



Financial Statement Bulletin January - December 2023

Kreate Group Plc

KREATE
THE FUTURE IS BUILT TODAY

KREATE'S FINANCIAL STATEMENT BULLETIN: Q4 CASH FLOW WAS VERY STRONG AND EBITA INCREASED YEAR-ON-YEAR

Kreate Group Plc, financial statement bulletin for January - December 2023, 31 Jan 2024 at 8:30 am

October - December in brief

- Order backlog amounted to EUR 196.3 (306.9) million, a decrease of 36.0%
- Revenue decreased compared to the reference period, amounting to EUR 80.2 (83.1) million
- The year-on-year change in revenue was -3.5% (9.6%)
- EBITDA was EUR 4.9 (3.8) million, amounting to 6.1 (4.5) per cent of revenue
- EBITA was EUR 2.7 (2.3) million, amounting to 3.4 (2.8) per cent of revenue
- Earnings per share were EUR 0.18 (0.14)
- Free cash flow from operating activities was EUR 19.7 (15.2) million
- Interest-bearing net debt was EUR 16.8 (33.4) million

January - December in brief

- Revenue grew compared to the reference period, amounting to EUR 320.0 (273.9) million
- The year-on-year change in revenue was 16.8% (15.3%)
- EBITDA was EUR 14.0 (13.6) million, amounting to 4.4 (5.0) per cent of revenue
- EBITA was EUR 7.8 (8.8) million, amounting to 2.4 (3.2) per cent of revenue
- Earnings per share were EUR 0.44 (0.63)
- Free cash flow from operating activities was EUR 26.1 (3.5) million
- The Board of Directors proposes to the Annual General Meeting on 25 March 2024 that, based on the balance sheet verified for 2023, a dividend of EUR 0.48 be issued per share for shares held outside the company at the time of dividend distribution. The dividend will be paid in two instalments. The first instalment of EUR 0,30 per share will be paid in April 2024 and the second instalment of EUR 0.18 per share will be paid in October 2024.

Result guidance for 2024

Kreate estimates that its revenue in 2024 will decline and be in the range of EUR 270–300 million (2023: EUR 320.0 million) and EBITA will increase and be in the range of EUR 8–11 million (2023: EUR 7.8 million).

Justifications: The company's guidance is based on the order backlog expected to be realised in 2024 at the turn of the year. The company sees stable continuity in Kreate's characteristic demanding infrastructure construction due to the countercyclical nature of the business, despite the prevailing level of interest rate and cost inflation and the general market outlook. The company offers projects more selectively, which is expected to decrease revenue and improve profitability.

Development of the operating environment

The construction market in Finland weakened significantly during 2023, and the decline was particularly steep in the second half of the year due to the high level of costs and interest rates, weak confidence and an economic downturn. The Confederation of Finnish Construction Industries estimated at the end of September 2023 that the volume of construction in Finland would decrease by 10 per cent in 2023.

However, there is variation within the construction market. Housing construction is a strongly cyclical segment, and in September, its volume was estimated to fall by 38 per cent during 2023, while the decline was estimated at 2 per cent in other building construction and 4 per cent in repair construction. Kreate operates in the infrastructure construction market, which is counter-cyclical and clearly more even and stable than building construction. In September, however, it was estimated that the volume of the infrastructure market would decrease by 5 per cent in 2023 and that the change would be close to zero in 2024.

According to the building and dwelling production statistics updated in January 2024, the value at constant prices, or volume, of ongoing building production decreased by 19% in September-November 2023, and the cubic volume covered of granted building permits by 17% year-on-year. The moving annual total of start-up construction projects fell by 22% in terms of cubic volume in November compared to a year ago, and in the Helsinki metropolitan area, non-subsidised projects started have decreased by as much as over 70%. New orders for industry decreased in 2023 by 19% in November and by 12% in January-November compared to a year ago. The investment survey published by the Confederation of Finnish Industries EK in January 2024 predicts that industrial investments will decrease by 2% in 2024 compared to the previous year.

The development of building permits, new projects started and new orders for industry suggests that 2024 will also be a difficult year for construction. Building permits and projects started are particularly significant indicators for housing construction, and new housing construction is estimated to be at a very low level in 2024. The delay in starting projects is significantly shorter in infrastructure construction than in building construction, and projects can be started quickly if necessary. The decline in housing construction in 2023 brought operators and competition over to infrastructure construction, albeit to a lesser extent to demanding infrastructure construction.

Kreate specialises in demanding infrastructure construction, which continues to offer a stable and safe business environment despite the turbulence of the construction market. Kreate's dependence on cyclical housing construction is low. Kreate's revenue linked to building construction consists mainly of other building construction, such as foundation work for public construction, trade, logistics or industrial buildings. Counter to the cycle, these projects are being executed as normal in the construction industry at the moment – the more demanding the infrastructure construction project is, the less sensitive the investment decision is to the transient level of inflation and interest rates.

The level of interest rates in 2023 was high compared to previous years. Expectations of an interest rate cut grew stronger towards the end of 2023, and in December, long-term interest rates fell below short-term interest rates. The level of interest rates affects, among other things, the purchasing power of consumers and the profitability calculations for industrial investments, and so a decrease in the level of interest rates would support demand in the construction industry through, for example, an upswing in house sales and an increase in willingness to invest.

The bleak development of the operating environment led to several bankruptcies of operators in the construction industry in 2023. Kreate estimates that these bankruptcies do not pose a significant financial risk to the company. More than half of the company's revenue comes from

projects ordered by the state and municipalities, and the private sector customers are typically large companies with a good financial standing. As regards the bankruptcies of operators in the subcontracting chain, Kreate's financial risks are quite limited and these risks have also been prepared for in the drafting of the contract terms.

Despite the downcast state of the construction market, the long-term outlook for infrastructure construction is bright and large-scale projects can be expected, for example, with regard to the government's transport investment programme and the green transition. Finland's NATO membership and the prevailing geopolitical situation also increase the need for and importance of railway, road and port infrastructure towards the north and the western border as well as airport infrastructure, for example, from the point of view of Finland's security of supply and accessibility. Although the long-term outlook is strongly positive, it is difficult to estimate the size and timing of the projects.

With regard to Kreate's Swedish business, the development of the operating environment has been favourable. Although construction is experiencing a strong downward trend in Sweden, the market for rock engineering and concrete construction, which is essential for Kreate, is also expected to develop strongly in the Greater Stockholm and Gothenburg area in the coming years.

Key figures

EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Order backlog			196.3	306.9
Revenue	80.2	83.1	320.0	273.9
Year-on-year change in revenue, %	-3.5	9.6	16.8	15.3
EBITDA	4.9	3.8	14.0	13.6
EBITDA, %	6.1	4.5	4.4	5.0
EBITA	2.7	2.3	7.8	8.8
EBITA, %	3.4	2.8	2.4	3.2
Operating profit	2.6	2.3	7.6	8.6
Operating profit, %	3.3	2.8	2.4	3.2
Result for the period	1.6	1.3	3.9	5.6
Capital employed			59.6	75.9
Return on capital employed, %			11.2	12.5
Return on equity, %			9.1	13.5
Net investments in operating activities	-0.7	-0.5	-5.9	-4.2
Free cash flow from operating activities	19.7	15.2	26.1	3.5
Net working capital			-11.3	4.7
Net debt			16.8	33.4
Net debt/EBITDA, rolling 12 months			1.2	2.5
Net debt/EBITDA, rolling 12 months pro forma*				2.4*
Equity ratio, %			31.8	31.6
Earnings per share, diluted, €	0.18	0.14	0.44	0.63
Earnings per share, undiluted, €	0.18	0.14	0.44	0.64
Dividend per share, €			0,48**	0.46
Personnel at the end of the period			472	447
Personnel on average	475	449	454	416

*) The pro forma includes the EBITDA of the acquisition from 1 Jan 2022 to 31 Aug 2022

***) Board of Directors' proposal to the Annual General Meeting

President & CEO Timo Vikström:

“The year 2023 was yet another challenging year in many ways. Since 2020, the COVID-19 pandemic, Russia’s war of aggression, cost inflation and, most recently, the rapidly changing level of interest rates and an economic downturn have all taken their toll on the industry, Finland and the world as a whole. Construction is one of the sectors hit hard by these crises. Against this background, I can be very proud of Kreate’s performance in the past year.



First of all, we have managed to grow in a falling market. Our 2023 revenue increased by 17 per cent year-on-year while, according to the latest forecast, the construction market took a double-digit dive and infrastructure construction declined by 4–10 per cent. Although our last quarter of the year fell slightly behind the previous year’s level in terms of revenue, the quarter was particularly gratifying with regard to free cash flow from operating activities amounting to EUR 20 million.

The strong cash flow in the last quarter of the year is partly a reflection of the normal seasonal variation in the business, as smaller projects are often completed before winter, but it also clearly indicates that we have continued to improve the efficiency of working capital management throughout the entire organisation. We have also revised our risk management, keeping an even sharper eye on, for example, the contract terms and what projects we offer in general. The increased importance of risk management is well reflected, among other things, in the fact that, in the last quarter of the year, after careful consideration, we did not participate in tenders for projects worth several hundred million euros because we judged their risk-sharing mechanisms to be too disadvantageous.

Healthy business and our order backlog, strong liquidity position and - taking into account the construction market situation - fairly good profit (EBITA) of EUR 7.8 million for 2023 give us certainty and peace of mind to wait for and continue to choose projects that suit Kreate. Our core competences are technically difficult infrastructure projects combining a high level of technical challenges and several types of construction, good contract expertise and listening to the customer.

Tender calculation has been very active towards the end of 2023 and market demand surprisingly high. We are confident that the activity will continue in 2024, especially driven by the investment programmes of cities located in growth centres as well as government rail investments, which will have a positive impact on the development of our order backlog this year. During the early part of the year, public tenders expected for calculation include the Tampere passenger railway yard as well as railway projects between Tampere-Pori and Helsinki-Riihimäki. The industry side has also been commendably active in terms of both the green transition and data centre projects, while housing construction seems very quiet still. Public building construction is continuing at a high pace.

We have also been pleased with the development of our Swedish business. Our revenue in Sweden for the whole year was EUR 23 million; it has almost doubled from September 2022 when we expanded into Sweden through a business acquisition. Although the short-term outlook for the construction market in Sweden is weak, the infrastructure construction market is expected to remain strong in the future as well.

We have entered 2024 with quite a lot of confidence. We have survived the market turmoil in an exemplary manner and we have good visibility into projects that are starting and ongoing in 2024. Our order backlog of EUR 196 million is at a sustainable level, although it is lower than in the previous year (EUR 307 million). From the order backlog, it is estimated that EUR 168 million will be recognised as income during 2024.

We owe our success to our personnel. We have a wonderful team that makes the impossible possible every day – sustainable infrastructure for everyone. In 2023, we have been involved in construction in more than 100 projects and at around 60 locations in Finland and Sweden. The highlights have been many and varied – lifting of the massive steel girders of the Kruunuvuori bridge into place, completion of the large-scale casting project for the Kesko logistics centre, opening of the Veturitie bridge for traffic, moving of the rare concrete joint structure of the Hessundinsalmi bridge into place as well as dozens of other projects and activities. We would like to thank every member of our team for the past year and all the shareholders for their trust. This position is a good starting point for us to continue doing strong work also in 2024.”

Strategy

Kreate's goal is to be a profitable growth company that implements even the most demanding infrastructure projects and offers experts the most interesting work community in the industry and opportunities for development. The goal is built on four cornerstones: positioning ourselves in growing market segments, expanding and strengthening our customer relationships and offering, supporting the strategy through selected acquisitions, and continuously improving operational efficiency and profitability.

In 2023, Kreate implemented the strategy strongly and front-loaded. The company's revenue grew by 17% in 2023, and the acquisition of the Swedish market in 2022 has proven successful. The integration process has progressed well, and the company's revenue in Sweden has almost doubled compared to the level at the time of the acquisition. In 2023, Kreate has also paid special attention to operational efficiency and profitability, which can be seen, among other things, in improved working capital management, moderate investments and more accurate risk management related to contract terms.

The goal-oriented implementation of the strategy is quite clearly visible in the results of the financial targets for the strategy period 2021–2024. Kreate achieved revenue of EUR 300 million in 2023, the company's net debt to EBITDA is at an excellent level and the company has distributed dividends well over half of its annual net profit. The target has not been reached only in terms of EBITA margin. Kreate will publish updated financial targets during spring 2024.

Financial targets 2021–2024	2023	Status
GROWTH Increase revenue to EUR 300 million by 2024 through a balanced combination of organic growth and selected acquisitions	320,0 MEUR	+
PROFITABILITY EBITA margin above 5 percent in the medium term	2.4%	-
INDEBTEDNESS Net debt/EBITDA below 2.0	1.2	+
DIVIDEND POLICY The objective is to distribute at least half of our annual net profit as dividends, taking into account our financial position, cash flow and growth potential.	109% (2023 proposal, to be paid in 2024)	+

Kreate Group’s financial reporting

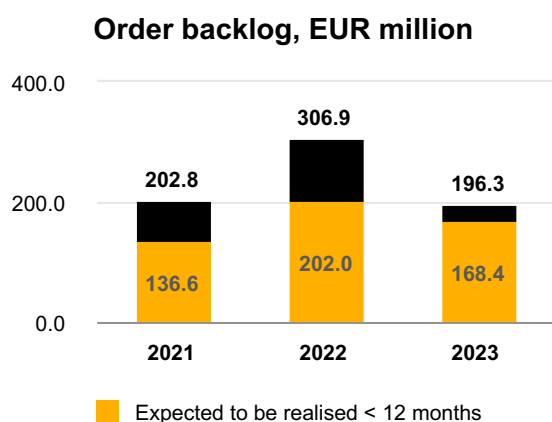
Kreate Group Plc will publish its financial reports in 2024 as follows:

- 26 April 2024 Interim Report for January–March 2024
- 16 July 2024 Half Year Financial Report for January–June 2024
- 25 October 2024 Interim Report for January–September 2024

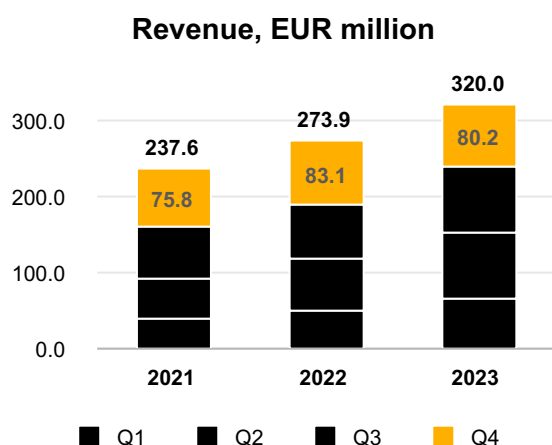
Webcast event

A live webcast open to all will be held today, 31 January 2024, at 11:00 a.m. The event will be held in Finnish. President & CEO Timo Vikström and Chief Financial Officer Mikko Laine will be presenting at the event. The webcast can be followed live in Finnish at <https://kreate.videosync.fi/2023-q4-tulosjulkistus>. A recording of the webcast will be made available later at <https://kreate.fi/sijoittajille/raportit-ja-esitykset/> and a summary in English will become available at <https://kreate.fi/en/investor/reports/>.

Key figures

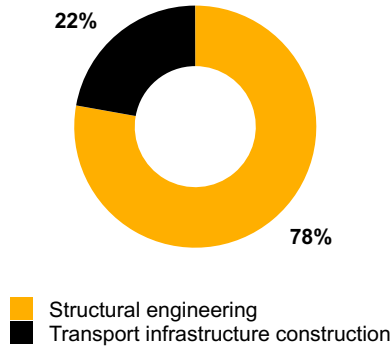


- At the end of December 2023, the order backlog decreased by 36.0 % from December 2022, amounting to EUR 196.3 (306.9) million. From the end of previous quarter, the order backlog decreased by 11.5%.
- The order backlog is at a sustainable level - The order backlog for the reference period was at an exceptionally high level as the Kesko logistics centre project as well as the Kirjalansalmi and Hessundinsalmi bridges were entered into the order backlog in the second half of 2022.
- It is estimated that EUR 168.4 (202.0) million of the order backlog will be realised during the financial year 2024, of which Sweden will account for EUR 10.1 million.
- In the fourth quarter of 2023, projects amounting to EUR 37.2 million were entered into the order backlog. The most significant additions were the Hankasalontie transport infrastructure contract in Vihti, the Tornio railway yard construction contract, bridge projects in Sastamala and Tampere as well as private sector industrial projects.



- In October - December 2023, revenue decreased by 3.5% year-on-year, amounting to 80.2 (83.1) million, of which Kreate's Swedish business was EUR 6.7 (2.9) million.
- In January - December 2023, revenue was EUR 320.0 (273.9) million, of which Kreate's Swedish business was EUR 22.5 (3.9) million.
- Major ongoing projects progressed rapidly in 2023, which increased revenue significantly compared to the comparison year.

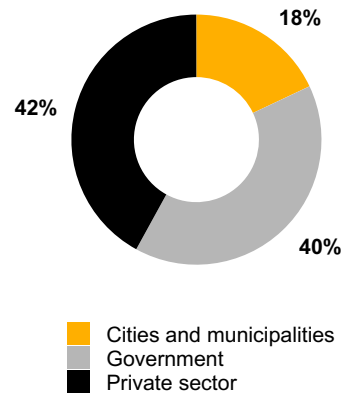
Revenue by business function 2023



2022: Structural engineering 64%,
 Transport infrastructure construction 36%

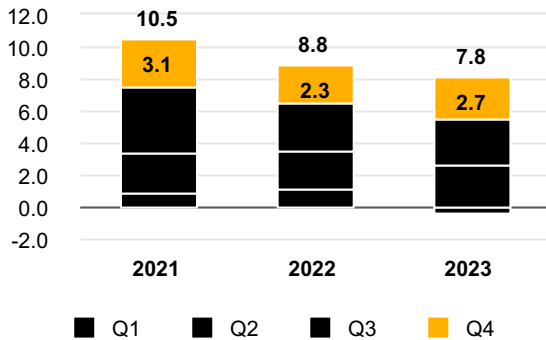
Transport infrastructure construction comprises Railway construction and Road and street construction. Structural engineering comprises of Bridge construction and and repair as well as Foundation and engineering construction.

Revenue by customer group 2023



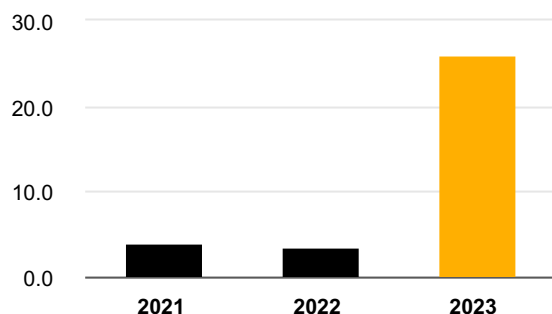
2022: Cities and municipalities 26%, Government 38%, Private sector 36%

EBITA, EUR million



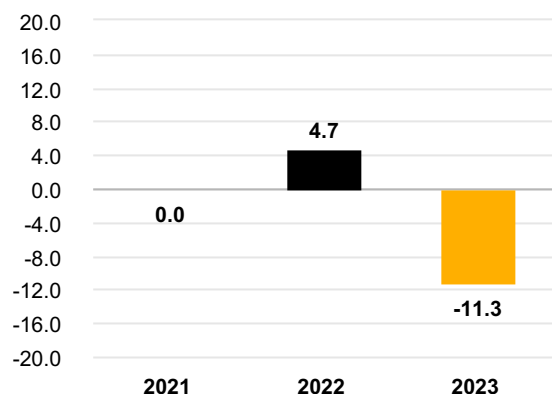
- **In October - December 2023**, EBITA grew year-on-year, amounting to EUR 2.7 (2.3) million
- **In January - December 2023**, EBITA decreased to EUR 7.8 (8.8) million
- Profitability was weakened during the financial year by inflation and ongoing non-index-hedged projects

Free cash flow from operating activities, EUR million



- **In October - December 2023**, free cash flow from operating activities was EUR 19.7 (15.2) million, of which net investments amounted to EUR 0.7 (0.5) million
- **In January - December 2023**, free cash flow from operating activities was EUR 26.1 (3.5) million, of which net investments amounted to EUR 5.9 (4.2) million
- Cash flow reflects the company's improved working capital management and moderate investment level in 2023

Net working capital, EUR million



- **At the end of December 2023**, the company's net working capital was EUR -11.3 (4.7) million, which is an exceptionally low level
- The company's systematic work in project liquidity and risk management has supported good net working capital development in a challenging market environment
- The company aims to keep net working capital at around zero in the longer term

Kreate's financial statement bulletin for January - December

Operating environment in January - December 2023

The total construction market in Finland amounted to approximately EUR 42 billion in 2022, of which the share of infrastructure was more than EUR 9 billion when interpreted broadly. Civil engineering was worth a total of EUR 7.4 billion, of which infrastructure investments accounted for EUR 5.4 billion and infrastructure maintenance for EUR 2 billion. The broad interpretation includes, for example, outdoor area maintenance and foundation work in building construction. Out of all this, Kreate estimates that the market which suits it in Finland amounts to approximately EUR 5 billion. Construction statistics for 2023 are not yet available, but the total construction market can be estimated to have declined by approximately 10 per cent.

In 2022, Russia's war of aggression initiated a rapid increase in costs, which has meant that the infrastructure sector grew in terms of euros, but not in volumes. Civil engineering volumes declined by one per cent in 2022, and in 2023, the volumes are estimated to have decreased by 4–10 per cent.

By summer 2023, the rise in the costs of civil engineering came nearly to a halt and the cost development calmed down. However, input prices remained at a fairly high level. In December 2023, the costs of civil engineering increased by 3.1% year-on-year, with the highest change taking place in surfacing, the cost of which increased by 4.4%. The producer price index of ready-mixed concrete rose from the beginning of 2023, fell in the spring and, in the second half of the year, the price saw more moderate ups and downs. The price of steel fell from its peak level in 2022, but global market prices did not go down towards the end of 2023 despite the drop in demand, as production restrictions were placed on the market and capacity was closed. During the last quarter of the year, the indices for infrastructure construction started to decline slightly.

If 2022 was a time of rapid cost increases, 2023 was marked by a rapid rise in interest rates. The European Central Bank raised the key interest rate gradually from 2.5 percentage points at the beginning of the year to 4.0 percentage points in June, and in September the figure was already 4.5 percentage points. The rapid rise in interest rates together with the high cost level was widely reflected in willingness to invest, financing costs and general confidence, among other things. The high interest rates have been poison especially for the housing market, as a result of which the number of new housing projects started was at a record low in 2023.

The entire construction industry declined by almost 7 per cent during the early part of 2023 and the slope was even steeper in the second half of the year. At the end of September, the Confederation of Finnish Construction Industries estimated that the volume of construction would decrease by a total of 10 per cent in 2023. The economic outlook deteriorated further towards the end of the year, boding an even sharper drop in the construction statistics for 2023.

Despite the downturn, there are bright spots in the outlook for the industry. According to the decisions made in the autumn 2023 budget session, the government intends to speed up the initiation of its transport investment programme worth nearly EUR 3 billion and to double the EU's CEF funding for military mobility, among other things. In addition to the Government Programme, potential related to the green transition is on the horizon in the long term. The portal of the Confederation of Finnish Industries has various investment plans of companies amounting to more than EUR 225 billion. It should be noted that several green transition projects are multidimensional in nature and require an extensive chain of different operators around them in order for the project to be worth executing. Consequently, there is a lot of uncertainty surrounding the implementation and timing of many green transition projects. The list also includes competing projects and projects

for which Finland is competing with other countries. Despite this, the list shows that there is great potential in the green transition for infrastructure construction in the long term.

Order backlog

The order backlog decreased by 36.0 % year-on-year, amounting to EUR 196.3 (306.9) million at the end of December 2023. The order backlog for the comparison period was at an exceptionally high level as the Kesko logistics centre project as well as the Kirjalansalmi and Hessundinsalmi bridges were entered into the order backlog in the second half of 2022. From the end of previous quarter, the order backlog decreased by 11.5%. Order backlog is at a sustainable level and the expected order backlog profitability was at a normal level compared to before. In the fourth quarter of 2023, projects amounting to EUR 37.2 million were entered into the order backlog. The most significant additions were the Hankasalontie transport infrastructure contract in Vihti, the Tornio railway yard construction contract, bridge projects in Sastamala and Tampere as well as private sector industrial projects. It is estimated that EUR 168.4 (202.0) million of the order backlog will be realised during the financial year 2024.

Revenue

The Group's revenue by business function

EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Structural engineering ¹⁾	59.8	55.8	249.7	176.6
Transport infrastructure construction ²⁾	21.0	27.5	71.2	95.3
Other ³⁾	-0.5	-0.2	-0.9	2.0
Total	80.2	83.1	320.0	273.9

¹⁾ Includes, among others, foundation and engineering construction

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

³⁾ Includes eliminations of internal items between Group companies

October - December 2023

In October - December, the Group's revenue decreased compared to the reference period, amounting to EUR 80.2 (83.1) million. Year-on-year, revenue grew in Structural engineering to EUR 59.8 (55.8) million and decreased in Transport infrastructure construction to EUR 21.0 (27.5) million. The revenue from Sweden is included in the Structural engineering business area, and it was EUR 6.7 (2.9) million in October - December.

January - December 2023

In January - December, the Group's revenue grew compared to the reference period, amounting to EUR 320.0 (273.9) million. Year-on-year, revenue grew in Structural engineering to EUR 249.7 (176.6) million and decreased in Transport infrastructure construction to EUR 71.2 (95.3) million. The revenue from Sweden is included in the Structural engineering business area, and it was EUR 22.5 (3.9) million. Sweden's 2022 revenue includes four month's share, the pro forma comparable revenue was 14.4 million euros.

In January - December, of the Group's total revenue, 18 (26) per cent came from cities and municipalities, 40 (38) per cent from the government and 42 (36) per cent from the private sector.

Profitability

EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
EBITDA	4.9	3.8	14.0	13.6
EBITDA, %	6.1	4.5	4.4	5.0
EBITA	2.7	2.3	7.8	8.8
EBITA, %	3.4	2.8	2.4	3.2
Operating profit	2.6	2.3	7.6	8.6
Operating profit, %	3.3	2.8	2.4	3.2
Result for the period	1.6	1.3	3.9	5.6
Earnings per share, €	0.18	0.14	0.44	0.64

October - December 2023

In October - December, the Group's EBITDA was EUR 4.9 (3.8) million, amounting to 6.1 (4.5) per cent of revenue. EBITA was EUR 2.7 (2.3) million, amounting to 3.4 (2.8) per cent of revenue. The Group's operating profit was EUR 2.6 (2.3) million, amounting to 3.3 (2.8) per cent of revenue.

The Group's result before tax was EUR 1.9 (1.4). Tax for the financial year amounted to EUR 0.3 (0.2) million. Result for the financial year was EUR 1.6 (1.3) million. Earnings per share were EUR 0.18 (0.14).

January - December 2023

In January - December, the Group's EBITDA was EUR 14.0 (13.6) million, amounting to 4.4 (5.0) per cent of revenue. EBITA was EUR 7.8 (8.8) million, amounting to 2.4 (3.2) per cent of revenue. The Group's operating profit was EUR 7.6 (8.6) million, amounting to 2.4 (3.2) per cent of revenue.

The Group's result before tax was EUR 4.6 (6.7). Tax for the financial year amounted to EUR 0.7 (1.1) million, corresponding effective tax rate of 16.1% (16.0%). Result for the reporting period was EUR 3.9 (5.6) million, of which the share attributable to the owners of the parent amounts to EUR 3.9 (5.6) million. Earnings per share were EUR 0.44 (0.63).

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

EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Free cash flow from operating activities	19.7	15.2	26.1	3.5
Net working capital			-11.3	4.7

Free cash flow from operating activities was EUR 19.7 (15.2) million in October - December. In January - December, free cash flow from operating activities was EUR 26.1 (3.5) million. During the financial year, net working capital decreased to EUR -11.3 million from EUR 4.7 million at the end of the 2022 financial year.

EUR million	12/2023	12/2022
Interest-bearing debt	40.3	42.8
Cash and cash equivalents	23.6	9.4
Net debt	16.8	33.4
Equity	42.8	42.5
Equity ratio, %	31.8	31.6
Return on capital employed, %	11.2	12.5

At the end of December, interest-bearing debt amounted to EUR 40.3 (31 December 2022: 42.8) million, of which EUR 3.0 (31 December 2022: 2.9) million constituted lease liabilities under IFRS 16. The company's cash and cash equivalents amounted to EUR 23.6 (31 December 2022: 9.4) million. In addition, the company had committed revolving overdraft and credit facilities of EUR 20.0 (31 December 2022: 20.0) million, of which were not in use at the end of the financial period (31 December 2022: 0.0). At the end of December interest-bearing net debt was EUR 16.8 (31 December 2022: 33.4) million.

In addition, Kreate has in place a domestic commercial papers programme worth EUR 50 million. Within the framework of this programme, the company may issue commercial papers with a maturity of less than one year. On 31.12.2023 the company had issued commercial papers totalling EUR 7.0 (31 December 2022: 7.0) million.

The average interest of interest-bearing debt, excluding lease liabilities recognised on the balance sheet, was 5.7 (2.9) per cent in January - December of the financial year. The average interest rate of the company's interest-bearing debts has risen in line with market interest rates. The average interest for the reference period was increased by approximately 0.4 percentage points in connection with the loan arrangements, due to the amount not yet recorded as expenses of the periodization of administrative fees related to old loans calculated using the effective interest method.

At the end of the financial year, the consolidated balance sheet total was EUR 134.6 (31 December 2022: 134.5) million and equity was EUR 42.8 (31 December 2022: 42.5) million. At the end of the financial year, equity ratio was 31.8 (31 December 2022: 31.6) per cent and the company's return on capital employed was 11.2 (31 December 2022: 12.5) per cent.

Investments

Since the beginning of 2023, the company has continued to invest more selectively in equipment and equipment management.

Net investment cash flow was EUR 0.7 (0.5) million in October - December and EUR 5.9 (4.2) million in January - December. A considerable number of investments relating to the implementation of significant projects started in late 2022 took place in the early year, making the net investment amount exceptionally high.

Kreate's gross investments in tangible and intangible assets amounted to EUR 6.9 (4.6) million in the financial year.

Personnel

At the end of December, Kreate Group employed 472 (447) persons. The average number of personnel in January - December was 454 (416).

In autumn 2023, a biennial employee survey was conducted, to which a record 76 per cent (61 per cent in 2021) of the Group's personnel responded. Based on the results, the personnel are quite satisfied: the results of the sub-entities related to work, leadership, teamwork, work culture and the employer were 3.80–3.99 on a scale of 1–5, and the employer's recommendation was very high at 4.23. The success is based on long-term work based on Kreate's well-being plan, which focuses on the reconciliation of work and free time, the high quality of supervisor work and closer cooperation.

For Kreate, it is important to enable its employees to achieve a better work-life balance and to increase work prioritisation and management. The company has a versatile well-being programme that supports the coping of personnel in their work, taking into account physical and mental factors. As part of the well-being programme, the personnel were also offered individual well-being coaching.

In 2023, we proceeded in accordance with both personnel development and well-being plans. The aim is to ensure uniform supervisor work and uniform operating methods at all levels of management. The work ability management guide published in the autumn provided supervisors with support for different areas of work ability management. In addition, training was offered during the year, focusing on giving feedback and challenging communication situations.

Performance appraisals continued to play an important role as part of the competence and performance management process. During the year, the timeliness of job descriptions and long- and short-term development plans were also ensured. The aim is to ensure development that supports the strategy and future competitiveness.

In 2023, as in previous years, Kreate had dozens of students in supervisory and overall training. Kreate actively cooperates with educational institutions and annually recruits students for internships with the aim of providing future professionals with a comprehensive picture of the opportunities offered by infrastructure construction and Kreate. During the year, a separate development path has also been developed for students under KreateAcademy. For Kreate, it is important to commit future professionals to the company and its culture at an early stage.

The training offering continued to be at a high level, and the personnel actively utilised KreateAcademy's contact, distance and online training opportunities. The purpose of the comprehensive training offering is to ensure that qualifications are up-to-date and to support diverse development opportunities for personnel. The How to act ethically correctly online course and printed guide, published in the fourth quarter, were implemented for the entire personnel. The package now published replaces the previous ethical guidelines and ensures common, ethical practices throughout the Kreate Group.

Systematic progress in the development of supervisor work, personnel competence and well-being at work can be seen, for example, in sickness absences, the trend of which has been strongly declining in 2023.

Occupational safety

In 2023, Kreate Group had a total of two accidents affecting the lost-time injury frequency and, in January–December, the cumulative lost-time injury frequency proportional to the number of personnel was 2.8. Kreate's lost-time injury frequency was better than the construction industry average also in 2023.

In 2023, determined and regular work to develop safety has continued. This was reflected in an increase in safety observations and near miss reports. During the year, in addition to the national Occupational Safety Week organised by the Confederation of Finnish Construction Industries, Kreate carried out its own campaigns, such as the traditional April of Observations and Scaffolding Thursday. Kreate's goal is to create a strong safety culture, and as part of its development, the aim is to increase the number of observations even more and make safety a daily routine for all personnel. Observations play a key role in the development of safe working methods. Making the 0-accident mindset known to everyone improves the safety culture, as do visits by management and safety experts on construction sites and the promotion of the substitute work model.

Company management

There were no changes in the composition of the Management Team during the reporting period. As of 31 December 2023, Kreate's Management Team included the following people: Timo Vikström, President & CEO; Tommi Hakanen, Vice President, Special Foundation Construction; Antti Kakko, Vice President, Bridge Construction and Repair; Jaakko Kivi, Vice President, Technical Office; Sami Laakso, Vice President, Transport Infrastructure Construction; Mikko Laine, Chief Financial Officer; Timo Leppänen, Vice President, Railway Construction and Katja Pussinen, Vice President, HR.

Short-term risks and risk management

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

The company classifies risks into strategic, operational, accident risks and financial risks. Detailed descriptions of risks, their impacts and risk management practices are available in Kreate Group Plc's Annual Review 2022. These risks still apply.

In 2023, the company has intensified its risk management, especially with regard to financial and financing risks. Kreate has intensified its project management, paying more attention to the potential counterparty and liquidity risks of clients and other partners. The company strives to protect itself against liquidity and financing risks through various contractual arrangements. In addition, the company has various levels of internal controls and regular reporting in place with the aim of preventing and detecting risks related to liquidity, in particular.

Shares and trading

Treasury shares

Kreate did not purchase any treasury shares in the financial year. On 31 December 2023, Kreate Group Plc held 90 000 shares as treasury shares.

In addition, the company has signed a contract with an external service provider on the management of the performance share plan and share bonus plan aimed at key persons. On 31 December 2023, the number of these shares reported on the consolidated balance sheet as treasury shares was 128,506 pieces, of which 75,000 pcs are acquired in 2023. This number of shares represented 1.4 per cent of all the shares and voting rights in the company. These shares are the property of EAI Kreate Holding Oy until the shares are transferred to the participants

according to the incentive plans. EAI Kreate Holding Oy is legally owned by an external service provider but, based on a contract, Kreate exercises actual control in the arrangement and, therefore, the holding company is consolidated into the IFRS consolidated financial statement as a structured entity, where treasury shares are reported in the IFRS consolidated financial statements in total of 218,506 shares.

Trading in the company's shares

Kreate Group Plc's share capital at the end of December was EUR 80,000. The total number of outstanding shares in the company on 31 December 2023 was 8,984,772 shares, of which the company held 90,000 shares as treasury shares.

1,032,348 of Kreate's shares were traded on the Helsinki Stock Exchange in January - December. The highest trading price was EUR 9.46, and the lowest price was EUR 6.16. The volume weighted average price of Kreate's shares during the financial year was EUR 7.74.

The share's closing price on the last trading day of the financial year, 29 December 2023 was EUR 7.22. Based on the closing price of the financial year, the market value of the company's shares, excluding the treasury shares reported on the consolidated balance sheet (218,506), was EUR 63.3 million.

Annual General Meeting

Kreate Group Plc's Annual General Meeting was held on 29 March 2023 at the Sanoma House in Helsinki. Decisions taken by the Annual General Meeting can be found in a separate [release](#).

Board of Directors' proposal on the use of distributable funds

The parent company Kreate Group Plc's distributable funds amounted to EUR 27,538,498.33 on 31 December 2023. The Board of Directors proposes to the Annual General Meeting on 25 March 2024 that, based on the balance sheet verified for 2023, a dividend of EUR 0.48 be issued per share for shares held outside the company at the time of dividend distribution. The dividend will be paid in two instalments.

The first instalment of the dividend, EUR 0.30 per share, is paid to shareholders who are recorded on the company's list of shareholders maintained by Euroclear Finland Oy on the date of record for dividend payment which is Wednesday 27 March 2024. The Board of Directors proposes to the Annual General Meeting that the dividend be paid on Tuesday 9 April 2024.

The second instalment of the dividend, EUR 0.18 per share, is paid in October 2024. The second instalment is paid to shareholders who are recorded on the company's list of shareholders maintained by Euroclear Finland Oy on the date of record for dividend payment. The Board of Directors will decide on the date of record and payment date for the second instalment of the dividend on its meeting in September.

On the day of making the proposal for profit distribution, 30 January 2024, 8,766,266 shares were held outside the company. The proposed dividend of EUR 0.48 per share corresponds to a dividend yield of 6.6% per share (calculated at the share price of EUR 7.22 at the end of 2023) and totals EUR 4,207,807.68.

Event after the financial year

No relevant events have occurred after the reporting period.

Tuusula, 30 January 2024

Kreate Group Plc

Board of Directors

Notes

Calculation formulas for key figures

Tables for the January - December 2023 Financial Statement Bulletin

Key figures by quarter

EUR million	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21
Order backlog	196.3	221.8	264.9	265.7	306.9	284.2	204.4	208.8	202.8
Revenue	80.2	88.3	85.7	65.8	83.1	73.3	67.0	50.4	75.8
Change in revenue, %	-9.1	3.0	30.2	-20.8	13.3	9.5	32.8	-33.4	7.4
EBITDA	4.9	4.0	4.0	1.0	3.8	4.2	3.5	2.1	4.1
EBITDA, %	6.1	4.6	4.7	1.5	4.5	5.7	5.3	4.2	5.4
EBITA	2.7	2.9	2.6	-0.4	2.3	3.0	2.4	1.1	3.1
EBITA, %	3.4	3.3	3.0	-0.6	2.8	4.1	3.6	2.2	4.1
Operating profit	2.6	2.8	2.5	-0.4	2.3	2.9	2.4	1.0	3.0
Operating profit, %	3.3	3.2	2.9	-0.7	2.8	4.0	3.5	2.1	4.0
Result for the period	1.6	1.4	1.5	-0.7	1.3	2.1	1.6	0.6	2.4
Capital employed	59.6	76.3	80.8	79.9	75.9	88.0	68.5	64.9	62.0
Return on capital employed, %	11.2	8.8	9.8	9.9	12.5	12.1	16.0	17.4	17.8
Return on equity, %	9.1	8.4	10.4	10.3	13.5	17.1	20.9	19.9	20.4
Net investments in operating activities	-0.7	-0.9	-1.1	-3.2	-0.5	-0.8	-1.0	-1.8	-1.5
Free cash flow from operating activities	19.7	8.0	1.7	-3.3	15.2	-10.1	-0.4	-1.2	7.7
Net working capital	-11.3	2.8	6.9	5.6	4.7	17.0	3.6	0.5	-0.0
Net debt	16.8	32.9	39.1	38.0	33.4	46.8	29.4	23.1	20.9
Net debt/EBITDA, rolling 12 months	1.2	2.6	3.0	3.0	2.5	3.4	2.0	1.6	1.5
Equity ratio, %	31.8	30.0	28.2	32.1	31.6	29.7	31.6	38.2	38.6
Earnings per share, €	0.18	0.16	0.17	-0.08	0.14	0.23	0.19	0.07	0.28
Personnel at the end of the	472	494	504	455	447	450	424	379	385
Personnel on average	475	499	460	453	449	428	424	378	389

Additional information on alternative performance measures

EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Outstanding shares on average, diluted (1,000 pcs)	8,895	8,895	8,895	8,895
Outstanding shares on average, undiluted (1,000 pcs)	8,827	8,841	8,838	8,859
Amortisations from intangible assets	-0.0	-0.0	-0.2	-0.2
Depreciations	-	-	-	-
Prepayments received	-	-	-	-

EUR million	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21
Outstanding shares on average, diluted (1,000 pcs)	8,895	8,895	8,895	8,895	8,895	8,895	8,895	8,895	8,895
Outstanding shares on average, undiluted (1,000 pcs)	8,827	8,841	8,841	8,841	8,841	8,841	8,858	8,895	8,895
Amortisations from intangible assets	-0.0	-0.0	-0.0	-0.1	-0.0	-0.1	-0.0	-0.0	-0.0
Depreciations	-	-	-	-	-	-	-	-	-
Prepayments received	-	-	-	-	-	-	-	-	-

Calculation formulas for key figures

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

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

Financial Statement Bulletin for January - December 2023: Table section

Consolidated statement of income

EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Revenue	80.2	83.1	320.0	273.9
Other operating income	0.3	0.4	0.9	1.3
Materials and services	-59.7	-66.5	-251.1	-216.6
Employee benefit expenses	-13.0	-9.1	-42.7	-33.3
Other operating expenses	-3.0	-4.0	-13.7	-12.3
Share of associates' and joint ventures' profit or loss	0.2	-0.2	0.5	0.7
Depreciation, amortisation and impairment	-2.3	-1.5	-6.4	-5.0
Operating profit	2.6	2.3	7.6	8.6
Financial income	0.0	0.0	0.0	0.0
Financial expenses	-0.8	-0.9	-3.0	-1.9
Financial income and expenses	-0.8	-0.9	-2.9	-1.9
Result before taxes	1.9	1.4	4.6	6.7
Income taxes	-0.3	-0.2	-0.7	-1.1
Result for the period	1.6	1.3	3.9	5.6
Profit attributable to:				
Shareholders of parent	1.6	1.4	3.7	5.8
Non-controlling interests	0.0	-0.2	0.2	-0.1
Earnings per share calculated from the income				
Undiluted, €	0.18	0.16	0.44	0.64
Diluted, €	0.18	0.16	0.44	0.63
Consolidated statement of comprehensive				
Result for the period	1.6	1.3	3.9	5.6
Items that may be reclassified subsequently to the Foreign exchange rate differences	0.0	0.0	0.0	0.0
Total comprehensive income for the period	1.6	1.3	3.9	5.7
Comprehensive income attributable to:				
Shareholders of parent	1.6	1.5	3.7	5.8
Non-controlling interests	0.0	-0.1	0.2	-0.1

Consolidated balance sheet

EUR million	12/2023	12/2022
ASSETS		
Non-current assets		
Intangible assets	0.5	0.7
Goodwill	40.0	40.0
Tangible assets	20.4	19.9
Right-of-use assets	2.9	2.9
Investments in associated companies and joint	10.5	10.0
Other receivables	0.3	0.2
Deferred tax assets	1.0	1.2
Total non-current assets	75.7	74.9
Current assets		
Inventory	-	-
Trade and other receivables	34.6	49.8
Income tax receivables	0.7	0.4
Cash and cash equivalents	23.6	9.4
Total current assets	58.9	59.6
Total assets	134.6	134.5
EQUITY		
Equity attributable to the shareholders of the parent		
Share capital	0.1	0.1
Reserve for invested unrestricted equity	19.7	19.7
Treasury shares	-1.0	-0.5
Foreign exchange rate differences	0.0	0.0
Retained earnings	24.0	23.4
Total equity attributable to the shareholders of the parent	42.8	42.6
Share of non-controlling interests	0.1	-0.1
TOTAL EQUITY	42.8	42.5
LIABILITIES		
Non-current liabilities		
Interest-bearing debt	29.4	32.1
Deferred tax liabilities	1.5	1.5
Total non-current liabilities	30.9	33.5
Current liabilities		
Interest-bearing debt	11.0	10.7
Trade payables and other liabilities	46.8	45.5
Income tax liabilities	0.0	0.4
Provisions	3.1	1.9
Total current liabilities	60.9	58.5
Total liabilities	91.7	92.0
Total equity and liabilities	134.6	134.5

Consolidated cash flow statement

EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Result for the period	1.6	1.3	3.9	5.6
Depreciation, amortisation and impairment	2.3	1.5	6.4	5.0
Financial income and expenses	0.8	0.9	2.9	1.9
Income taxes	0.3	0.2	0.7	1.1
Other adjustments	0.2	0.1	0.9	-0.8
Total adjustments	3.5	2.6	11.0	7.2
Change in trade and other receivables	23.3	10.3	15.2	-13.4
Change in trade payables and other liabilities	-9.7	1.7	0.7	9.1
Change in provisions	1.6	-0.2	1.2	-0.8
Total change in working capital	15.2	11.8	17.1	-5.1
Cash flow from operations before financial items and taxes	20.3	15.8	31.9	7.7
Interest paid in operating activities	-0.2	-0.1	-0.8	-0.3
Interest received in operating activities	0.0	0.0	0.0	0.0
Other financial items	0.0	-0.2	-0.4	-0.7
Dividends received from business	-	-	0.0	0.0
Taxes paid	0.0	-0.4	-1.1	-0.7
CASH FLOW FROM OPERATIONS	20.1	15.1	29.6	6.0
Investments in tangible and intangible assets	-0.8	-0.6	-6.9	-4.6
Disposals of tangible and intangible assets	0.1	0.1	1.0	0.4
Acquisition of the subsidiary less cash and cash equivalents on the date of acquisition		-0.3		-5.9
CASH FLOW FROM INVESTING ACTIVITIES	-0.7	-0.8	-5.9	-10.1
Acquisition of treasury shares	-0.5	-	-0.5	-0.5
Drawdown of non-current loans	0.0	-	0.3	29.9
Repayment of non-current loans	0.3	-	0.0	-21.3
Drawdown of current loans	5.0	8.0	42.0	44.6
Repayment of current loans	-8.4	-14.1	-45.0	-40.1
Drawdown/repayment of the credit limit	-	-2.4	-	-
Repayment of lease liabilities	-0.6	-0.3	-1.2	-0.9
Interest and other loan expenses	0.0	0.0	-1.2	-0.5
Dividends paid	-2.0	-	-4.1	-4.0
CASH FLOW FROM FINANCING ACTIVITIES	-6.2	-8.7	-9.6	7.3
CHANGE IN CASH AND CASH EQUIVALENTS	13.2	5.6	14.2	3.1
Cash and cash equivalents at the beginning of the period	10.4	3.8	9.4	6.3
Change in cash and cash equivalents	13.2	5.6	14.2	3.1
Impact of the changes in foreign exchange rates	0.0	0.0	0.0	0.0
Cash and cash equivalents at the end of the period	23.6	9.4	23.6	9.4

Consolidated statement of changes in equity

EUR million	Share capital	Reserve for invested unrestricted equity	Treasury shares	Foreign exchange rate differences	Retained earnings	Equity attributable to the shareholders of the parent	Share of non-controlling interests	Total equity
<i>Equity as at 1 January 2022</i>	0.1	19.7	-	-	21.3	41.1	-	41.1
<i>Items of comprehensive income</i>								
<i>Result for the period</i>	-	-	-	-	5.8	5.8	-0.1	5.6
<i>Foreign exchange rate differences</i>	-	-	-	0.0	-	0.0	0.0	0.0
<i>Total comprehensive income</i>	-	-	-	0.0	5.8	5.8	-0.1	5.7
<i>Transactions with the owners</i>								
<i>Acquisition of treasury shares</i>	-	-	-0.5	-	-	-0.5	-	-0.5
<i>Dividend</i>	-	-	-	-	-4.0	-4.0	-	-4.0
<i>Share-based awards</i>	-	-	-	-	0.2	0.2	-	0.2
<i>Other change</i>	-	-	-	-	0.0	0.0	-	0.0
<i>Total transactions with the owners</i>	0.0	0.0	-0.5	0.0	-3.8	-4.3	0.0	-4.3
<i>Equity as at 31 December 2022</i>	0.1	19.7	-0.5	0.0	23.4	42.6	-0.1	42.5

EUR million	Share capital	Reserve for invested unrestricted equity	Treasury shares	Foreign exchange rate differences	Retained earnings	Equity attributable to the shareholders of the parent	Share of non-controlling interests	Total equity
<i>Equity as at 1 January 2023</i>	0.1	19.7	-0.5	0.0	23.4	42.6	-0.1	42.5
<i>Items of comprehensive income</i>								
<i>Result for the period</i>	-	-	-	-	3.7	3.7	0.2	3.9
<i>Foreign exchange rate differences</i>	-	-	-	0.0	-	0.0	0.0	0.0
<i>Total comprehensive income</i>	-	-	-	0.0	3.7	3.7	0.2	3.9
<i>Transactions with the owners</i>								
<i>Acquisition of treasury shares</i>	-	-	-0.5	-	-	-0.5	-	-0.5
<i>Dividend</i>	-	-	-	-	-4.1	-4.1	-	-4.1
<i>Share-based awards</i>	-	-	-	-	1.0	1.0	-	1.0
<i>Total transactions with the owners</i>	0.0	0.0	-0.5	0.0	-3.0	-3.6	0.0	-3.6
<i>Equity as at 31 December 2023</i>	0.1	19.7	-1.0	0.0	24.0	42.8	0.1	42.8

Notes

Key accounting principles and basis for preparation

The Group's Financial Statement Bulletin has been prepared in accordance with the IAS 34 Financial Statement Bulletin standard. The Financial Statement Bulletin should be read together with Kreate Group's consolidated financial statements for the financial year 2022.

The information presented in the Financial Statement Bulletin is based on the audited financial statements for 2023.

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

The Financial Statement Bulletin has been prepared in accordance with the key accounting principles presented in Kreate Group's consolidated financial statements for the financial year 2022, except for the revised IFRS standards that came into effect on 1 January 2023. The revised standards did not have an impact on the consolidated financial statements.

Kreate Rata Oy has been merged to Kreate Oy on May 22, 2023 and EstRock Ab to Kreate Sverige AB on December 6, 2023.

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

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

- Recognition of income from projects: The Group recognises sales income from project contracts over time. Recognition of sales income is based on the management's estimates on the sales income and expenses of projects as well as a comprehensive estimate of the progress and degree of completion of projects. The management estimates the probability of the income when determining the sales proceeds. Should estimates on a project's outcome change, the revenue recognition is adjusted in the reporting period when the change first became known.
- Recognition of provisions: At the end of the reporting period, the Group estimates if it has a probable payment obligation, whether legal or constructive, in the future. The Group recognises a provision for warranty upon the delivery of projects including a warranty obligation. The amount of the provision for a warranty is based on the Group management's historical information on the number of realised warranty provisions and their timing.
- Testing of goodwill for impairment: The Group has one cash-generating unit, Kreate Group, and it is the lowest level where goodwill is monitored. The Group carries out an impairment test annually, or if signs of impairment are detected. The Group has not detected signs of impairment in the reporting period.
- Leases: The management assesses the use of extension, termination or purchase options related to leases and the lease term of leases valid until further notice. In addition, the management estimates the amount of the discount rate for each right-of-use asset.
- Recognition of deferred tax assets: Deferred tax assets from the confirmed losses of the previous financial periods or undeducted interest liabilities of associated companies are

recognised only if the management estimates that a sufficient amount of taxable income can be generated in the future against which the unused taxation losses and undeducted interest liabilities of associated companies can be utilised.

- Share awards: Share awards are measured at fair value at the time of their issue and recognised on the income statement as expenses in equal tranches for the vesting period. The expense determined at the time of issue is based on the management's estimate of the number of shares, and the related vesting is assumed to occur at the end of the vesting period. The Group shall update the assumption on the final amount on each balance sheet date.

Segments

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

Revenue from customer contracts

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

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

EUR million	1-12/2023	1-12/2022
Structural engineering ¹⁾	249.7	176.6
Transport infrastructure construction ²⁾	71.2	95.3
Other ³⁾	-0.9	2.0
Total	320.0	273.9

¹⁾ Includes, among others, foundation and engineering construction

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

³⁾ Includes intra-Group eliminations

The revenue from transport infrastructure construction has fallen compared to the reference period. The share of structural engineering has grown in line with Kreate's strategy. Kreate's Swedish business is presented within Structural engineering. Structural engineering also includes currently ongoing major strategic projects.

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

	1-12/2023	1-12/2022
Cities and municipalities	18%	26%
Government	40%	38%
Private sector	42%	36%

The seasonality of the infrastructure projects delivered by the company has an impact on the timing of the company's result and cash flows. The private sector share of the revenue has remained constant between the financial periods. The share of cities, municipalities and the government varies according to the ongoing projects.

Working capital

EUR million	12/2023	12/2022
Trade receivables	19.2	20.6
Assets based on contracts with customers	14.8	27.5
Other receivables	0.2	0.7
Accrued income	0.4	1.1
Total trade and other receivables	34.6	49.8
Interest receivables	0.0	0.0
Accrued personnel costs	0.1	0.0
Other accrued income	0.3	1.0
Total accrued income	0.4	1.1
Advances received	0.0	0.0
Trade payables	14.0	16.2
Liabilities based on contracts with customers	12.3	14.3
Other liabilities	6.8	4.8
Accrued liabilities	13.6	10.1
Total trade payables and other liabilities	46.8	45.5
Interest liabilities	0.9	0.4
Accrued personnel costs	11.5	8.8
Other accrued liabilities	1.2	1.0
Total accrued liabilities	13.6	10.1

Financial assets and liabilities

EUR million	31 December 2023	Carrying amount	Fair value
Financial assets measured at amortised cost			
	Non-current receivables	0.3	0.3
	Non-current financial assets	0.3	0.3
	Trade and other receivables	19.4	19.4
	Current financial assets	19.4	19.4
	Cash and cash equivalents	23.6	23.6
	Total financial assets	43.2	43.2
Financial liabilities measured at amortised cost			
	Loans from financial institutions	27.2	27.3
	Hire purchase liabilities	0.3	0.3
	Lease liabilities	1.8	
	Non-current interest-bearing liabilities	29.4	
	Loans from financial institutions	2.6	2.6
	Commercial papers	7.0	7.0
	Hire purchase liabilities	0.2	0.2
	Lease liabilities	1.1	
	Current interest-bearing liabilities	11.0	
	Trade payables and other liabilities	20.8	20.8
	Other current financial liabilities	20.8	20.8
	Total financial liabilities	61.2	

EUR million	31 December 2022	Carrying amount	Fair value
Financial assets measured at amortised cost			
	Non-current receivables	0.2	0.2
	Non-current financial assets	0.2	0.2
	Trade and other receivables	21.3	21.3
	Current financial assets	21.3	21.3
	Cash and cash equivalents	9.4	9.4
	Total financial assets	30.9	30.9
Financial liabilities measured at amortised cost			
	Loans from financial institutions	29.7	29.9
	Hire purchase liabilities	0.4	0.4
	Lease liabilities	1.9	
	Non-current interest-bearing liabilities	32.1	
	Loans from financial institutions	2.6	2.6
	Commercial papers	7.0	7.0
	Hire purchase liabilities	0.2	0.2
	Lease liabilities	1.0	
	Current interest-bearing liabilities	10.7	
	Trade payables and other liabilities	21.0	21.0
	Other current financial liabilities	21.0	21.0
	Total financial liabilities	63.8	

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

The Group has only had financial assets and liabilities measured at amortised cost for the financial years 2023 and 2022.

Changes in tangible assets

EUR million	12/2023	12/2022
Acquisition cost as at 1 January	34.2	28.1
Exchange rate differences	0.0	-0.1
Increases	6.9	4.6
Business acquisitions	-	2.3
Decreases	-4.2	-0.7
Acquisition cost at the end of the period	36.9	34.2
Accrued depreciation, amortisation and impairment as at 1	-14.2	-10.2
Exchange rate differences	0.0	0.0
Accrued amortisation on the decreases	2.8	0.6
Business acquisitions	-	-0.8
Amortisation for the period	-5.0	-3.9
Accrued depreciation, amortisation and impairment at the end of	-16.5	-14.2
Carrying amount at the end of the period	20.4	19.9

Changes in right-of-use assets

EUR million	12/2023	12/2022
Acquisition cost as at 1 January	5.0	2.9
Exchange rate differences	0.0	0.0
Increases	1.4	2.5
Business acquisitions	-	0.2
Decreases	-0.5	-0.5
Acquisition cost at the end of the period	5.9	5.0
Accrued depreciation, amortisation and impairment as at 1	-2.2	-1.7
Exchange rate differences	0.0	-
Accrued amortisation on the decreases	0.4	0.4
Business acquisitions	-	0.0
Accrued amortisation on the transfers	-	0.1
Amortisation for the period	-1.2	-0.9
Accrued depreciation, amortisation and impairment at the end of	-2.9	-2.2
Carrying amount at the end of the period	2.9	2.9

Changes in intangible assets

EUR million	12/2023	12/2022
Acquisition cost as at 1 January	5.2	5.2
Increases	-	0.0
Decreases	0.0	-
Acquisition cost at the end of the period	5.2	5.2
Accrued depreciation, amortisation and impairment as at 1	-4.5	-4.3
Accrued amortisation on the decreases	-	-
Amortisation for the period	-0.2	-0.2
Accrued depreciation, amortisation and impairment at the end of	-4.7	-4.5
Carrying amount at the end of the period	0.5	0.7

Collateral and contingent liabilities

EUR million	12/2023	12/2022
Collateral given on behalf of joint project ventures	10.6	10.6
Guarantee liabilities from project contracts	46.2	43.5
Lease liabilities from short-term assets with a low value	1.2	0.9
VAT liability	0.2	0.3

Related-party transactions

The Group's related parties include the parent company, subsidiaries, the joint venture KFS Finland Oy and the associated company Karell Schakt AB. Related parties also include key management personnel, their close family members and communities where these persons exercise direct or indirect control. Key management personnel include the members of the Board of Directors, President & CEO, Senior Vice President and the members of the Group's Management Team. The question of whether communities where shareholders or key management personnel exercise control are considered to be related parties is examined case-specifically taking into account the factual conditions.

EUR million	1-12/2023 income	Expenses	12/2023 Receivables	Liabilities
Associate and joint venture	2.7	-16.5	0.3	0.7

EUR million	1-12/2022 Income	Expenses	12/2022 Receivables	Liabilities
Associate and joint venture	3.4	-11.1	0.4	0.4
Other related parties ¹⁾	-	0.0	-	-

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

Events after the reporting period

No relevant events have occurred after the reporting period.