarantee limit of EUR 10.0 million and uncommitted financing limit of EUR 5.0 million for hire purchase debt and leases. In addition, Kreate may request an increase of no more than EUR 3.0 million in the revolving credit facility on the basis of the Facility Agreement. The increase requires a separate financing decision from the partner bank. In connection with the rearrangement, Kreate withdrew a total of EUR 34.25 million from the Facility Agreement on 30 December 2020, refinanced its liabilities under its existing credit facility and repaid the capital loans granted to it as well as interest accrued on them.

### 3.6. Changes in debt due to financing

Debits from financing activities	Opening balance	Cash flows (drawdown / repayment)	Transfers between non-current and current balance sheet items	Other changes with no cash flow effect	Closing balance
<b>2020</b>					
<b>EUR 1,000</b>					
Loans from financial institutions	22,846	33,918	-27,767	254	29,252
Hire purchase liabilities	663		-382		281
Lease liabilities	1,003		-658	508	852
Non-current interest-bearing liabilities	24,512	33,918	-28,807	761	30,385
Loans from financial institutions	4,300	-27,400	27,767		4,667
Hire purchase liabilities	558	-622	382		317
Lease liabilities	600	-665	658	42	636
Current interest-bearing liabilities	5,458	-28,687	28,807	42	5,620
Total debt from financial activities	29,970	5,231	0	804	36,005

Debits from financing activities	Opening balance	Cash flows (drawdown / repayment)	Transfers between non-current and current balance sheet items	Other changes with no cash flow effect	Closing balance
<b>2019</b>					
<b>EUR 1,000</b>					
Loans from financial institutions	26,974	0	-4,300	173	22,846
Hire purchase liabilities	938	340	-615		663
Lease liabilities	792		-633	844	1,003
Non-current interest-bearing liabilities	28,703	340	-5,548	1,017	24,512
Loans from financial institutions	3,800	-3,800	4,300		4,300
Hire purchase liabilities	586	-643	615		558
Lease liabilities	518	-658	633	107	600
Current interest-bearing liabilities	4,904	-5,101	5,548	107	5,458
Total debt from financial activities	33,607	-4,761	0	1,123	29,970

## 4. Working capital

### 4.1. Trade and other receivables

Trade and other receivables EUR 1,000	31 Dec 2020	31 Dec 2019
Trade receivables	18,863	20,777
Assets based on customer contracts	11,225	11,263
Loan receivables	10	0
Other receivables	219	33
Accrued income	40	35
Total trade and other receivables	30,358	32,107
Accrued income		
Accrued personnel costs	0	0
Other accrued income	40	35
Total accrued income	40	35

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

### 4.2. Trade and other payables

Trade and other payables EUR 1,000	31 Dec 2020	31 Dec 2019
Trade payables	8,964	10,604
Liabilities based on customer contracts*	11,032	13,453
Other liabilities	3,428	2,229
Accrued liabilities	12,339	9,892
Total trade payables and other liabilities	35,763	36,177
Accrued liabilities		
Interest liabilities	5	47
Accrued personnel costs	10,520	8,650
Other accrued liabilities	1,814	1,194
Total accrued liabilities	12,339	9,892

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

## 5. 5. Tangible and intangible assets

### 5.1. Property, plant and equipment

#### Accounting policy applied in the financial statements – Tangible assets

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

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

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

#### Straight-line depreciation

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

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

Mortgages on properties are presented in Note 8.2.

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

#### Changes in tangible assets

#### 2020

#### EUR 1,000

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

#### 2019

#### EUR 1,000

	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and acquisitions in progress	Total tangible assets
Acquisition cost as at 1 Jan	854	3,387	11,813	908	135	17,097
Increases	520		4,084	26	291	4,922
Decreases	-24		-957			-981
Transfers between items			356	68	-425	
Acquisition cost as at 31 Dec	1,350	3,387	15,297	1,002	2	21,038
Accrued amortisation and impairment as at 1 Jan	-59	-1,261	-3,336	-312		-4,968
Accrued amortisation on the decreases	21		596			617
Amortisation for the period		-166	-2,268	-136		-2,570
Accrued amortisation and impairment as at 31 Dec	-38	-1,427	-5,008	-448		-6,921
Carrying amount as at 31 Dec	1,312	1,960	10,289	555	2	14,117



## 5.2. Leases

### Accounting policy applied in the financial statements

#### - Leases, the Group as lessee

Leases and service contracts are separated in accordance with IFRS 16 on the basis of whether a contract includes a specified asset controlled by the customer. A lessee recognises a right-of-use asset and a lease liability on all leases (i.e. all leases have an impact on the balance sheet), except leases with a lease term of 12 months or less and leases where the underlying asset has a low value.

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

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

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

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

#### Management's discretion - Leases

The management uses significant estimates and discretion when measuring the value of leases on the balance sheet. The management must assess the use of extension, termination or purchase options related to leases and the lease term of leases valid until further notice. Additionally, the management estimates the amount of the discount rate for each right-of-use asset.

The Group's right-of-use assets consist of the Group's administrative business premises and warehouses as well as leased vehicles. The lease agreements for the Group's business premises are mainly valid under further notice and their estimated durations vary between two and four years. The Group also has a lease agreement that includes an option for continuation. The total duration of the agreement, including the option, is under four years.

### Changes in right-of-use assets 2020

EUR 1,000	Buildings and structures	Machinery and equipment	Right-of-use assets total
Acquisition cost as at 1 Jan	1,009	1,472	2,480
Increases	238	349	587
Decreases		-189	-189
Acquisition cost as at 31 Dec	1,247	1,632	2,879
Accrued amortisation and impairment as at 1 Jan	-344	-549	-893
Accrued amortisation on the decreases		152	152
Amortisation for the period	-229	-446	-675
Accrued amortisation and impairment as at 31 Dec	-573	-843	-1,416
Carrying amount as at 31 Dec	673	789	1,463

### 2019

EUR 1,000	Buildings and structures	Machinery and equipment	Right-of-use assets total
Acquisition cost as at 1 Jan	835	1,364	2,199
Increases	566	550	1,116
Decreases	-393	-442	-835
Acquisition cost as at 31 Dec	1,009	1,472	2,480
Accrued amortisation and impairment as at 1 Jan	-383	-517	-900
Accrued amortisation on the decreases	295	375	669
Amortisation for the period	-255	-406	-662
Accrued amortisation and impairment as at 31 Dec	-344	-549	-893
Carrying amount as at 31 Dec	664	923	1,588

### Notes concerning leases

EUR 1,000	2020	2019
Lease liability		
Current	636	600
Non-current	852	1,003
Total outgoing cash flow due to leases*	2,208	1,938

\* Also includes lease payments on leases with a lease term of 12 months or less and leases where the underlying asset has a low value

The interest expenses of leases are presented in Note 3.2 and the maturity distribution of lease payments is presented in Note 3.4. The expenses from leases with a lease term of 12 months or less and leases where the underlying asset has a low value are presented in Note 2.3.

### 5.3 Intangible assets and goodwill

#### Accounting policy applied in the financial statements – Intangible assets and goodwill

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

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

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

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

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

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

#### Changes in intangible assets and goodwill

##### 2020

EUR 1,000	Intangible rights	Order backlog	Customer relationships	Other intangible assets	Prepayments and acquisitions in progress	Intangible assets	Goodwill	Total intangible assets and goodwill
Acquisition cost as at 1 Jan	524	3,456	941	318	45	5,284	35,594	40,878
Increases	54			5	171	231		231
Decreases	-396					-396		-396
Transfers between items				92	-92	0		0
Acquisition cost as at 31 Dec	182	3,456	941	415	125	5,119	35,594	40,713
Accrued amortisation and impairment as at 1 Jan	-463	-3,456	-204	-236		-4,359		-4,359
Accrued amortisation on the decreases	396					396		396
Amortisation for the period	-39		-94	-59		-192		-192
Accrued amortisation and impairment as at 31 Dec	-106	-3,456	-298	-296		-4,156		-4,156
Carrying amount as at 31 Dec	76	0	643	120	125	963	35,594	36,557

##### 2019

EUR 1,000	Intangible rights	Order backlog	Customer relationships	Other intangible assets	Prepayments and acquisitions in progress	Intangible assets	Goodwill	Total intangible assets and goodwill
Acquisition cost as at 1 Jan	495	3,456	941	306		5,198	35,594	40,791
Increases	29			12	45	86		86
Transfers between items								0
Decreases								0
Acquisition cost as at 31 Dec	524	3,456	941	318	45	5,284	35,594	40,878
Accrued amortisation and impairment as at 1 Jan	-435	-3,456	-110	-195		-4,195		-4,195
Accrued amortisation on the decreases								
Amortisation for the period	-28		-94	-42		-164		-164
Accrued amortisation and impairment as at 31 Dec	-463	-3,456	-204	-236		-4,359		-4,359
Carrying amount as at 31 Dec	60	0	737	82	45	924	35,594	36,518

## 5.4. Impairment testing

### Accounting policy applied in the financial statements – Impairment

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

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

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

### Management's discretion – Impairment

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

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

The Group's goodwill amounted to EUR 35.6 million in 2020 (2019: EUR 35.6 million). The Group has one cash-generating unit, Kreate Group, which is the lowest level where goodwill is monitored.

### Impairment testing

The Group tests impairment annually or whenever there are indications that the recoverable amount may be less than the carrying amount. Consolidated goodwill was tested on 30 November 2020.

In impairment testing, the recoverable amounts of cash-generating units are defined using value-in-use calculations. The cash flow estimates are based on the confirmed strategy for 2021–2023. Key assumptions for the forecast period are the company's estimates of the development of the infrastructure market, the profitability of projects and the need for working capital. Cash flows beyond the three-year forecast period has been calculated using the terminal value method. The management uses conservative estimates of long-term growth in cash flows when determining growth in the terminal value. The growth factor used for the terminal value is an annual growth of 0.2% (2019: 0.2%). The estimate of future development is based on the company's prior experience of the market's development, and market forecasts from various public research institutions are utilised when estimates are made.

The cash flow discount rate is determined using the weighted average cost of capital (WACC). The key elements of the WACC are the risk-free interest rate, the market risk premium,

the sector-specific beta factor, the cost of debt and the ratio of equity to debt. The Group determines a pre-tax and a post-tax discount rate. In its calculations, the Group has used a pre-tax WACC of 11.1% (2019: 10.9%).

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



## 6. Income taxes

### Accounting policy applied in the financial statements – Income taxes

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

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

Deferred taxes are only recognised when it is probable that an adequate amount of taxable income can be generated in the future to utilise the confirmed losses of previous financial periods or other temporary differences taxation purposes. Deferred tax liabilities are recognised in full.

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

### Management's discretion – Taxes

When recording taxes, the most significant management estimate concerns the basis for 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.

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

## 6.1. Income taxes on the income statement

### Income taxes

EUR 1,000	2020	2019
Tax based on taxable income for the period	1,169	1,387
Taxes for previous years	-1	0
Change in deferred taxes	332	205
Total income taxes	1,499	1,592

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

EUR 1,000	2020	2019
Profit/loss before taxes	9,265	10,322
Taxes calculated based on the Finnish tax rate (20%)	1,853	2,064
Taxes allocated to previous years	-1	-54
Non-deductible expenses	118	20
Previously unrecognised deferred tax assets	-220	-220
Tax-free income	-0	-0
Share of joint venture's profit	-242	-81
Other items	-8	-138
Tax expense/income on the income statement	1,499	1,592
Effective tax rate	16.2%	15.4%

## 6.2. Deferred taxes on the balance sheet

### Deferred tax assets and liabilities on the balance sheet

EUR 1,000	1 Jan 2020	Recorded in income statement	Recorded in equity	Acquisitions	31 Dec 2020
Deferred tax assets					
Undeducted interest liabilities of associated companies	220	220			440
Other items	3	20			23
Total deferred tax assets	223	240			463
Deferred tax liabilities					
Difference between book and tax depreciation	452	232			684
Financial items	51	340	-324		66
Total deferred tax liabilities	502	572	-324		750

EUR 1,000	1 Jan 2019	Recorded in income statement	Recorded in equity	Acquisitions	31 Dec 2019
Deferred tax assets					
Undeducted interest liabilities of associated companies		220			220
Other items	2	1			3
Total deferred tax assets	2	221			223
Deferred tax liabilities					
Difference between book and tax depreciation	341	111			452
Financial items	85	315	-349		51
Total deferred tax liabilities	426	426	-349		502

In 2020, the Group recognised EUR 0.2 million (2019: EUR 0.2 million) in deferred tax assets on accrued and undeducted interest liabilities of associated companies. After the recognition, the Group had EUR 3.8 million (2019: EUR 4.4 million) in undeducted interest liabilities of associated companies on which it had not recognised a deferred tax asset. There is no deadline for making the deduction in the taxation of subsequent years.

## 7. Group structure

### 7.1. Group structure

#### Accounting policy applied in the financial statements – Subsidiaries

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

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

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

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

#### Group structure

	Domicile	Parent company	Group holding	
			31 Dec 2020	31 Dec 2019
<b>Parent company</b>				
Kreate Group Plc	Helsinki, Finland			
<b>Subsidiaries</b>				
Kreate Oy	Helsinki, Finland	Kreate Group Plc	100%	100%
Kreate Rata Oy	Helsinki, Finland	Kreate Oy	100%	100%

The Group has had no changes in the group structure during the 2020 or 2019 financial periods.

## 7.2. Joint ventures

### Accounting policy applied in the financial statements – Joint ventures

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

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

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

KFS Finland Oy is a joint venture with Keller Holdings Ltd. specialising in ground engineering. Neither owner exercises control in the joint venture. In 2017, KFS Finland Oy acquired Sotkamon Porapaalu Oy, which was merged into KFS Finland Oy in 2018.

	Domicile	Parent company	Group holding	
			31 Dec 2020	31 Dec 2019
<b>Joint ventures</b>				
KFS Finland Oy	Tuusula	Kreate Oy	50%	50%
<b>Investments in joint ventures</b>				
<b>EUR 1,000</b>			<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
Shares in joint ventures			8,351	7,640

### Summary of financial information on joint ventures

EUR 1,000	2020	2019
Non-current assets	10,492	7,891
Current assets <sup>1)</sup>	6,351	8,654
Non-current liabilities <sup>2)</sup>	5,804	4,643
Current liabilities	5,272	6,794
Net assets	5,768	5,109
Revenue	43,001	37,601
Operating result <sup>3)</sup>	3,035	1,588
Result for the period <sup>4)</sup>	1,659	781
Dividends from joint venture during the financial period	500	

<sup>1)</sup> Current assets include cash and cash equivalents of EUR 0.9 (2019: 1.3) million

<sup>2)</sup> Non-current liabilities include interest-bearing debts of EUR 3.4 (2019: 3.0) million

<sup>3)</sup> The operating result includes depreciation of EUR 1.5 (2019: 1.2) million

<sup>4)</sup> The result for the period includes financial income of EUR 0.0 million (2019: 0.0), financial expenses of EUR 0.1 million (2019: 0.1) and income taxes of EUR 0.4 million (2019: 0.2)

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

EUR 1,000	2020	2019
Net assets of joint ventures	5,768	5,109
Group's share of net assets (50%)	2,884	2,554
Adjustments under IFRS and by the Group on net assets of joint venture	1,086	705
Fair value allocated to shares in joint ventures at acquisition	4,381	4,381
Shares in joint ventures in the Group	8,351	7,640
Investments in joint ventures	8,351	7,640
Joint venture's profit	1,659	781
The Group's share of joint venture's profit (50%)	830	390
Adjustments under IFRS and by the Group	381	659
Share of joint venture's profit in the Group	1,210	1,049

KFS Finland Oy prepares its financial statements in accordance with the Finnish Accounting Standards (FAS). When consolidated, the company's result and balance sheet is adjusted in line with the IFRS, which consists of recognising leases in accordance with IFRS 16, adjusting Sotkamon Porapaalu Oy's IFRS-compliant acquisition cost calculation and treating depreciation differences. In the acquisition of Sotkamon Porapaalu Oy, the identified assets are customer relationships and the order backlog, and the effect on amortisation on these is recognised by the Group through profit or loss. In the consolidated balance sheet, the fair value allocated to the shares of KFS Finland Oy at acquisition is also included in shares in joint ventures.



## 8. Other notes

### 8.1. Provisions

#### Accounting policy applied in the financial statements – Provisions

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

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

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

A restructuring provision may be recognised when the amount of expenses can be estimated reliably, a binding decision on restructuring has been taken and a detailed plan has been prepared and communicated to those whom it will affect.

#### Management's discretion – Provisions

When recognising provisions, the management estimates if there is a legal or factual obligation with a probable payment obligation in the future. Additionally, the management must estimate the amount of the obligation and the time of its realisation. A provision may be recognised only if these can be estimated reliably.

Provisions EUR 1,000	Warranty provisions	Loss provisions	Total provisions
Provision as at 1 Jan 2020	1,477		1,477
Increase in provisions	641	30	671
Provisions used during the period	-511		-511
Provisions reversed during the period	-154		-154
Provision as at 31 Dec 2020	1,452	30	1,482

EUR 1,000	Warranty provisions	Loss provisions	Total provisions
Provision as at 1 Jan 2019	1,048		1,048
Increase in provisions	1,195		1,195
Provisions used during the period	-244		-244
Provisions reversed during the period	-522		-522
Provision as at 31 Dec 2019	1,477		1,477

### 8.2. Collateral and contingent liabilities

#### Collateral and contingent liabilities

EUR 1,000	2020	2019
<b>Mortgages and shares given as collateral for loans from financial institutions</b>		
Book value of pledged shares	52,024	52,024
Given real estate mortgages	5,034	5,392
Floating charges given	75,400	75,400
<b>Other contingent liabilities</b>		
Collateral given on behalf of joint ventures	72	145
Other collateral	27	68
Guarantee liabilities from project contracts	36,401	39,920
Lease liabilities from short-term assets with low value	607	663
VAT liability	134	167

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

Kreate Oy is obligated to revise the VAT deductions it has made on the real estate investment in the office/maintenance building completed in Lappeenranta in 2014 if the volume of operations subject to VAT at the property decreases during the revision period. The final revision year is 2024. The maximum amount of the liability is EUR 334 thousand, of which EUR 134 thousand are outstanding.

### 8.3. Related parties

Intera Fund II Ky holds 50.1% (49.5% as at 31 December 2019) of the shares of Kreate Group Plc.

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. In addition, the related parties include key management, their immediate family members as well as communities under the aforementioned persons' 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.

#### Related-party transactions

EUR 1,000	1-12/2020 Income	Expenses <sup>2)</sup>	12/2020 Receivables	Liabilities
Intera Fund II Ky		-678		
Joint venture	19,045	-3,573	877	
Other related parties <sup>1)</sup>	88	-750		38

EUR 1,000	1-12/2019 Income	Expenses <sup>2)</sup>	12/2019 Receivables	Liabilities <sup>2)</sup>
Intera Fund II Ky		-754		6,785
Joint venture	16,184	-6,475	3,907	166
Other related parties <sup>1)</sup>		-582		3,464

<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.

The Group's expenses and liabilities to Intera Fund II Ky are related to the equity loan received by the Group. The Company has redeemed the shareholder loans on 30 December 2020 and at the same time, the Company paid the accrued interests from the loans. The equity loan included in equity is presented in Note 3.1.

The joint venture has joint business transactions with the Group, in addition to which in the comparison period, income and receivables include the capital loan granted by the Group to the joint venture and the interest income from the loan. Guarantees given on behalf of the joint venture are presented in Note 8.2.

Transactions with other related parties include the interest of the equity loan redeemed during the financial period and expenses, receivables and liabilities related to other business transactions. The salaries and remunerations received by the related parties are presented in the table "Salaries and remunerations of key management personnel".

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

#### Salaries and remunerations of key management personnel

EUR 1,000	2020	2019
Fees of the Board of Directors	39	41
Salary and fees of the President and CEO	392	288
Salary and fees of the Management Team	1,656	1,251
Total	2,087	1,579

The Board of Directors decides on the remuneration of the Managing Director and the members of the management team. The members of the management team are insured under statutory pension insurance policies as well as voluntary additional pension insurance policies. The pension expenses of the supplementary pension plan amounted to EUR 34.8 (2019: 33.6) thousand for the CEO and EUR 113 (2019: 63.3) thousand for the members of the Management Team during the financial year ended 31 December 2020.

The term of notice of the Management Team members' employment contracts is three to six months. The CEO and six other members of the Management Team are, subject to certain conditions, entitled to receive a severance payment equivalent to a three to eight months' salary in addition to the salary for the notice period in the event that their employment contracts are terminated by Kreate.

The Group does not have share-based incentive schemes.

## 8.4. 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.

## Parent company's income statement (FAS)

EUR 1,000	2020	2019
<b>REVENUE</b>	<b>480</b>	<b>480</b>
Materials and services		
Material, supplies and goods	1	0
Personnel expenses		
Salaries and remuneration	1,147	911
Personnel benefits		
Pension expenses	135	59
Other personnel benefits	168	1,450
Depreciation, amortisation and impairment		
Depreciation according to plan	8	7
Other operating expenses	258	311
<b>OPERATING PROFIT/LOSS</b>	<b>-1,237</b>	<b>-817</b>
Financial income and expenses		
From others	0	0
Interest expenses and other financial expenses		
To Group companies	-16	-36
To others	-2,568	-2,584
<b>PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES</b>	<b>-3,821</b>	<b>-3,256</b>
Appropriations		
Intra-group transfers	8,900	10,250
Income taxes	-1,129	-1,415
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>3,950</b>	<b>5,580</b>

## Parent company's balance sheet (FAS)

EUR 1,000	2020	2019
<b>Assets</b>		
NON-CURRENT ASSETS		
Intangible assets		
Intangible rights	6	9
Other long-term expenditures	8	12
Acquisitions in progress	132	146
Investments		
Shares in Group companies	52,024	52,024
<b>TOTAL NON-CURRENT ASSETS</b>	<b>52,170</b>	<b>52,045</b>
CURRENT ASSETS		
Current receivables		
Receivables from group companies	8,900	10,250
Other receivables	55	
Accrued income	3	8,958
Cash and cash equivalents	2,869	905
<b>TOTAL CURRENT ASSETS</b>	<b>11,827</b>	<b>11,156</b>
<b>Total assets</b>	<b>63,997</b>	<b>63,201</b>
<b>Liabilities</b>		
<b>EQUITY</b>		
Share capital	3	3
Other reserves		
Reserve for invested unrestricted equity	8,280	8,280
Retained earnings	5,371	-209
Profit/loss for the period	3,950	5,580
<b>TOTAL EQUITY</b>	<b>17,603</b>	<b>13,653</b>
<b>LIABILITIES</b>		
Non-current		
Equity loans		16,209
Interest-bearing debt	29,583	29,583
Current		
Interest-bearing debt	4,667	4,300
Trade payables	37	1
Liabilities to Group companies	10,016	4,002
Other liabilities	295	331
Accrued liabilities	1,796	16,810
<b>TOTAL LIABILITIES</b>	<b>46,394</b>	<b>49,548</b>
<b>Total liabilities</b>	<b>63,997</b>	<b>63,201</b>



## Parent company's cash flow statement (FAS)

EUR 1,000	2020	2019
Result for the period	3,950	5,580
Depreciation, amortization and impairment	8	7
Financial income and expenses	2,584	2,439
Income taxes	1,129	1,415
Other adjustments	-8,900	-10,250
Total adjustments	-5,179	-6,389
Change in trade and other receivables	-57	0
Change in trade and other payables	533	647
Total change in working capital	475	647
Interest paid in operating activities	-22	-36
Interest received in operating activities	0	0
Other financial items	-466	
Taxes paid	-1,414	-502
<b>CASH FLOW FROM OPERATIONS</b>	<b>-2,656</b>	<b>-700</b>
Investments in tangible and intangible assets	-132	-2
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-132</b>	<b>-2</b>
Equity investments		153
Drawdown of non-current loans	34,250	
Repayment of non-current loans	-16,209	-1,152
Drawdown of current loans	11,000	4,000
Repayment of current loans	-32,400	-5,800
Interest and other loan expenses	-2,138	-2,550
Group contributions	10,250	6,000
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>4,752</b>	<b>650</b>
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>1,964</b>	<b>-51</b>
Cash and cash equivalents on the opening balance sheet	905	956
Change in cash and cash equivalents	1,964	-51
Cash and cash equivalents at the end of the period	2,869	905

## Accounting Policies applied in the parent company's financial statements

### Information about the Group

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

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

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

### Valuation and accrual principles and methods

#### Measurement of non-current assets

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

The amortisation periods are:

Intangible assets 4 years

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

#### Financial assets and liabilities

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

## Notes to the parent company's financial statements

### Notes to the income statement

#### Liikevaihto

EUR 1,000	2020	2019
Revenue	480	480

### Notes concerning the personnel

#### Average number of personnel during the period

	2020	2019
Salaried employees	3	2

#### Salaries, remunerations and pension expenses for the period

EUR 1,000	2020	2019
Salaries and remuneration	1,147	911
Pension expenses	135	59
Other personnel benefits	168	8
Total	1,450	978
Fringe benefits (tax value)	41	19

#### Salaries and remunerations of the management

EUR 1,000	2020	2019
Members of the Board of Directors	39	41

#### Depreciation, amortisation and impairment

EUR 1,000	2020	2019
Depreciation according to plan	8	7

## Other operating expenses

## Auditor's fees

EUR 1,000	2020	2019
Audit	18	0
Other services	111	
Total	129	0

## Financial income and expenses

EUR 1,000	2020	2019
Other interest income		
From others	0	0
Total interest income	0	0
Total financial income	0	0
Interest expenses		
To Group companies	-16	-36
To others	-2,102	-2,403
Total interest expenses	-2,118	-2,439
Other financial expenses		
Other financial expenses	-466	-
Total other financial expenses	-466	-
Total financial expenses	-2,584	-2,439
Total financial income and expenses	-2,584	-2,439

## Appropriations

EUR 1,000	2020	2019
Group contributions	8,900	10,250

## Income taxes

EUR 1,000	2020	2019
Income taxes from operations	1,129	1,415

The company has EUR 6,016 (2019: EUR 5,453) thousand in undeducted interest liabilities of associated companies.

## Notes to the balance sheet

## Itemisation of non-current assets

EUR 1,000	Intangible assets			Total
	Intangible rights	Other long-term expenditures	Prepayments and acquisitions in progress	
Acquisition cost as at 1 Jan 2020	13	17		30
Increases			132	132
Acquisition cost as at 31 Dec 2020	13	17	132	162
Accrued amortisation and impairment as at 1 Jan 2020	-4	-5		-9
Amortisation for the period	-3	-4		-8
Accrued amortisation and impairment as at 31 Dec 2020	-7	-9		-16
Carrying amount as at 31 Dec 2020	6	8	132	146
Carrying amount as at 31 Dec 2019	9	12		21

	Investments	
	Other shares and interests	Total
Acquisition cost as at 1 Jan 2020	52,024	52,024
Acquisition cost as at 31 Dec 2020	52,024	52,024
Accrued impairment as at 1 Jan 2020	-	-
Accrued impairment as at 31 Dec 2020	-	-
Carrying amount as at 31 Dec 2020	52,024	52,024
Carrying amount as at 31 Dec 2019	52,024	52,024

## Shares and holdings

	Company's ownership, %
Kreate Oy, Helsinki	100



**Current receivables**

EUR 1,000	2020	2019
Receivables from Group companies		
Accrued income	8,900	10,250
Total	8,900	10,250
Receivables from others		
Other receivables	55	-
Accrued income	3	1
Total	58	1
Total current receivables	8,958	10,251

**Equity**

EUR 1,000	2020	2019
Restricted equity		
Share capital as at 1 Jan	3	3
Share capital as at 31 Dec	3	3
Total restricted equity	3	3
Unrestricted equity		
Reserve for invested unrestricted equity as at 1 Jan	8,280	8,127
Share Issue		153
Reserve for invested unrestricted equity as at 31 Dec	8,280	8,280
Retained earnings as at 1 Jan	5,371	-209
Retained earnings as at 31 Dec	5,371	-209
Profit (loss) for the period	3,950	5,580
Total unrestricted equity	17,600	13,650
Total equity	17,603	13,653

**Distributable unrestricted equity**

EUR 1,000	2020	2019
Calculation of distributable unrestricted equity		
Retained earnings	5,371	-209
Profit (loss) for the period	3,950	5,580
Reserve for invested unrestricted equity	8,280	8,280
Distributable equity	17,600	13,650

**Non-current liabilities**

EUR 1,000	2020	2019
Equity loans	-	16,209
Interest-bearing debt	29,583	23,100
	29,583	39,309

**Current liabilities**

EUR 1,000	2020	2019
Liabilities to Group companies		
Trade payables		
Other liabilities	10,016	4,002
Total	10,016	4,002
Liabilities to others		
Loans from financial institutions	4,667	4,300
Trade payables	37	1
Other liabilities	295	331
Accrued liabilities	1,796	1,605
Total	6,794	6,237

**Material accrued expense items**

EUR 1,000	2020	2019
Salaries and remuneration, incl. social expenses	1,105	576
Interest	5	47
Taxes	685	971
Other	-	10
Total	1,796	1,605

## Collateral and contingent liabilities

### Mortgages given as collateral for loans from financial institutions

EUR 1,000	2020	2019
Floating charges given	75,400	75,400

### Collateral and guarantees given on behalf of Group companies

EUR 1,000	2020	2019
Other collateral	36,762	40,626

### Guarantees given on behalf of persons belonging to related parties

EUR 1,000	2020	2019
Guarantees	27	68

### Other contingent liabilities

EUR 1,000	2020	2019
Credit card limit used	1	1

### Pension liabilities

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

## 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 are:

Retained earnings	5,370,774.10
Profit (loss) for the period	3,950,037.36
Reserve for invested unrestricted equity	8,279,657.34
Distributable equity	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.

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

Helsinki, 30 March 2021

Petri Rignell  
Chair of the Board of Directors

Timo Kohtamäki

Ronnie Neva-Aho

Janne Näränen

Markus Väyrynen

Elina Pienimäki

Timo Vikström  
President and CEO

## Auditor's note

A report on the audit carried out has been submitted today.  
Helsinki, 30 March 2021

KPMG Oy  
Firm of Authorised Public Accountants

Turo Koila  
Authorised Public Accountant KHT

# Auditor's report

To the Annual General Meeting of Kreate Group Plc

## Audit of the Financial Statements

### Opinion

We have audited the financial statements of Kreate Group Plc (business ID 2601364-3) for the financial period 1 January–31 December 2020. The financial statements include the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of financial position and notes.

In our opinion

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

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

### Basis for Opinion

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

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

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland.

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

### Materiality

The scope of our audit was influenced by our application of materiality. We have determined materiality based on our professional judgement, and it helps us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole. The level of materiality is based on our estimate of the scale of such misstatements that, individually or in aggregate, might reasonably be expected to



influence the financial decisions made by the users of the financial statements. We have also considered such misstatements that, due to qualitative reasons, we regard as material to the users of the financial statements. Ite.

### Key Audit Matters

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

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

KEY AUDIT MATTERS	HOW THE AUDIT ADDRESSED THE MATTERS IN QUESTION
<b>Valuation of goodwill – Accounting policies for consolidated financial statements and notes 5.3 and 5.4</b>	
<ul style="list-style-type: none"> <li>Goodwill EUR 36 million represents a significant share, 35%, of the consolidated balance sheet total.</li> <li>Goodwill is tested for impairment when there are indicators of impairment, or annually at a minimum. Impairment testing is carried out by comparing the recoverable amount of the cash-generating unit to its carrying amount. Management estimates the recoverable amount of the cash-generating unit by using a discounted cash flows model. The cash flow estimates used as the basis for testing are subject to a significant amount of management judgements particularly concerning revenue growth, profitability and discount rate.</li> <li>Due to the significance of the carrying amount and the significant management judgement relating to the estimates, goodwill valuation is a key audit matter.</li> </ul>	<ul style="list-style-type: none"> <li>We have critically evaluated the management's principles and assumptions on which the cash flow estimates for future years have been made.</li> <li>We have involved KPMG's valuation experts in the audit to evaluate the reasonableness of the discount rates, the technical correctness of the calculations and the assumptions used in relation to market and industry data.</li> <li>In addition, we have assessed the appropriate presentation of notes relating to impairment testing of goodwill in the financial statements.</li> </ul>

### KEY AUDIT MATTERS

### HOW THE AUDIT ADDRESSED THE MATTERS IN QUESTION

#### Revenue recognition – Accounting policies for consolidated financial statements and note 2.1

- The recognition of sales consists of hand-over of goods and services defined in project contracts to customers, with total revenue standing at EUR 235 million.
- Revenue reporting includes a risk of misstated recognition date and amount due to management judgements concerning recognition and the large number of invoiced amounts.
- Recognition of income from projects is mainly based on the degree of completion. The degree of completion is defined as the relative share of actualised costs from the total costs estimated by the management. Potential erroneous cost estimates would lead to misstated recognition.
- We have evaluated the company's sales recognition and calculation processes in relation to the principles defined in the IFRS standards.
- We have tested the functionality of the key internal controls used to ensure the completeness and timing of sales reporting.
- We have compared the total revenue estimates of projects recognised based on degree of completion with customer contracts. In addition, we have analysed estimated and actualised project costs and project margins. We have also examined the updating process concerning cost estimates and degrees of completion and assessed its appropriateness.
- Furthermore, we have carried out material auditing activities from the point of view of sales completeness and correctness.

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

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

In preparing the financial statements, the Board of Directors and the President and CEO are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the

going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### Other Reporting Requirements

#### Appointment information

We have served as the auditor elected by the Annual General Meeting uninterruptedly for 2 years from 2 May 2019.

Kreate Group Plc has become a significant entity from the point of view of public interest on 23 February 2021.

#### Other Information

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

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

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

If, based on the work we have performed on the other information that we obtained prior

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

### Other statements

Kreate Group Plc has become a significant entity from the point of view of public interest on 23 February 2021, i.e., after the end of the financial period 1 January–31 December 2020 covered by the audited financial statements.

Helsinki, 30 March 2021

KPMG OY AB

**Turo Koila**

Authorised Public Accountant KHT

## Investor information

Kreate publishes financial information in Finnish and English, and the information is available at [kreate.fi/en/investor](https://kreate.fi/en/investor).

### Financial reports in 2021

- Interim report for 1–3/2021, April 28
- Half-year report for 1–6/2021, July 28
- Interim report for 1–9/2021, October 27

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

### Flagging notifications

Shareholders of listed companies have an obligation to notify both the listed company and the Finnish Financial Supervisory Authority (FIN-FSA) of changes in their holdings.

Under the provisions of the Securities Markets Act, changes in holdings must be disclosed when the holding reaches, exceeds or falls below 5, 10, 15, 20, 25, 30, 50, 66.7 (2/3) or 90 per cent of the numbers of shares or the voting rights of the company.

A flagging notification must be submitted without undue delay.

Shareholders are advised to send the flagging notifications to [flaggings@kreate.fi](mailto:flaggings@kreate.fi). Flagging notifications must be sent to the FIN-FSA according to its guidelines.

### IR contact information

Timo Vikström, President & CEO, +358 40 074 0057, [timo.vikstrom@kreate.fi](mailto:timo.vikstrom@kreate.fi)  
Antti Heinola, CFO, +358 40 352 1033, [antti.heinola@kreate.fi](mailto:antti.heinola@kreate.fi)

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