



# Half-year Report January–June 2021

Kreate Group Plc

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## KREATE'S HALF-YEAR REPORT: THE RECOVERED MARKET STRENGTHENED THE ORDER BACKLOG HIGHER THAN THE REFERENCE PERIOD

Kreate Group Plc, half-year report for January–June 2021, 28 July 2021 at 8:30 a.m.

### April–June in brief

- Order backlog amounted to EUR 157.5 (144.4) million
- Revenue decreased to EUR 52.9 (58.0) million
- EBITDA was EUR 3.4 (3.9) million, amounting to 6.3 (6.7) per cent of revenue
- EBITA was EUR 2.5 (3.0) million, amounting to 4.7 (5.1) per cent of revenue
- Earnings per share were EUR 0.20 (0.28)
- Free cash flow from operating activities was EUR –3.7 (2.5) million
- Interest-bearing net debt was EUR 27.4 (18.4) million

### January–June in brief

- Kreate Group Plc's shares were listed on Nasdaq Helsinki, and the company received more than 18,600 new shareholders. Trading in Kreate's shares started on the pre-list of Nasdaq Helsinki Ltd on 19 February 2021 and on the stock exchange list on 23 February 2021.
- Revenue decreased to EUR 91.2 (108.0) million.
- EBITDA was EUR 5.1 (6.0) million, amounting to 5.5 (5.6) per cent of revenue.
- EBITA was EUR 3.4 (4.3) million, amounting to 3.7 (3.9) per cent of revenue.
- The company's IPO expenses were EUR 2.3 million. Of this sum, EUR 0.9 million encumber the result before tax for the reporting period.
- Earnings per share adjusted with IPO expenses were EUR 0.28
- Earnings per share were EUR 0.17 (0.40)
- Free cash flow from operating activities was EUR –3.6 (0.3) million

### Operating environment in 2021

In March 2021, the Confederation of Finnish Construction Industries estimated that the entire construction cluster will decrease by 2 per cent during the present year. Concurrently, there is clear upward pressure on construction costs due to the high increase in the market prices for essential construction materials, including lumber, oil products and steel. The delivery times for materials are also longer due to the limited production capacity.

Historically, the Finnish infrastructure construction market has grown steadily. In 2020, the total size of the market was approximately EUR 7 billion, and it is estimated to decrease by 1.5 per cent in 2021. Between the different infrastructure construction segments the development varies from normal to positive, and the housing construction volume remains at a high level, which particularly boosts the foundation construction market. The bridge construction market continues to strengthen, and the number of smaller projects continues to grow in the railway construction segment. Despite the short-term outlook and impacts of COVID-19, there is a very strong long-term trend of infrastructure construction experiencing strong growth and low volatility.

In 2020, the COVID-19 pandemic postponed the start of certain infrastructure construction projects, which also affected the development of Kreate's 2021 order backlog. The normalisation of

request for quotation volumes and customer activity in Q4 2020 is particularly seen in the growth of the number of quotation requests in bridge construction, which is part of structural engineering. Q2 2021 also saw a recovery in the railway construction and transport infrastructure construction segments. The large, future railway investments that have received lots of publicity will not yet be reflected on the construction volume, but smaller railway construction projects are expected in the market. Investments planned in the private sector, including the repurposing of old buildings and making investments in business premises, are slowly showing signs of progress. On the other hand, the continued rise of material costs and a shortage of materials and labour may limit housing production in the near future. However, in the short term, particularly urbanisation, the infrastructure maintenance backlog and public sector projects are expected to drive growth and further strengthen Kreate's position in executing demanding projects.

The National Transport System Plan is expected to bring long-term developments exceeding individual governments' terms in office to the development of the transport network, which will also have positive impacts on the infrastructure construction market. The Plan involves a 12-year action programme, which includes actions by the government and municipalities and a government funding programme for the transport system. However, one problem with the plan is the municipalities' growing share of construction costs, which may mean, at worst, that projects are not executed and the condition of the road and street network and railways deteriorates, for example. Furthermore, the budget cuts affecting the development of the transport system and basic transport infrastructure maintenance proposed during the government's mid-term policy review would reduce the funding for 2023 and 2024.

The supplementary budget published by the government in June 2020 included more than EUR 400 million allocated for transport network development projects as well as investments in public transport development, infrastructure and repair construction.

Despite the slight reduction in the overall market forecasted for 2021, Kreate believes that the applicable structural engineering and transport infrastructure markets will at least remain on the 2020 level.

## Result guidance for 2021 (remains unchanged)

Kreate estimates that the company revenue (2020: EUR 235.3 million) will decrease in 2021 compared to 2020.

On 31 Dec 2020, Kreate's order backlog amounted to EUR 134.9 million (31 Dec 2019: EUR 177.2 million). Of this sum, approximately EUR 111 million are expected to be realised during 2021 (31 Dec 2019: EUR 130.3 million during 2020). In the past three years, Kreate has generated, on average, a revenue of EUR 107 million during the financial year in addition to the order backlog at the beginning of the financial year. Kreate estimates that, on 31 Dec 2020, the order backlog profitability was at a normal level.

## Key figures

EUR million	4–6/2021	4–6/2020	1–6/2021	1–6/2020	1–12/2020
Order backlog			157.5	144.4	134.9
Revenue	52.9	58.0	91.2	108.0	235.3
Year-on-year change in revenue, %	-8.8	12.3	-15.5	34.1	6.4
EBITDA	3.4	3.9	5.1	6.0	14.0
EBITDA, %	6.3	6.7	5.5	5.6	6.0
EBITA	2.5	3.0	3.4	4.3	10.5
EBITA, %	4.7	5.1	3.7	3.9	4.5
Operating profit	2.4	2.9	3.3	4.2	10.4
Operating profit, %	4.6	5.0	3.6	3.9	4.4
Result for the period	1.8	2.1	1.4	2.9	7.8
Capital employed			63.0	57.7	54.5
Return on capital employed, %			15.7	21.6	19.2
Return on equity, %			16.6	29.0	24.7
Net investments in operating activities	-2.1	-1.0	-2.8	-2.1	-4.6
Free cash flow from operating activities	-3.7	2.5	-3.6	0.3	9.7
Net working capital			-0.3	-1.0	-5.4
Net debt			27.4	18.4	27.9
Net debt/EBITDA			2.1	1.1	2.0
Equity ratio, %			33.4	35.8	26.3
Earnings per share, €	0.20	0.28	0.17	0.40	0.88
Earnings per share adjusted with IPO expenses, €			0.28		
Personnel at the end of the period			412	441	383
Personnel on average	396	427	390	413	407

## President & CEO Timo Vikström:

“The market picked up in Q2, which raised our order backlog higher than the reference period to EUR 157.5 million. In addition, we won several important projects during the review period, which will be reflected on our order backlog only after the signing of the contracts in the coming quarters. Our revenue decreased, as expected, and our relative profitability remained close to the reference period, and it was still above the average of the infrastructure construction industry, which is seasonal in nature. Overall, in H1, we proceeded according to plans, focusing on our strategic growth areas of railway, bridge and special foundation construction.

In Q2, we announced the “Crown Bridges” project, the largest in Kreate’s history, which we won in a joint venture with YIT. Kreate’s share, half of the EUR 123 million project, will be recognised in our order backlog later in autumn after the contract is signed. Strategically, executing the technically demanding project of building the longest bridge in Finland involves our solid core competence, and the project strengthens our company as a specialist delivering demanding projects. Other projects that build our special expertise include the “Veturitie ja Ratapihakorttelit” contract in Pasila and the foundation and earthworks contracts related to the Kemi bioproduct mill investment. Our strategic goal is to focus especially on such complex projects that require special expertise, as we have the strong competence and ambition to execute them.

In addition to the Crown Bridges project, I would like to highlight two other significant projects in whose tendering we have succeeded after the review period, but they are not yet recorded in the order backlog. We won a contract of approximately EUR 72 million for construction engineering work related to the new Sulkavuori central wastewater treatment plant project in Tampere in a joint venture with Aki Hyrkkönen Oy. The development stage agreement will be signed during Q3 and the execution stage agreement during Q4. Furthermore, we are modernising National Road 19 between Seinäjoki and Lapua as an ECI project in a joint venture with the local company Maansiirto Veljekset Rinta Oy. The value of the contract is approximately EUR 20 million, and it will be recorded in the Q3 order backlog.

In the coming years, the Crown Bridges, Sulkavuori treatment plant and National Road 19 projects will have an impact of approximately EUR 110 million on the company revenue. These projects, executed in joint ventures, also demonstrate well that Kreate is a favoured project partner.

This year, we have further strengthened our market-leading position in railway bridge construction projects. We have already signed contracts for six bridges, which are built by using the skidding method. We completed the first demanding construction and relocation operation under a very tight schedule already in June. Our skilful tender calculation, own equipment and experienced employees have helped us win contracts and complete them on time. In order to strengthen our organisation even further, we continued hiring new experts. This will also benefit us in the coming years as expertise in railway and track construction and structural engineering becomes more significant in projects.

In the review period, we also conducted a personnel survey that describes the status quo and provides guidelines for further improving our personnel well-being and group operations. Investing in our employees is a priority for us because a good employee experience impacts both the effectiveness of our operations and the customer experience. Accordingly, the personnel survey results highlighted our employees’ commitment and high standards of quality. Kreate Group’s Net Promoter Score (NPS), which indicates how likely our employees would recommend our products and services, had once again increased from an already excellent level to 68. Moreover, our employees find it positive that we focus on what matters: completing projects efficiently, with high quality and minimal bureaucracy. Our success factors include a strong project focus and project management.

The positive developments in the market together with Kreate’s strong competitiveness, particularly in demanding construction, lay a solid foundation for our strategic growth and success. We are facing the future with confidence, as the infrastructure market is developing at a stable pace, we have retained our accounts and have a clearer visibility into the market.”

## Kreate Group's financial reporting in 2021

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

- Interim report for January–September 2021: 27 October 2021

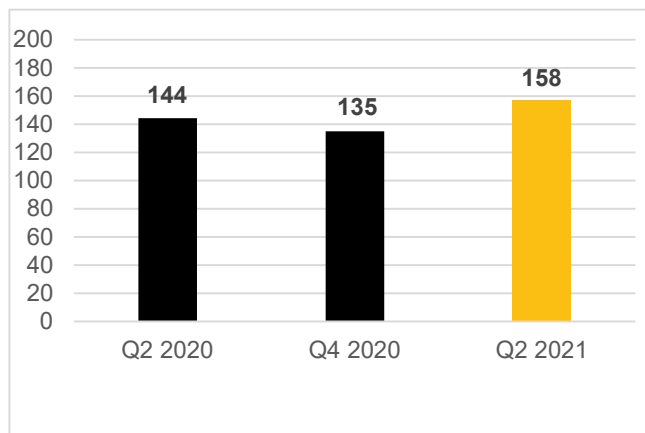
## Webcast event for analysts and media

A live webcast for analysts and media will be held today, 28 July 2021, at 11:00 a.m. The event will be in Finnish. President & CEO Timo Vikström and Chief Financial Officer Antti Heinola will host the event.

The webcast can be followed live in Finnish at <https://kreate.videosync.fi/2021-q2-tulos>. A recording of the webcast will be made available later at <https://kreate.fi/sijoittajille/tiedotteet-ja-raportit/raportit-ja-esitykset/> and a summary in English will become available at <https://kreate.fi/en/investor/releases-and-reports/reports/>.

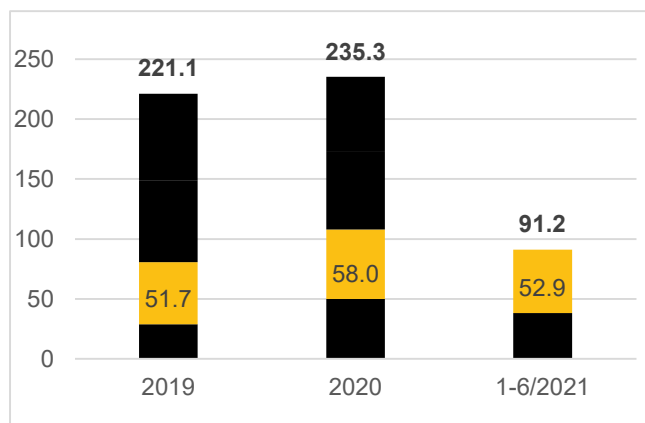
## Key figures

### Order backlog, EUR million



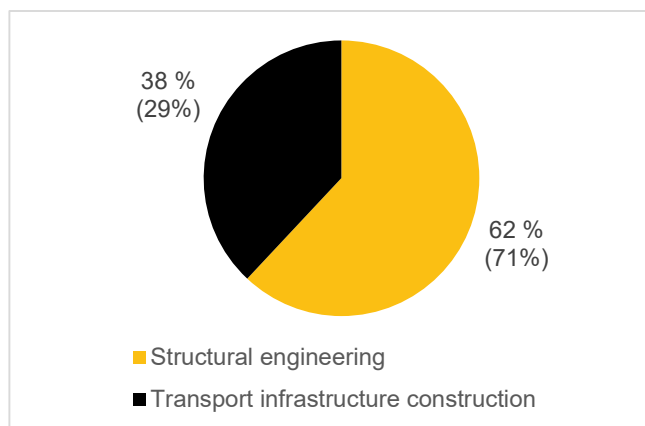
- **At the end of June 2021**, the order backlog amounted to EUR 157.5 (144.4) million
- The expected order backlog profitability remained at a normal level

### Revenue, EUR million

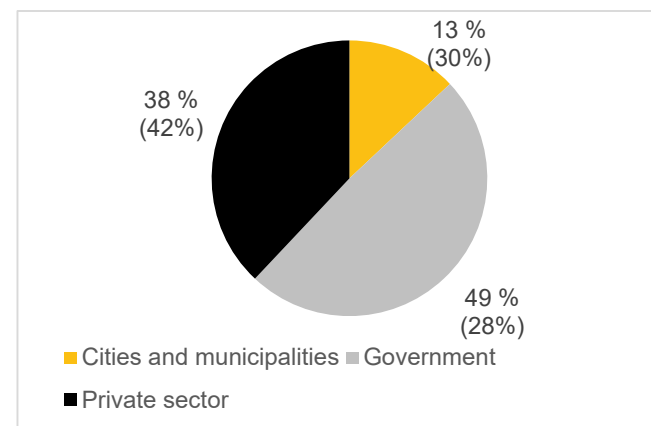


- **In April–June 2021**, revenue was EUR 52.9 (58.0) million
- Compared with the reference period, revenue grew in Transport infrastructure construction but decreased in Structural engineering construction due to the record-strong reference period
- **In January–June**, revenue was EUR 91.2 (108.0) million

### Revenue by business function 1–6/2021 (1–6/2020)

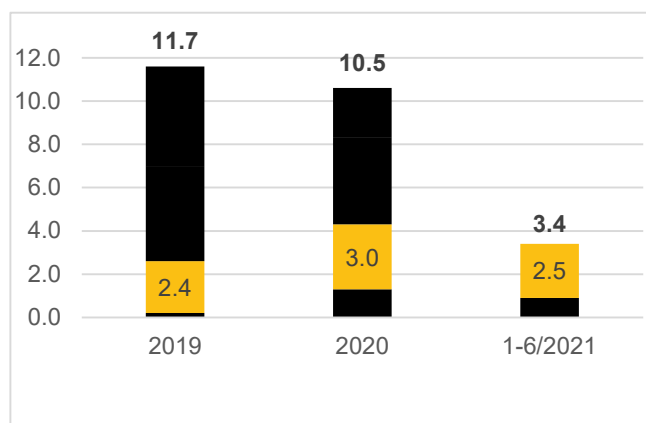


### Revenue by customer group 1–6/2021 (1–6/2020)



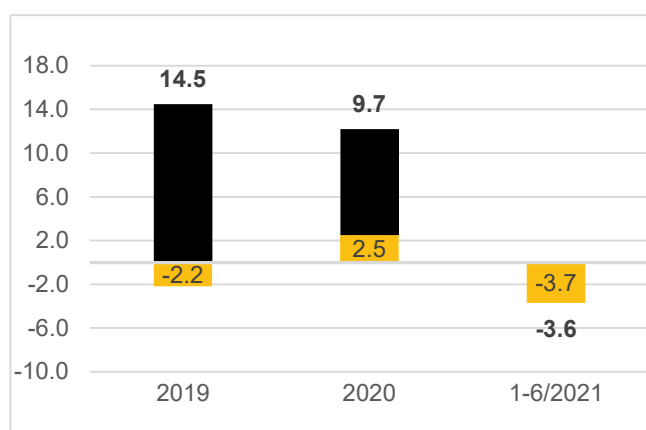
Transport infrastructure construction comprises Railway construction and Transport infrastructure construction. Structural engineering comprises Bridge construction and repair and Foundation and rock engineering.

## EBITA, EUR million



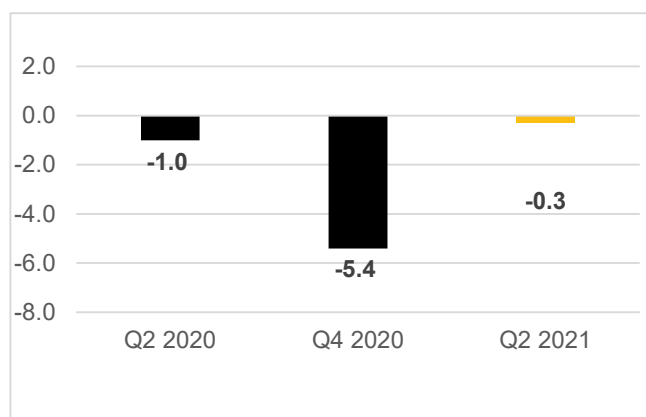
- **In April–June 2021**, EBITA was EUR 2.5 (3.0) million
- The Group's profitability was supported by projects progressing according to plan
- The profitability of projects remained at the normal, forecasted level
- **In January–June**, EBITA was EUR 3.4 (4.3) million

## Free cash flow from operating activities, EUR million



- **In April–June 2021**, free cash flow from operating activities was EUR –3.7 (2.5) million, of which net investments in operating activities amounted to EUR 2.1 (1.0) million
- **In January–June**, free cash flow from operating activities was EUR –3.6 (0.3) million, of which net investments in operating activities amounted to EUR 2.8 (2.1) million.
- Machinery and equipment purchases formed a significant part of the investments.

## Net working capital, EUR million



- **At the end of June 2021**, the company's net working capital was EUR –0.3 (–1.0) million



## Kreate's half-year report for January–June

### Operating environment in January–June 2021

At the end of H1, the market continued to develop positively, which was particularly seen in the growth of the number of quotation requests in foundation, bridge and railway construction. The effects of the COVID-19 pandemic, which started in spring 2020, affected the infrastructure construction operating environment by slowing down tendering, which resulted in a lower than normal number of ongoing projects still during H1 2021. With the gradual improvement of the market, tendering activity reached the previous years' level during Q2, which reflected positively on Kreate's business.

In H1, there were visible differences between the individual construction segments. Bridge construction picked up already early in the year, and alongside it the requests for quotation for railway construction projects increased. This affected Kreate's business functions positively. Housing construction is also showing clear signs of improvement and investments being made. Real estate investing supports building construction in the largest cities. The business premises construction and repair projects have not yet returned to their normal levels, but growth is expected if the economy starts to grow after the impact of COVID-19 decreases. Building construction picking up and focusing around demanding urban centres had a positive impact especially in special foundation construction.

The global market prices for essential construction materials have continued to grow throughout H1, and the availability issues with construction materials have affected building construction, in particular.

The competition in the market continued to increase in H1, which posed challenges for the companies in the industry. Kreate's profile as a company delivering strategic, demanding and specialist infrastructure projects has continued to provide an advantage in the current market, as the competition in technically challenging projects requiring special expertise has remained moderate.

## Order backlog

The order backlog grew compared to the reference year and amounted to EUR 157.5 (144.4) million at the end of June 2021. The expected order backlog profitability was at a normal level.

## Revenue

The Group's revenue by business function

EUR million	1-6/2021	1-6/2020	1-12/2020
Structural engineering <sup>1)</sup>	55.4	76.2	152.1
Transport infrastructure construction <sup>2)</sup>	33.8	31.1	84.5
Other <sup>3)</sup>	2.0	0.7	-1.2
Total	91.2	108.0	235.3

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

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

3) Includes intra-Group eliminations

### April–June 2021

The Group's revenue in April–June decreased to EUR 52.9 (58.0) million. Year-on-year, revenue decreased in Structural engineering to EUR 32.9 (39.7) million but grew in Transport infrastructure construction to EUR 18.3 (17.7) million.

### January–June 2021

The Group's revenue in January–June decreased to EUR 91.2 (108.0) million. Year-on-year, revenue decreased in Structural engineering to EUR 55.4 (76.2) million but grew in Transport infrastructure construction to EUR 33.8 (31.1) million.

In January–June, of the Group's total revenue 13 (30) per cent came from cities and municipalities, 49 (28) per cent from the government and 38 (42) per cent from the private sector.

## Profitability

EUR million	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
EBITDA	3.4	3.9	5.1	6.0	14.0
EBITDA, %	6.3	6.7	5.5	5.6	6.0
EBITA	2.5	3.0	3.4	4.3	10.5
EBITA, %	4.7	5.1	3.7	3.9	4.5
Operating profit	2.4	2.9	3.3	4.2	10.4
Operating profit, %	4.6	5.0	3.6	3.9	4.4
Result for the period	1.8	2.1	1.4	2.9	7.8
Earnings per share, €	0.20	0.28	0.17	0.40	0.88

### April–June 2021

In April–June, the Group's EBITDA was EUR 3.4 (3.9) million, amounting to 6.3 (6.7) per cent of revenue. EBITA was EUR 2.5 (3.0) million, amounting to 4.7 (5.1) per cent of revenue. The Group's operating profit was EUR 2.4 (2.9) million, amounting to 4.6 (5.0) per cent of revenue.

The Group's result before tax was EUR 2.1 (2.7) million. Tax for the reporting period amounted to EUR 0.4 (0.6) million. Result for the reporting period was EUR 1.8 (2.1) million. Earnings per share were EUR 0.20 (0.28).

### January–June 2021

In January–June, the Group's EBITDA was EUR 5.1 (6.0) million, amounting to 5.5 (5.6) per cent of revenue. EBITA was EUR 3.4 (4.3) million, amounting to 3.7 (3.9) per cent of revenue. The Group's operating profit was EUR 3.3 (4.2) million, amounting to 3.6 (3.9) per cent of revenue.

The Group's result before tax was EUR 1.7 (3.7) million. The result before tax is encumbered by EUR 0.9 million of IPO expenses that are listed under finance costs. Tax for the reporting period amounted to EUR 0.3 (0.8) million with the effective tax rate being 18.2 (21.0) per cent. Result for the reporting period was EUR 1.4 (2.9) million. Earnings per share were EUR 0.17 (0.40). Earnings per share adjusted with IPO expenses were EUR 0.28.

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

EUR million	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Free cash flow from operating activities	-3.7	2.5	-3.6	0.3	9.7
Net working capital			-0.3	-1.0	-5.4

Free cash flow from operating activities was EUR –3.7 (2.5) million in April–June. In January–June, free cash flow from operating activities was EUR –3.6 (0.3) million. During January–June, net working capital increased to EUR –0.3 million from EUR –5.4 million at the end of the 2020 financial year.

EUR million	6/2021	6/2020	12/2020
Interest-bearing debt	29.1	29.7	36.0
Cash and cash equivalents	1.8	11.2	8.1
Net debt	27.4	18.4	27.9
Equity	35.6	39.3	26.6
Equity ratio, %	33.4	35.8	26.3
Return on capital employed, %	15.7	21.6	19.2

At the end of June 2021, interest-bearing net debt was EUR 27.4 (27.9 on 31 Dec 2020) million. In H1, interest-bearing net debt was affected by, among others, a loan repayment of EUR 10 million that the company made in Q1 with proceeds from the IPO and the payment of EUR 3.9 million as dividends to shareholders in Q2. At the end of June, the company's cash and cash equivalents amounted to EUR 1.8 (8.1 on 31 Dec 2020) million. In addition, the company had undrawn revolving overdraft and credit limits of EUR 6.0 (10.0 on 31 Dec 2020) million. Interest-bearing debt amounted to EUR 29.1 (36.0 on 31 Dec 2020) million, of which EUR 1.4 (1.5 on 31 Dec 2020) million constituted lease liabilities under IFRS 16.

The average interest of interest-bearing debt, excluding lease liabilities recognised on the balance sheet, was 3.09 per cent in January–June of the reporting period. The average interest was increased by approximately 0.4 percentage points by the impact of effective interest that was transferred to the result in connection with the early repayment of a loan in Q1.

At the end of the reporting period, the consolidated balance sheet total was EUR 106.6 million and equity was EUR 35.6 (26.6 on 31 Dec 2020) million. At the end of the reporting period, equity ratio

was 33.4 (26.3 on 31 Dec 2020) per cent and the company's return on capital employed was 15.7 (19.2 on 31 Dec 2020) per cent. The company's equity ratio was particularly increased by the IPO completed in Q1 that provided the company with gross proceeds of more than EUR 12.5 million. The company's IPO expenses without tax impact were EUR 2.3 million, of which EUR 1.3 million were recognised directly as equity.

## Investments

During H1 2021, the company continued investing in equipment and the further improvement of equipment management.

Net investments in operating activities amounted to EUR 2.1 (1.0) million in April–June and EUR 2.8 (2.1) million in January–June. Purchases of tangible assets – mainly purchases of machinery and equipment and particularly special equipment – formed a significant part of the investments. Furthermore, the investments early in the year included some construction costs for the new warehouse building in Tuusula.

Kreate's gross investments in tangible and intangible assets amounted to EUR 3.0 (2.3) million in January–June.

## Personnel

At the end of June, Kreate Group employed 412 (441) people. The average number of personnel in January–June was 390 (413).

In Q2, the Group continued important recruitments, for example for strengthening railway and bridge expertise. The physical exercise campaign continued to support employee well-being in the Group. The company started building the first online courses in KreateAkademia, a digital learning platform designed for competence development and implementation of common practices.

Based on the results of a personnel survey completed in Q2, the company will take measures that improve well-being and employee experience in order to further develop the effectiveness of operations and customer experience. The response rate for the 2021 personnel survey was comparable to the 2019 survey and, on average, the results remained higher than at reference companies. Particularly the Employee Net Promoter Score (eNPS) grew by four points to 68.

In H1, strict instructions due to the COVID-19 pandemic were enforced at the worksites and offices. Restrictions of outsiders' visits at projects and offices remained in place, employee breaks were staggered, effective cleaning practices were employed in break and work facilities and face masks continued to be used during close contact situations. Moreover, remote meetings and remote work was continued in the functions where this was feasible. The purpose of these measures is to ensure employee well-being and projects progressing according to plan. In the review period, there were no cases of COVID-19 spreading at the company's sites and the safe working conditions were maintained.

During Q2, Kreate Group had two accidents affecting the injury frequency rate and, at 11.9, the cumulative injury frequency rate proportional to the number of personnel was better than the industry average in H1. The seasonality of the infrastructure business and project execution focusing on the summer months result are seen in the slight increase of the injury frequency rate. The development of occupational safety continued, and the occupational safety measures and communication still focused on preventing the spread of COVID-19 at the worksites and offices. At the end of Q2, several regions reduced their COVID-19 restrictions, which allowed us to increase the number of on-site safety rounds at worksites.



## Company management

On 31 March 2021, Kreate Group announced changes in the Management Team: The stock exchange release is available at: <https://kreate.fi/en/stockrelease/changes-in-kreate-groups-management-team/>.

As of 30 June 2021, Kreate's Management Team includes the following people: Timo Vikström, President & CEO; Antti Heinola, Chief Financial Officer; Tommi Hakanen, Vice President, Special Foundation Construction; Jaakko Kivi, Vice President, Technical Office; Sami Laakso, Vice President, Transport Infrastructure Construction; Tommi Lehtola, Vice President, Foundation and Rock Engineering, and Circular Economy; Timo Leppänen, Vice President, Railway Construction; Katja Pussinen, Vice President, HR, and Sami Rantala, Vice President, Bridge Construction and Repair.

## Short-term risks and risk management

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

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

### Strategic risks

Epidemics and pandemics may have a material adverse effect on Kreate's business, the global economy and financial markets. Economic uncertainty has also impacted Kreate's private sector customers. COVID-19's impacts on the public economy may also be reflected in the reduction or postponement of planned investments.

Unfavourable economic development in Finland could impact Kreate's business in many ways, including the income, assets, liquidity, business operations and/or financial standing of Kreate as well as its customers and subcontractors. Moreover, Kreate may not necessarily be able to take advantage of the business opportunities arising from economic fluctuations or adapt its operations to a long-term economic downturn or stagnation.

Kreate's business performance is partly dependent on the overall development of the public economy and the political decision-making that guides it, as the majority of Kreate's revenue comes from public sector customers.

Kreate operates in a competitive industry, and increased competition in the infrastructure construction market could have an adverse effect on Kreate's business. Kreate finds that increased competition could lead to tougher price competition as well as competing for available employees.

Kreate's limited control in the KFS Finland joint venture could hamper Kreate's ability to get the joint venture to act in favour of Kreate and to refrain from acting against Kreate's interests.

### Operational and accident risks

Kreate may fail in executing its strategy or adapting it to changes in the operating environment, or the strategy itself may be unsuccessful. Kreate may not necessarily be able to define, execute or, if necessary, adjust its business strategy successfully.

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

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

Kreate's key information systems are related to tender calculation, project monitoring, data modelling, measurements, payroll calculation and the management of monetary transactions. Problems in the operation of the information systems that Kreate uses could have a material adverse effect on Kreate's business.

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

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

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

### **Economic and financing risks**

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

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

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

More information on Kreate's risks is available in the company's offering circular published in February 2021, which is available at: <https://kreate.fi/en/ipo/>. More information on the company's financing risks is also available in note 3.4 to the company's Financial statements for 2020.

### **Shareholder meeting**

By a unanimous decision of the shareholders on 25 January 2021, the company's company form was changed from private limited company to public limited company. In connection with the decision, the shareholders authorised the Board of Directors to decide 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 decided to

issue 1,529,877 new shares under this authorisation. The authorisation was valid until 31 March 2021.

In addition, shareholders decided on 25 January 2021 to authorise the Board of Directors to decide on share issues as well as the issuance of option rights and other special rights entitling to shares pursuant to Chapter 10 of the Finnish Limited Liability Companies Act. 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 was made to be valid until the end of the 2021 Annual General Meeting but no later than 30 June 2021. This authorisation was not used.

On 25 January 2021, shareholders also decided to authorise the Board of Directors to decide on a repurchase of the company's own shares.

The total maximum number of own shares to be repurchased is 900,000 shares. However, the company, together with its subsidiaries, may not own more than 10 per cent of all the shares in the company. Pursuant to the authorisation, the company's own shares can only be repurchased with unrestricted equity. The authorisation was made to be valid until the end of the 2021 Annual General Meeting, but no later than 30 June 2021. This authorisation was not used.

On 25 January 2021, it was also decided that the chair of the company's Board of Directors is to be paid a monthly fee of EUR 4,750 and members of the Board of Directors are to be paid a monthly fee of EUR 2,000 starting from 1 January 2021. In addition, it was decided that an additional fee of EUR 1,500 is paid to each member of the Board of Directors elected as the chair or member of the Audit Committee or Remuneration and Nomination Committee for a period of one year following the election.

## Decisions by the Annual General Meeting

Kreate Group Plc's Annual General Meeting was held on 5 May 2021. The Annual General Meeting verified the financial statements for the financial year 2020 and granted the members of the Board of Directors and the President & CEO release from liability for the financial year 2020.

The Annual General Meeting decided that, based on the balance sheet verified for the financial year ending on 31 Dec 2020, a dividend of EUR 0.44 is issued per share for shares held outside the company. The dividend 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 7 May 2021. The dividends were paid on 19 May 2021.

The Annual General Meeting approved the remuneration policy and remuneration report of the governing bodies. The decision is advisory.

The Annual General Meeting decided that the following fees are paid to the members of the Board of Directors: the chair of the Board is to be paid a monthly fee of EUR 4,750 and other members of the Board are to be paid a monthly fee of EUR 2,000. In addition, the Annual General Meeting decided that an additional yearly fee of EUR 1,500 is paid to each member of the Board of Directors elected as the chair or member of the Audit Committee or Remuneration and Nomination Committee and that reasonable travel expenses are reimbursed according to invoices.

The Annual General Meeting confirmed that the Board of Directors shall have seven (7) members. The following current members of the Board were re-elected: Petri Rignell, Timo Kohtamäki, Janne Näränen, Elina Pienimäki and Markus Väyrynen. Timo Pekkarinen and Jussi Aine were elected as new members of the Board. The term of office of all members of the Board shall end at the end of the 2022 Annual General Meeting.

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

The Annual General Meeting re-elected authorised public accountants KPMG Oy Ab as the Auditor of the company, with Authorised Public Accountant Turo Koila as the responsible auditor. The Auditor shall be paid a reasonable fee in accordance with an invoice approved by the Board of Directors.

The Annual General Meeting authorised the Board of Directors to decide on a share issue as well as the issuance of option rights and other special rights entitling to shares pursuant to Chapter 10 of the Finnish Limited Liability Companies Act. Under the authorisation, a maximum of 898,000 shares can be issued, which corresponds to approximately 10 per cent of Kreate's total shares at the time of the decision. The shares or special rights entitling to shares can be issued in one or more tranches, either against or without payment. The shares issued under the authorisation can be new shares or shares held by Kreate. This authorisation is valid until the end of Kreate's next Annual General Meeting but no later than 30 June 2022. The authorisation revokes any previous unused share issue authorisations.

The Annual General Meeting authorised the Board of Directors to decide on the repurchase and acceptance as pledge of Kreate's own shares. The total maximum number of own shares to be repurchased or accepted as pledge is 898,000 shares. Kreate, together with its subsidiaries, may not own and/or hold as pledge more than 10 per cent of Kreate's all shares at any given moment. Pursuant to the authorisation, the company's own shares can only be repurchased with Kreate's unrestricted equity. This authorisation is valid until the end of Kreate's next Annual General Meeting but no later than 30 June 2022. The authorisation revokes any previous unused authorisations for the repurchase and acceptance as pledge of the company's own shares.

On 5 May 2021, Kreate Group issued a stock exchange release with the decisions taken by the Annual General Meeting and Board of Directors, which is available at:  
<https://kreate.fi/en/stockrelease/decisions-taken-by-kreate-group-plcs-annual-general-meeting-and-board-of-directors/>.

## Shares and trading

### Initial public offering

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

The 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, 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 pre-list of Nasdaq Helsinki Ltd on 19 February 2021 and on the stock exchange list on 23 February 2021.



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

### **Share-based incentive plans**

At the end of the review period, Kreate Group's Board of Directors decided to launch two new long-term share-based incentive plans for the key persons of the Group and the Group's joint venture. The aim of the performance share plan and share bonus plan is to align the goals of the company, shareholders and key persons in order to grow the company value in the long term and commit the key persons to the company.

The Performance Share Plan 2021–2024 consists of two two-year performance periods, each of which is followed by a two-year restriction period. The company's Board of Directors decides on the plan's performance criteria and the targets set for each criterion at the beginning of each performance period. Members of the Kreate Group management team participate in the performance share plan.

The share bonus plan offers the key persons in the target group an opportunity to earn shares in the company by converting into shares a portion, decided by the Board of Directors, of the performance bonus earned for 2022. Tentatively, the share bonus plan target group will include approximately 60 key persons, including the members of the company's management team. The persons included in the share bonus plan target group will be decided by Kreate Group's Board of Directors in autumn 2021.

Kreate Group announced the share-based incentive plans by issuing a stock exchange release on 23 June, which is available at: <https://kreate.fi/en/stockrelease/the-board-of-directors-of-kreate-group-plc-decided-on-share-based-incentive-plans/>.

### **Trading in the company's shares**

Kreate Group Plc's share capital at the end of June was EUR 80,000. The total number of outstanding shares in the company on 30 June 2021 was 8,984,772 shares, of which the company held 90,000 shares as treasury shares.

In January–June, 6,341,751 of Kreate's shares were traded on the Helsinki Stock Exchange. The highest trading price was EUR 12.50 and the lowest price was EUR 9.90. The volume weighted average price of Kreate's shares in H1 was EUR 9.17 taking into account the subscription price of EUR 8.20.

The share's closing price on the last trading day of the reporting period, 30 June 2021, was EUR 10.10. Based on the closing price of the reporting period, the market value of the company's shares, excluding the treasury shares held by the company, was EUR 89.8 million.

### **Events after the reporting period**

No relevant events have occurred after the reporting period.

Tuusula, 28 July 2021

Kreate Group Plc

Board of Directors

## NOTES

Calculation formulas for key figures

Tables for the January–June 2021 Half-year Report

## Key figures by quarter

EUR million	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q4/19	Q3/19	Q2/19
Order backlog	157.5	158.3	134.9	149.0	144.4	162.3	177.2	204.1	198.2
Revenue	52.9	38.3	62.0	65.4	58.0	50.0	72.1	68.5	51.7
Change in revenue, %	38.0	-38.1	-5.2	12.7	16.1	-30.7	5.3	32.5	78.8
EBITDA	3.4	1.7	3.1	4.9	3.9	2.2	5.6	5.2	3.2
EBITDA, %	6.3	4.4	5.0	7.5	6.7	4.3	7.7	7.6	6.1
EBITA	2.5	0.9	2.3	4.0	3.0	1.3	4.6	4.4	2.4
EBITA, %	4.7	2.3	3.8	6.1	5.1	2.6	6.4	6.4	4.7
Operating profit	2.4	0.8	2.3	3.9	2.9	1.2	4.6	4.3	2.4
Operating profit, %	4.6	2.2	3.7	6.0	5.0	2.5	6.3	6.3	4.6
Result for the period	1.8	-0.3	1.8	3.0	2.1	0.9	3.9	3.5	1.6
Capital employed	63.0	56.3	54.5	58.8	57.7	58.1	53.6	60.8	63.0
Return on capital employed, %	15.7	17.4	19.2	21.1	21.6	21.5	20.7	16.2	15.8
Return on equity, %	16.6	17.6	24.7	25.3	29.0	29.4	26.3	27.6	28.9
Net investments in operating activities	-2.1	-0.8	-1.7	-0.8	-1.0	-1.0	-1.2	-1.5	-1.1
Free cash flow from operating activities	-3.7	0.1	7.2	2.2	2.5	-2.2	12.4	5.0	-2.2
Net working capital	-0.3	-4.6	-5.4	1.0	-1.0	-0.8	-4.0	3.6	5.3
Net debt	27.4	18.8	27.9	16.5	18.4	20.9	17.3	25.7	31.4
Net debt/EBITDA	2.1	1.4	2.0	1.0	1.1	1.3	1.2	2.0	2.5
Equity ratio, %	33.4	38.2	26.3	38.7	35.8	36.8	34.5	33.6	31.1
Earnings per share, €	0.20	-0.04	0.07	0.41	0.28	0.12	0.33	0.48	0.22
Earnings per share adjusted with IPO expenses, €		0.07							
Personnel at the end of the period	412	385	383	404	441	407	395	391	396
Personnel on average	396	382	390	414	427	398	394	389	380

## Additional information on alternative performance measures

EUR million	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Outstanding shares on average (1,000 pcs)	8,895	7,365	8,481	7,365	7,365
Amortisations from intangible assets	0.0	-0.1	-0.1	-0.1	-0.2
Depreciations	-	-	-	-	-
Prepayments received	-	-	-	-	-
IPO expenses included in financial expenses	0.0		0.9		

EUR million	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q4/19	Q3/19	Q2/19
Outstanding shares on average (1,000 pcs)	8,895	8,062	7,365	7,365	7,365	7,365	7,344	7,335	7,301
Amortisations from intangible assets	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	-0.1	0.0
Depreciations	-	-	-	-	-	-	-	-	-
Prepayments received	-	-	-	-	-	-	-	-	-
IPO expenses included in financial expenses	0.0	0.9							

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



## Half-year report for January–June 2021: Table section

### Consolidated statement of comprehensive income

EUR million	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Revenue	52.9	58.0	91.2	108.0	235.3
Other operating income	0.3	0.0	0.3	0.1	0.3
Materials and services	-40.6	-43.7	-68.0	-81.7	-180.6
Employee benefit expenses	-7.8	-8.9	-14.3	-16.6	-32.3
Other operating expenses	-1.8	-1.9	-4.4	-4.5	-9.8
Share of joint venture's profit	0.4	0.4	0.3	0.7	1.2
Depreciation, amortisation and impairment	-0.9	-0.9	-1.8	-1.9	-3.7
Operating profit	2.4	2.9	3.3	4.2	10.4
Financial income	0.0	0.0	0.0	0.0	0.1
Financial expenses	-0.3	-0.2	-1.5	-0.5	-1.2
Financial income and expenses	-0.3	-0.2	-1.5	-0.4	-1.1
Result before taxes	2.1	2.7	1.7	3.7	9.3
Income taxes	-0.4	-0.6	-0.3	-0.8	-1.5
<b>Result for the period</b>	<b>1.8</b>	<b>2.1</b>	<b>1.4</b>	<b>2.9</b>	<b>7.8</b>
<b>Comprehensive income for the period</b>	<b>1.8</b>	<b>2.1</b>	<b>1.4</b>	<b>2.9</b>	<b>7.8</b>
Profit attributable to:					
Shareholders of parent	1.8	2.1	1.4	2.9	7.8
Earnings per share calculated from the income attributable to shareholders of the parent					
Undiluted, €	0.20	0.28	0.17	0.40	0.88
Diluted, €	0.20	0.28	0.17	0.40	0.88

## Consolidated balance sheet

EUR million	6/2021	12/2020	6/2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	1.0	1.0	1.0
Goodwill	35.6	35.6	35.6
Property, plant and equipment	17.4	15.8	14.7
Right-of-use assets	1.3	1.5	1.5
Investments in joint ventures	8.6	8.4	7.9
Other receivables	0.4	0.1	0.4
Deferred tax assets	0.7	0.5	0.2
<b>Total non-current assets</b>	<b>65.0</b>	<b>62.7</b>	<b>61.2</b>
<b>Current assets</b>			
Inventories			0.0
Trade and other receivables	38.7	30.4	36.8
Income tax receivables	1.2	0.1	0.7
Cash and cash equivalents	1.8	8.1	11.2
<b>Total current assets</b>	<b>41.6</b>	<b>38.6</b>	<b>48.7</b>
<b>Total assets</b>	<b>106.6</b>	<b>101.3</b>	<b>109.9</b>
<b>EQUITY</b>			
Share capital	0.1	0.0	0.0
Reserve for invested unrestricted equity	19.7	8.3	8.3
Equity loan			16.2
Retained earnings	15.8	18.3	14.8
<b>Total equity</b>	<b>35.6</b>	<b>26.6</b>	<b>39.3</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing debt	23.4	30.4	22.3
Deferred tax liabilities	0.8	0.7	0.6
<b>Total non-current liabilities</b>	<b>24.2</b>	<b>31.1</b>	<b>22.9</b>
<b>Current liabilities</b>			
Interest-bearing debt	5.8	5.6	7.4
Trade payables and other liabilities	38.9	35.8	37.9
Income tax liabilities	0.6	0.7	0.8
Provisions	1.5	1.5	1.7
<b>Total current liabilities</b>	<b>46.8</b>	<b>43.6</b>	<b>47.7</b>
<b>Total liabilities</b>	<b>71.0</b>	<b>74.7</b>	<b>70.6</b>
<b>Total equity and liabilities</b>	<b>106.6</b>	<b>101.3</b>	<b>109.9</b>

## Consolidated cash flow statement

EUR million	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Result for the period	1.8	2.1	1.4	2.9	7.8
Depreciation, amortisation and impairment	0.9	0.9	1.8	1.9	3.7
Financial income and expenses	0.3	0.2	1.5	0.4	1.1
Income taxes	0.4	0.6	0.3	0.8	1.5
Other adjustments	-0.5	-0.5	-0.4	-0.8	-1.3
Total adjustments	1.1	1.3	3.2	2.3	4.9
Change in trade and other receivables	-11.2	-6.3	-8.6	-4.8	1.9
Change in inventories				0.0	0.0
Change in trade and other payables	6.7	6.6	3.2	1.7	-0.4
Change in provisions	0.0	-0.1	0.1	0.2	0.0
Total change in working capital	-4.5	0.1	-5.4	-2.9	1.6
Cash flow from operations before financial items and taxes	-1.6	3.5	-0.8	2.4	14.3
Interest paid in operating activities	0.0	0.0	0.0	0.0	0.0
Interest received in operating activities	0.0	0.0	0.0	0.0	0.0
Other financial items	-0.1	0.0	-1.1	-0.1	-0.3
Dividends received		0.5		0.5	0.5
Taxes paid	-0.4	-0.1	-1.4	-1.2	-1.3
CASH FLOW FROM OPERATIONS	-2.2	3.8	-3.3	1.5	13.2
Investments in tangible and intangible assets	-2.3	-1.1	-3.0	-2.3	-5.1
Disposals of tangible and intangible assets	0.2	0.1	0.2	0.2	0.5
CASH FLOW FROM INVESTING ACTIVITIES	-2.1	-1.0	-2.8	-2.1	-4.6
Share issue			11.2		
Repayment of equity loan					-16.2
Drawdown of non-current loans					33.9
Repayment of non-current loans			-6.3		
Drawdown of current loans	4.0		4.0		
Repayment of current loans	-0.6	-0.2	-4.5	-0.3	-28.0
Repayment of lease liabilities	-0.2	-0.2	-0.3	-0.3	-0.7
Interest and other loan expenses	-0.3	-0.2	-0.3	-0.3	-2.1
Dividends paid	-3.9		-3.9		
CASH FLOW FROM FINANCING ACTIVITIES	-0.9	-0.6	-0.2	-0.9	-13.1
CHANGE IN CASH AND CASH EQUIVALENTS	-5.1	2.2	-6.4	-1.4	-4.5
Cash and cash equivalents on the opening balance sheet	6.9	9.0	8.1	12.7	12.7
Change in cash and cash equivalents	-5.1	2.2	-6.4	-1.4	-4.5
Cash and cash equivalents at the end of the period	1.8	11.2	1.8	11.2	8.1

## Consolidated statement of changes in equity

EUR million	Share capital	Reserve for invested unrestricted equity	Equity loan	Retained earnings	Total equity
Equity as at 1 January 2020	0.0	8.3	16.2	11.9	36.4
Items of comprehensive income					
Result for the period				2.9	2.9
Total comprehensive income attributable to the owners of the parent				2.9	2.9
Transactions with the owners					
Equity loan					
Interest on equity loan					
Total transactions with the owners					
Equity as at 30 June 2020	0.0	8.3	16.2	14.8	39.3

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

<sup>\*)</sup> The gross proceeds from the share issue amounted to EUR 12.5 million. EUR 1.3 million in IPO fees have been recognised in the reserve for invested unrestricted equity, less the tax impact.

EUR million	Share capital	Reserve for invested unrestricted equity	Equity loan	Retained earnings	Total equity
Equity as at 1 January 2020	0.0	8.3	16.2	11.9	36.4
Items of comprehensive income					
Result for the period				7.8	7.8
Total comprehensive income attributable to the owners of the parent				7.8	7.8
Transactions with the owners					
Equity loan			-16.2		-16.2
Interest on equity loan				-1.3	-1.3
Total transactions with the owners			-16.2	-1.3	-17.5
Equity as at 31 December 2020	0.0	8.3		18.3	26.6



## Notes

### Key accounting principles and basis for preparation

The Group's Half-year Report has been prepared in accordance with the IAS 34 Interim Reports standard. The Half-year Report should be read together with Kreate Group's consolidated financial statements for the financial year 2020.

The figures in the Half-year Report have not been audited.

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

The Half-year Report has been prepared in accordance with the key accounting principles presented in Kreate Group's consolidated financial statements for the financial year 2020, except for the revised IFRS standards that came into effect on 1 January 2021. The revised standards did not have an impact on the half-year report.

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

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

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

## Initial public offering

During the reporting period, Kreate Group Plc's shares were listed on the stock exchange list of Nasdaq Helsinki Ltd. The IPO comprised a share issue and the sale of shares. Due to the IPO, the number of the company's outstanding shares increased to 8,894,772 shares and the total number of shares (including treasury shares held by the company) increased to 8,984,772 shares. Kreate accumulated approximately EUR 12.5 million in gross proceeds from the IPO. The company's IPO expenses were EUR 2.3 million, of which EUR 1.3 million were recognised directly as equity.

## Segments

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

## Revenue from customer contracts

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

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

EUR million	1-6/2021	1-6/2020	1-12/2020
Structural engineering <sup>1)</sup>	55.4	76.2	152.1
Transport infrastructure construction <sup>2)</sup>	33.8	31.1	84.5
Other <sup>3)</sup>	2.0	0.7	-1.2
Total	91.2	108.0	235.3

<sup>1)</sup> Includes, among others, rock engineering, foundation, concrete and bridge construction

<sup>2)</sup> Includes, among others, railway, road and street construction

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

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

	1-6/2021	1-6/2020	1-12/2020
Cities and municipalities	13%	30%	29%
Government	49%	28%	36%
Private sector	38%	42%	35%

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

Working capital

EUR million	6/2021	12/2020	6/2020
<b>Inventories</b>			
Trade receivables	23.9	18.9	22.5
Assets based on contracts with customers	14.7	11.2	14.2
Loan receivables	0.0	0.0	0.0
Other receivables	0.1	0.2	0.1
Accrued income	0.0	0.0	0.0
<b>Total trade and other receivables</b>	<b>38.7</b>	<b>30.4</b>	<b>36.8</b>
Accrued personnel costs	0.0	0.0	0.0
Other accrued income	0.0	0.0	0.0
<b>Total accrued income</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Trade payables	13.8	9.0	12.9
Liabilities based on contracts with customers	10.1	11.0	12.9
Other liabilities	4.5	3.4	1.6
Accrued liabilities	10.5	12.3	10.5
<b>Total trade payables and other liabilities</b>	<b>38.9</b>	<b>35.8</b>	<b>37.9</b>
Interest liabilities	0.0	0.0	0.0
Accrued personnel costs	9.2	10.5	9.4
Other accrued liabilities	1.3	1.8	1.1
<b>Total accrued liabilities</b>	<b>10.5</b>	<b>12.3</b>	<b>10.5</b>

## Financial assets and liabilities

EUR million	30 June 2021	Carrying amount	Fair value
Financial assets measured at amortised cost			
Receivables		0.4	0.4
Non-current financial assets		0.4	0.4
Trade and other receivables		24.0	24.0
Current financial assets		24.0	24.0
Cash and cash equivalents		1.8	1.8
Total financial assets		26.2	26.2
Financial liabilities measured at amortised cost			
Loans from financial institutions		22.5	22.8
Hire purchase liabilities		0.1	0.1
Lease liabilities		0.7	
Non-current interest-bearing liabilities		23.4	
Loans from financial institutions		5.0	5.0
Hire purchase liabilities		0.1	0.1
Lease liabilities		0.6	
Current interest-bearing liabilities		5.8	
Trade payables and other liabilities		18.3	18.3
Other current financial liabilities		18.3	18.3
Total financial liabilities		47.5	

EUR million	31 December 2020	Carrying amount	Fair value
Financial assets measured at amortised cost			
Non-current receivables		0.1	0.1
Non-current financial assets		0.1	0.1
Trade and other receivables		19.1	19.1
Current financial assets		19.1	19.1
Cash and cash equivalents		8.1	8.1
Total financial assets		27.4	27.4
Financial liabilities measured at amortised cost			
Loans from financial institutions		29.3	29.6
Hire purchase liabilities		0.3	0.3
Lease liabilities		0.9	
Non-current interest-bearing liabilities		30.4	
Loans from financial institutions		4.7	4.7
Hire purchase liabilities		0.3	0.3
Lease liabilities		0.6	
Current interest-bearing liabilities		5.6	
Trade payables and other liabilities		12.4	12.4
Other current financial liabilities		12.4	12.4
Total financial liabilities		48.4	

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

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

## Changes in tangible assets

EUR million	6/2021	12/2020	6/2020
Acquisition cost as at 1 January	23.2	21.0	21.0
Increases	2.9	4.9	2.2
Decreases	0.0	-3.3	-0.4
Acquisition cost at the end of the period	26.2	22.6	22.8
Accrued depreciation, amortisation and impairment as at 1 January	-7.5	-6.9	-6.9
Accrued amortisation on the decreases	0.0	2.9	0.2
Amortisation for the period	-1.4	-2.8	-1.4
Accrued depreciation, amortisation and impairment at the end of the period	-8.8	-6.8	-8.1
Carrying amount at the end of the period	17.4	15.8	14.7

## Changes in right-of-use assets

EUR million	6/2021	12/2020	6/2020
Acquisition cost as at 1 January	2.9	2.5	2.5
Increases	0.2	0.6	0.3
Decreases	-0.1	-0.2	-0.1
Acquisition cost at the end of the period	3.0	2.9	2.7
Accrued depreciation, amortisation and impairment as at 1 January	-1.4	-0.9	-0.9
Accrued amortisation on the decreases	0.1	0.2	0.1
Amortisation for the period	-0.3	-0.7	-0.3
Accrued depreciation, amortisation and impairment at the end of the period	-1.6	-1.4	-1.1
Carrying amount at the end of the period	1.3	1.5	1.5

## Changes in intangible assets

EUR million	6/2021	12/2020	6/2020
Acquisition cost as at 1 January	5.1	5.3	5.3
Increases	0.1	0.2	0.1
Decreases		-0.4	0.0
Acquisition cost at the end of the period	5.2	5.1	5.4
Accrued depreciation, amortisation and impairment as at 1 January	-4.2	-4.4	-4.4
Accrued amortisation on the decreases		0.4	0.0
Amortisation for the period	-0.1	-0.2	-0.1
Accrued depreciation, amortisation and impairment at the end of the period	-4.3	-4.2	-4.4
Carrying amount at the end of the period	1.0	1.0	1.0

## Collateral and contingent liabilities

EUR million	6/2021	12/2020
<u>Mortgages and shares given as collateral for loans from financial institutions</u>		
Book value of pledged shares	-	52.0
Given real estate mortgages	-	5.0
Floating charges given	-	75.4
<u>Other contingent liabilities</u>		
Collateral given on behalf of joint venture	0.0	0.1
Other collateral	0.0	0.0
Guarantee liabilities from project contracts	36.7	36.4
Lease liabilities from short-term assets with low value	0.5	0.6
VAT liability	0.1	0.1

The collateral for the Group's loans has been released in accordance with the terms and conditions of the loan agreement in connection with the initial public offering.

## Related-party transactions

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

Until the February IPO, related parties also included Intera Fund II Ky and the companies belonging to its group of companies. In connection with the IPO, Intera Fund II Ky's ownership decreased to less than 20%.

EUR million	1-6/2021 Income	Expenses	6/2021 Receivables	Liabilities
Intera Fund II Ky				
Joint venture	2.9	-2.6	0.4	0.9
Other related parties <sup>1)</sup>		-0.2		

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



EUR million	1-6/2020 Income	Expenses <sup>3)</sup>	6/2020 Receivables	Liabilities <sup>2)</sup>
Intera Fund II Ky		0.0		6.8
Joint venture	14.0	-1.4	3.9	0.0
Other related parties <sup>1)</sup>	0.1	-0.2		3.4

<sup>1)</sup> 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.

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

<sup>3)</sup> Expenses for the reporting period do not include the group's unrecognised equity loan interests which had accrued in the amount of EUR 0.5 million in 1–6/2020.

### Events after the reporting period

No relevant events have occurred after the reporting period.