Årsredovisning

för

Kreate Sverige Holding AB

559356-2472

Räkenskapsåret

2021–12–22 – 2022–12–31

Fastställelseintyg

Jag intygar att resultaträkningen och balansräkningen har fastställts på årsstämma 2023-01-20.
Årsstämman beslöt att godkänna styrelsens förslag till vinstdisposition.
Jag intygar att innehållet i dessa elektroniska handlingar överensstämmer med originalen och att originalen undertecknats av samtliga personer som enligt lag ska underteckna dessa.

Elektroniskt underskriven av:

Mats Christian Jonsson, Verkställande direktör
2023-06-21

Styrelsen och verkställande direktören för Kreate Sverige Holding AB avger följande årsredovisning för räkenskapsåret 2021–12–22 – 2022–12–31, vilket är företagets första verksamhetsår.

Årsredovisningen är upprättad i svenska kronor, SEK. Om inte annat särskilt anges, redovisas alla belopp i hela kronor (kr). Uppgifter inom parentes avser föregående år.

Förvaltningsberättelse

Information om verksamheten

Bolaget skall direkt eller indirekt bedriva byggverksamhet samt därmed förenlig verksamhet.
Företaget har sitt säte i Stockholm.

Väsentliga händelser under räkenskapsåret

Bolaget har förvärvat aktier i Kreate Sverige AB, org.nr. 556934-1299.

Flerårsöversikt (Tkr)	**2021/22** (13 mån)
Nettoomsättning	1 049
Resultat efter finansiella poster	-4 371
Soliditet (%)	0,2

Förändringar i eget kapital

	Aktie-kapital	**Fri överkurs-fond**	**Årets resultat**	**Totalt**
Nyemission	50 000	50 000		**100 000**
Erhållna aktieägartillskott	4 455 498			**4 455 498**
Årets resultat			-4 370 692	**-4 370 692**
Belopp vid årets utgång	**4 505 498**	**50 000**	**-4 370 692**	**184 806**

Villkorade, ännu ej återbetalda, aktieägartillskott uppgår per balansdagen till 4 455 498 kr.

Förslag till vinstdisposition

Styrelsen föreslår att till förfogande stående vinstmedel (kronor):

fri överkursfond	50 000
balanserad vinst	4 455 498
årets förlust	-4 370 692
	134 806
disponeras så att	
i ny räkning överföres	134 806
	134 806

Resultaträkning

	Not	2021-12-22 -2022-12-31 (13 mån)
Rörelsens intäkter		
Nettoomsättning		1 049 334
Övriga rörelseintäkter	2	2 835 975
		3 885 309
Rörelsens kostnader		
Övriga externa kostnader		-676 761
Personalkostnader	3	-2 900 673
Övriga rörelsekostnader		-3 396 666
		-6 974 100
Rörelseresultat		**-3 088 791**
Resultat från finansiella poster		
Övriga ränteintäkter och liknande resultatposter		62
Räntekostnader och liknande resultatposter		-1 281 963
		-1 281 901
Resultat efter finansiella poster		**-4 370 692**
Resultat före skatt		**-4 370 692**
Årets resultat		**-4 370 692**

Balansräkning

	Not	2022-12-31
TILLGÅNGAR		
Anläggningstillgångar		
Finansiella anläggningstillgångar		
Andelar i koncernföretag	4, 5	75 401 633
		75 401 633
Summa anläggningstillgångar		**75 401 633**
Omsättningstillgångar		
Kortfristiga fordringar		
Kundfordringar		98 125
Övriga fordringar		109 581
Förutbetalda kostnader och upplupna intäkter		52 080
		259 786
Kassa och bank		2 429 946
Summa omsättningstillgångar		**2 689 732**
SUMMA TILLGÅNGAR		**78 091 365**

Balansräkning

	Not	2022-12-31
EGET KAPITAL OCH SKULDER		
Eget kapital	6	
Bundet eget kapital		
Aktiekapital		50 000
		50 000
Fritt eget kapital		
Fri överkursfond		50 000
Balanserad vinst eller förlust		4 455 498
Årets resultat		-4 370 692
		134 806
Summa eget kapital		**184 806**
Långfristiga skulder		
Skulder till koncernföretag		67 955 643
Summa långfristiga skulder		**67 955 643**
Kortfristiga skulder		
Leverantörsskulder		95 245
Skulder till koncernföretag		6 764 733
Aktuella skatteskulder		1 540
Övriga skulder		926 544
Upplupna kostnader och förutbetalda intäkter		2 162 854
Summa kortfristiga skulder		**9 950 916**
SUMMA EGET KAPITAL OCH SKULDER		**78 091 365**

Noter

Not 1 Redovisnings- och värderingsprinciper

Allmänna upplysningar
Årsredovisningen är upprättad i enlighet med årsredovisningslagen och BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).

Redovisningsprinciperna är oförändrade jämfört med föregående år.

Intäktsredovisning
Intäkter har tagits upp till verkligt värde av vad som erhållits eller kommer att erhållas och redovisas i den omfattning det är sannolikt att de ekonomiska fördelarna kommer att tillgodogöras bolaget och intäkterna kan beräknas på ett tillförlitligt sätt.

Pågående tjänsteuppdrag
Inkomster från uppdrag på löpande räkning redovisas som intäkt i takt med att arbetet utförs och material levereras eller förbrukas innebärande att vinsten från uppdragen avräknas successivt.

Om det inte är sannolikt att betalning kommer att erhållas för belopp som redan har redovisats som intäkt redovisas det belopp som sannolikt inte kommer att erhållas som en kostnad.

I balansräkningen jämförs redovisade intäkter med de belopp som fakturerats beställaren under samma period. Om de fakturerade beloppen överstiger den redovisade intäkten utgör mellanskillnaden en skuld, vilken redovisas som fakturerad men ej upparbetad intäkt. Om intäkten överstiger de fakturerade beloppen utgör mellanskillnaden en fordran vilken redovisas som upparbetad men ej fakturerad intäkt.

Inkomster från uppdrag till fast pris redovisas som intäkt enligt uppdragens respektive färdigställandegrad, så kallad successiv vinstavräkning. Färdigställandegraden fastställs huvudsakligen genom att jämföra nedlagda uppdragsutgifter med totala uppdragsutgifter.

När utfallet kan beräknas på ett tillförlitligt sätt redovisas uppdragsinkomsten och hänförliga uppdragsutgifter i resultaträkningen med utgångspunkt från färdigställandegraden av aktiviteterna på balansdagen.

Om det ekonomiska utfallet av ett uppdrag inte kan beräknas på ett tillförlitligt sätt redovisas en intäkt endast med ett belopp som motsvarar de uppkomna uppdragsutgifter som sannolikt kommer att ersättas av beställaren. Om det är sannolikt att de totala uppdragsutgifterna kommer att överstiga den totala uppdragsinkomsten från ett uppdrag redovisas den befarade förlusten som en kostnad omgående i resultaträkningen.

I balansräkningen jämförs redovisade intäkter med de belopp som fakturerats beställaren under samma period. Om de fakturerade beloppen överstiger den redovisade intäkten utgör mellanskillnaden en skuld, vilken redovisas som fakturerad men ej upparbetad intäkt. Om intäkten överstiger de fakturerade beloppen utgör mellanskillnaden en fordran vilken redovisas som upparbetad men ej fakturerad intäkt.

Anläggningstillgångar
Immateriella och materiella anläggningstillgångar redovisas till anskaffningsvärde minskat med ackumulerade avskrivningar enligt plan och eventuella nedskrivningar.

Koncernförhållanden

Företaget är moderföretag men med hänvisning till undantagsreglerna i årsredovisningslagen 7 kap 2§ upprättas ingen egen koncernredovisning. Det överordnade moderföretaget Kreate Group OJY, organisationsnummer 2601364-3 med säte i TUUSULA upprättar koncernredovisning.

Nyckeltalsdefinitioner

Nettoomsättning
Rörelsens huvudintäkter, fakturerade kostnader, sidointäkter samt intäktskorrigeringar.

Resultat efter finansiella poster
Resultat efter finansiella intäkter och kostnader men före bokslutsdispositioner och skatter.

Soliditet (%)
Justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt) i procent av balansomslutning.

Not 2 Övriga rörelseintäkter

Management fee	2 831 449
Valutakursvinster på fordringar och skulder	4 526

Not 3 Medelantalet anställda

	2021-12-22 -2022-12-31
Medelantalet anställda	2

Not 4 Andelar i koncernföretag

	2022-12-31
Inköp	75 401 633
Utgående ackumulerade anskaffningsvärden	**75 401 633**
Utgående redovisat värde	**75 401 633**

Not 5 Specifikation andelar i koncernföretag

Namn	**Kapital-andel**	**Rösträtts-andel**	**Antal andelar**	**Bokfört värde**
Kreate Infra Sverige AB	100%	100%	1 000	75 401 633
				75 401 633

	Org.nr	**Säte**
Kreate Infra Sverige AB	556934-1299	Stockholm

Not 6 Disposition av vinst eller förlust

	2022-12-31

Förslag till vinstdisposition

Styrelsen föreslår att till förfogande stående vinstmedel:

fri överkursfond	50 000
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disponeras så att	
i ny räkning överföres	134 806
	134 806

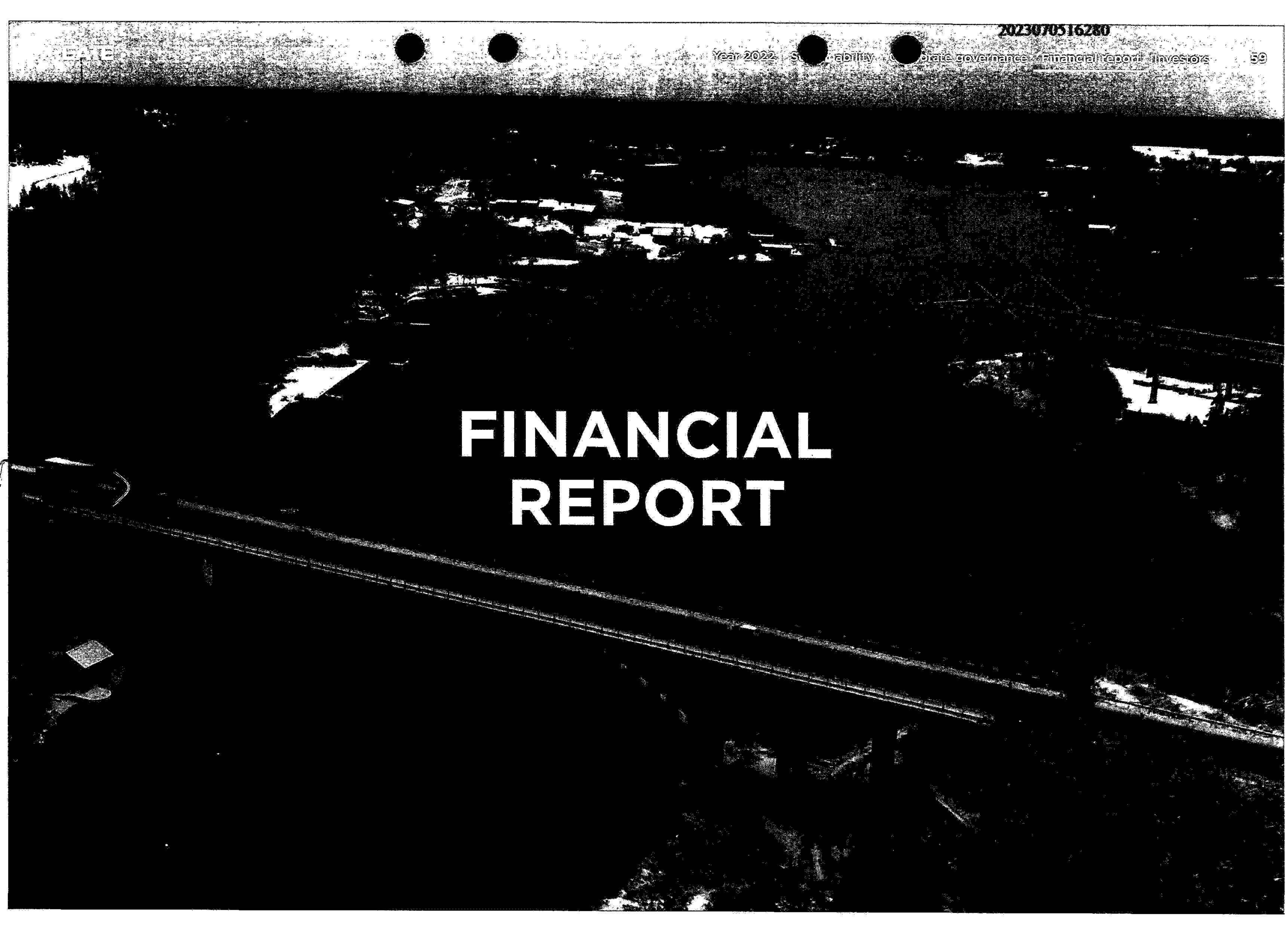
Stockholm 2023-01-20

Timo Vikström
Timo Vikström
Ordförande

Mikko Laine
Mikko Laine

Veli Taatila
Veli Taatila

Mats Christian Jonsson
Mats Christian Jonsson
Verkställande direktör



FINANCIAL REPORT

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Report of the Board of Directors

Kreate is a Finnish group that focuses on demanding infrastructure construction. Kreate's offering consists of transport infrastructure construction, which includes railway construction and road and street construction, as well as structural engineering, which includes foundation and engineering construction. Furthermore, Kreate offers services relating to the circular economy and technically demanding rock engineering. Kreate aims to be one of the leading companies delivering demanding infrastructure construction projects in Finland that offers well-functioning comprehensive solutions for demanding infrastructure needs based on its extensive competence and service offering, and to gain a foothold in the Swedish infrastructure market, with the goal of growing the operations in Sweden into a second cornerstone of the business in addition to Finland, and to pursue growth opportunities in technically demanding infrastructure construction projects in, for example, the Greater Stockholm area.

Kreate is an industry-leading company in Finland particularly in bridge and foundation construction both in terms of volume and expertise. The Group's operations are guided by strong basic values through which it offers solution-driven services, high quality and cost-efficiency to its broad range of clients. The customer base includes both public and private operators. The Group has had operations mainly in Finland, and in 2022, Kreate expanded to Sweden through a business acquisition.

Kreate Group comprises the parent company Kreate Group Plc and its wholly-owned subsidiaries (Kreate Oy and Kreate Rata Oy), in addition to which the Group has a 75% holding in Kreate Sverige Holding AB (previously named Kreate Infra Sverige AB), whose subsidiaries are Kreate Sverige AB (previously named Bror Bergentreprenad AB) and EstRock AB. Furthermore, the Group has a 50% holding in the Finnish joint venture KFS Finland Oy, and a Swedish associated company Karell Schakt AB, in which Kreate Sverige AB has a 34% holding.

STRATEGY FOR 2024 AND FINANCIAL TARGETS

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

A clear strategy that aims at continued profitable growth

1. Positioning in growing market segments
Kreate leverages its good market position and grows in the core market segments that particularly benefit from the increased demands in infrastructure construction. These include, for instance, projects carried out in densely built urban environments and demanding soil conditions.

2. Strengthening and expanding the customer base and service offering
The company aims at strengthening its customer base and service offering. There are opportunities for growth and expansion in different market segments, such as large commercial ports and waterways, various technical areas of railways and light rail solutions, construction of streets in demanding urban areas and wind farm projects.

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

4. Continuous improvement of operational efficiency and profitability
The company maintains a good level of profitability and seeks to increase its revenue by ensuring the high level of expertise of company personnel, by winning tenders and further developing internal collaboration and efficient processes. In order to improve the operations and efficiency, the company has implemented an annual development programme designed for this purpose.

Financial targets

Growth
Our aim is to grow the revenue to EUR 300 million by 2024 through a balanced combination of organisational growth and selected acquisitions.

Profitability
We aim for an EBITA margin of more than 5 per cent in the medium term.

Gearing
We aim for a Net debt/EBITDA of below 2.0.

Dividend policy
We aim to distribute at least half of the annual net profit as dividends, taking into account our financial position, cash flow and growth opportunities.

OPERATING ENVIRONMENT IN 2022

In the construction market, the year 2022 started with a positive energy. Construction companies had made it through the COVID-19 pandemic relatively well and the situation looked bright due to tendering activity and demand picking up. The improved situation was reflected positively in construction companies' order backlogs early in the year.

However, the Russian invasion of Ukraine in February quickly changed the operating environment, including within the field of construction. The war's impact on the construction industry grew over the course of Q1. In particular, the unprecedentedly rapid increase in costs and interest rates caused uncertainty in the construction market during Q2. Increases of up to dozens of per cent could be seen in the prices of steel and fossil fuels. The availability of construction materials and the short period of validity for tenders concerning them as well as the cyclical nature of prices caused challenges in the profitability and tender calculations for projects particularly in H1.

At the end of H1, the construction material cost level started to gradually show signs of stabilisation in terms of predictability, which made it easier to assess the profitability

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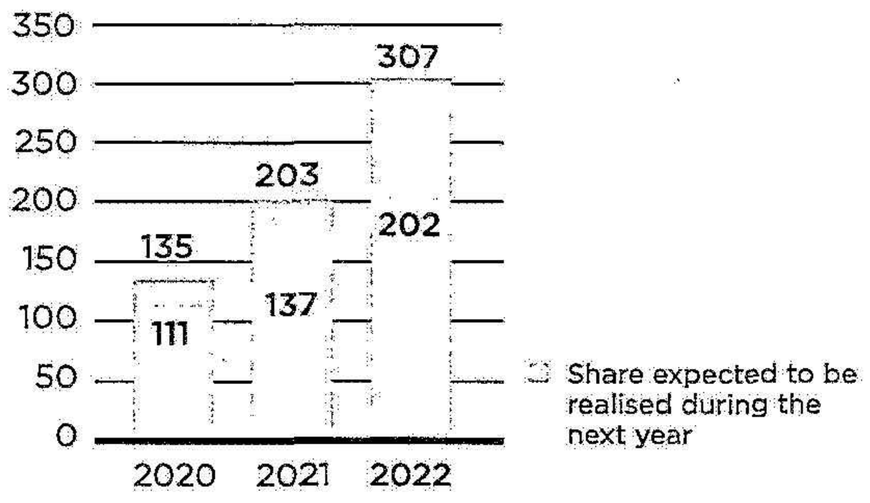
of projects in tender calculation. What particularly contributed to the stabilisation of the materials' market situation was other countries' increased production of construction materials that had previously come from Russia as well as the development of their distribution networks. The cost level stabilisation did not extend to long-term projects that had started earlier because such projects' costs were bound to the lower cost level valid at the tendering phase. The changes in the operating environment due to cost inflation, the increase in interest rates and economic cycles were also reflected in the development of Kreate's profitability.

Due to a good early year, the overall construction volume in Finland grew in 2022, whereas infrastructure construction, considering investments as well as maintenance, experienced a decrease. Despite the growth on the yearly level, the number of building permits, quotation requests and orders has been on the decline starting from H2. The number of new housing construction projects has previously been high, but this area, in particular, has seen a decrease and, for Kreate, this mainly impacted the foundation construction market.

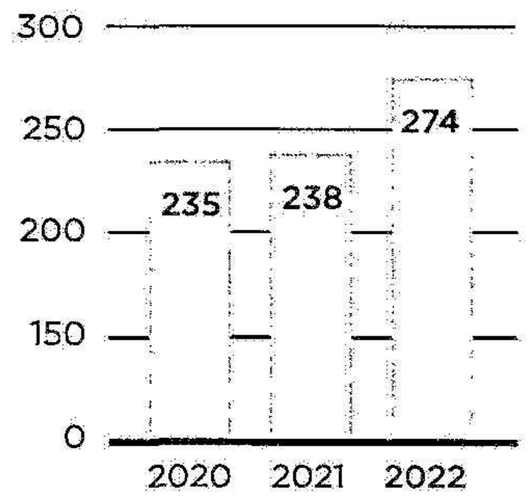
The construction of business premises, which remained on a good level, and private sector investments particularly in the industry and retail balanced out the declining demand for public sector project and housing construction in H2. Similarly, the railway construction market remained on a good level in 2022, which had a positive effect of Kreate's railway construction growing in terms of the scope and number of projects.

Kreate's strategic specialisation in executing demanding infrastructure projects continued to support the company's competitiveness in technically challenging projects that require special expertise. Despite the decrease in infrastructure construction, the competition has remained more moderate in demanding infrastructure construction.

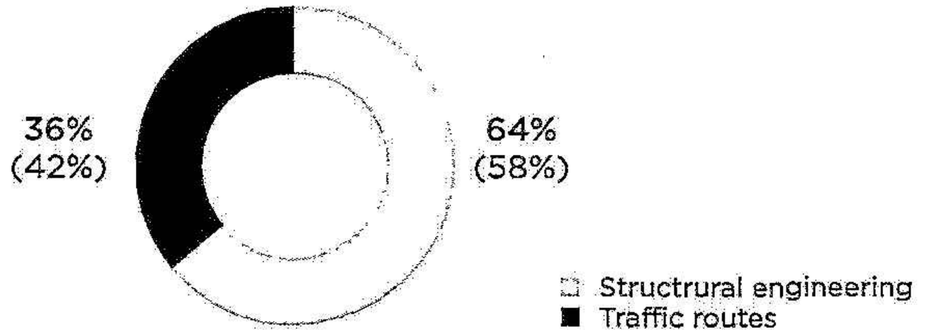
ORDER BACKLOG
EUR million



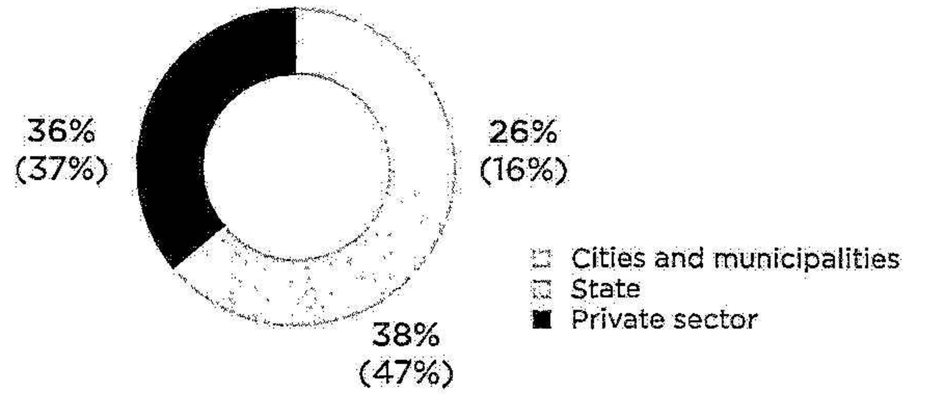
REVENUE
EUR million



REVENUE BY BUSINESS FUNCTION
2022 (2021)



REVENUE BY CUSTOMER GROUP
2022 (2021)



Transport infrastructure construction comprises Railway construction and Road and street construction.
Structural engineering comprises Bridge construction and repair as well as Foundation and engineering construction*
*At the beginning of 2023, Foundation and concrete construction was renamed Foundation and engineering construction.

FINANCIAL PERFORMANCE

Order backlog

The order backlog grew compared to the reference year and amounted to EUR 306.9 (202.8) million at the end of 2022. The estimated profitability of the order backlog was at a normal level compared to before. It is estimated that EUR 202 (137) million of the order backlog will be realised during the financial year 2023.

In 2022, Kreate won the tenders for several important projects. National Road 19 between Seinäjoki and Lapua, executed as a joint project venture, moved to the implementation stage in the spring. The extensive alliance project for the Kirjalansalmi and Hessundinsalmi bridges on Highway 180 started with a development stage that proceeded as planned, and the implementation stage of the project moved into the order backlog in the autumn. In October, Kreate signed a contract with Kesko concerning the earthmoving and foundation construction work for a logistics centre that will serve Onninen and K-Auto. Located in Hyvinkää, the logistics centre will cover an area of over 80,000 m2. In addition, Kreate's Swedish subsidiary Kreate Sverige won the subcontract for the major Bohusbanana tunnel repair project.

Many projects were completed during the financial year, the most significant of which were the Lillholmen lifting bridge and the connecting tunnel between T1 and T2 at Helsinki Airport. Over the course of the year, Kreate also built three railway bridges with the skidding method and opened the Vanhankylä section on National Road 7 in Loviisa for traffic. In December, the second phase of the E18 Turku Ring Road was delivered to the client six months ahead of schedule. Furthermore, several smaller-scale transport infrastructure and railway projects were finished in 2022.

Revenue and result

In the financial year 2022, the Group's revenue grew 15.3% compared to the reference year due to the strong end of the

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year, amounting to EUR 273.9 (237.6) million. Year-on-year, revenue grew in Structural engineering to EUR 176.6 (137.5) million but decreased in Transport infrastructure construction to EUR 95.3 (98.2) million. The revenue from Sweden is included in the Structural engineering business area, and it was EUR 3.9 million for the period of September–December 2022.

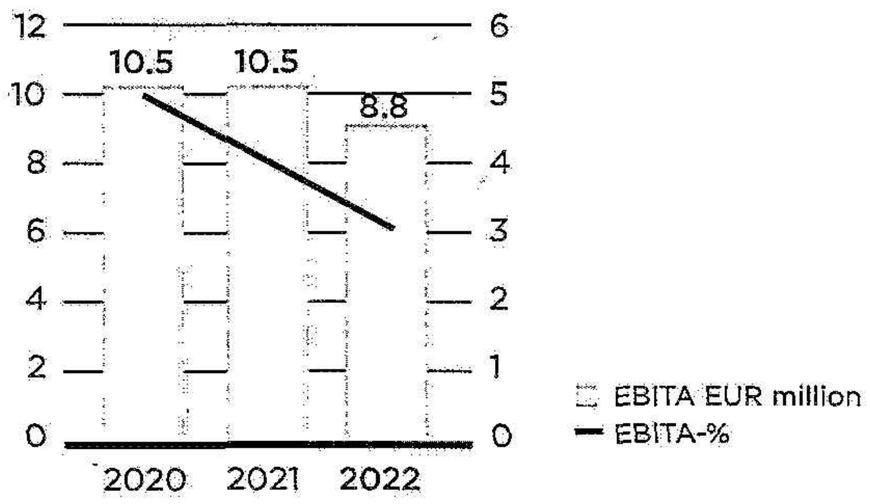
The share of Structural engineering of the revenue for 2022 was 64 (58) per cent and the share of Transport infrastructure construction was 36 (42) per cent.

Of the Group's total revenue, 26 (16) per cent came from cities and municipalities, 38 (47) per cent from the government and 36 (37) per cent from the private sector.

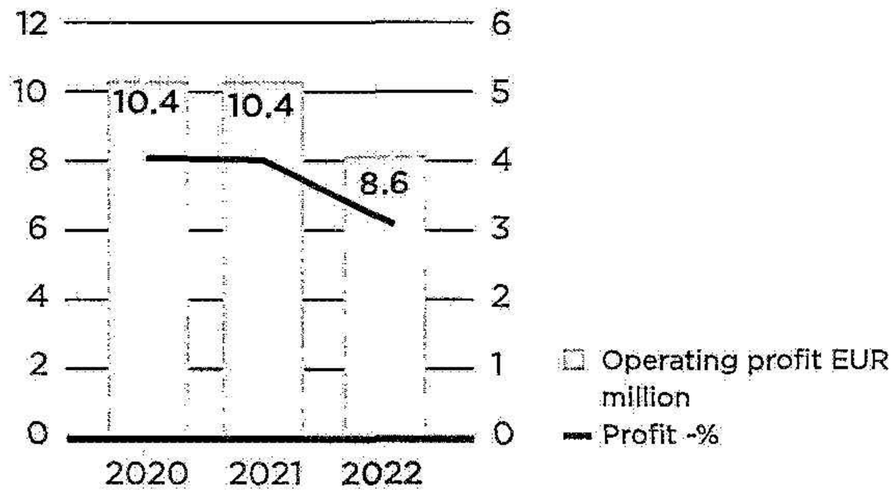
During the financial year, the Group's EBITDA decreased compared to the reference period to EUR 13.6 (14.2) million, amounting to 5.0 (6.0) per cent of revenue. EBITA was EUR 8.8 (10.5) million, amounting to 3.2 (4.4) per cent of revenue. Profitability was impacted by long-term projects not bound to an index as well as the general cost inflation. The profitability of projects remained on a good level. The Group's operating profit was EUR 8.6 (10.4) million, amounting to 3.2 (4.4) per cent of revenue.

The Group's result before tax was EUR 6.7 (8.2) million. The result before tax for the reference period is encumbered by EUR 0.9 million of IPO expenses that are recorded under finance costs. Tax for the reporting period amounted to EUR 1.1 (1.3) million with the effective tax rate being 16.0 (15.9) per cent. Result for the reporting period was EUR 5.6 (6.9) million. Earnings per share were EUR 0.64 (0.80).

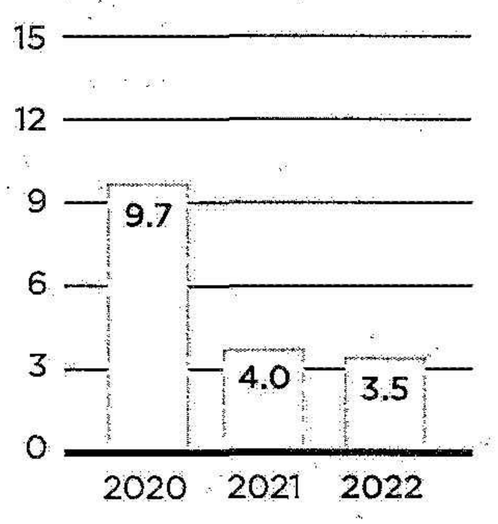
EBITA
EUR million



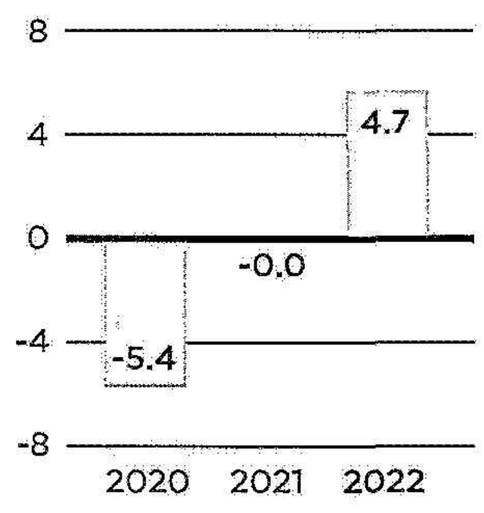
OPERATING PROFIT
EUR million



FREE CASH FLOW FROM OPERATING ACTIVITIES
EUR million



NET WORKING CAPITAL
EUR million



Cash flow and financial position

In the 2022 reporting period, free cash flow from operating activities was EUR 3.5 (4.0) million. At the end of the financial year, net working capital was EUR 4.7 (-0.0) million. During the financial year, the company's net working capital was encumbered by capital being bound to large projects at the handover stage as well as normal seasonal variation. Towards the end of the financial year, projects were finished as expected, which improved net working capital by EUR 12.3 million in Q4.

Interest-bearing debt at the end of the financial year 2022 amounted to EUR 42.8 (27.2) million, of which EUR 2.9 (1.1) million constituted lease liabilities under IFRS 16. The company's cash and cash equivalents amounted to EUR 9.4 (6.3) million. In addition, the company had committed revolving overdraft and credit limits of EUR 20.0 (15.0) million, which were not in use at the end of the financial period. Interest-bearing net debt at the end of 2022 was EUR 33.4 (20.9) million.

On 8 March 2022, Kreate signed an agreement for a domestic commercial paper 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 December 2022, the company had issued commercial papers to the value of EUR 7.0 million.

On 6 July 2022, the company signed a credit and credit limit agreement worth EUR 52.5 million, which replaced Kreate Group's earlier credit limit and loan agreements that would have been due in 2023. In addition to the repayment of previous loans, the Swedish business acquisition completed in September 2022 was financed within the framework of the new agreement. The new financing arrangement has a duration of four years and it contains one financial covenant measuring the ratio between Kreate Group's net debt and operating profit.

The average interest of interest-bearing debt, excluding the lease liabilities recognised on the balance sheet, was 2.9 (2.8) per cent in the January–December reporting period. The average interest for the reporting period was increased by 0.4 percentage points by the impact of effective interest for old loans that was transferred to the result in connection

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with the loan arrangements. Similarly, the average interest for the reference period was increased by 0.4 percentage points by the impact of effective interest that was transferred to the result in connection with a loan repaid in February 2021.

At the end of the reporting period, the consolidated balance sheet total was EUR 134.5 (106.6) million and equity was EUR 42.5 (41.1) million. At the end of the reporting period, the equity ratio was 31.6 (38.6) per cent and the company's return on capital employed was 12.5 (17.8) per cent.

Capital expenditures

During 2022, the company continued investing in equipment and the further improvement of equipment management.

Net investment cash flow was EUR 4.2 (4.9) million in January–December. Early in the year, front-end-weighted investments were made in order to ensure the progress of projects, but the number of investments evened out towards the end of the reporting period. The most significant part of the investments comprised tangible assets primarily involving machinery and equipment.

Kreate's gross investments in tangible and intangible assets amounted to EUR 4.6 (5.6) million in 2022.

Company acquisitions

Kreate Group Plc's Swedish subsidiary Kreate Infrastructure Sverige AB purchased all the shares in the Swedish Bror Bergentreprenad AB ("BBEAB"), which specialises in demanding underground infrastructure construction, including BBEAB's subsidiaries. On 2 September 2022, Kreate Infra Sverige AB and Maria Håller Bror AB signed a contract on the acquisition and the transaction was executed at that time. The sale price for all shares in BBEAB was SEK 70 million and 25% of the shares in Kreate Infra Sverige AB, which were transferred to the seller.

During the financial year, the name of Kreate Infra Sverige AB was changed to Kreate Sverige Holding AB as well as Bror Bergentreprenad AB to Kreate Sverige AB. The aim of the name changes was to clarify the companies' operations for stakeholders. The changes have no effect on the companies' other legal information.

Research and development

The purpose of Kreate's research and development is to create practical tools and procedures for infrastructure construction projects. The R&D focus areas include tender calculation, project execution and equipment functions. Digitalisation is rapidly changing the conventional models in all of these areas. In terms of digitalisation, change is driven by the more common utilisation of data models and their closer connection with daily monitoring and control at worksites. The use of drones at the different stages of the construction process has become a daily activity.

In 2022, the use of data models in Kreate's projects has been further increased. This has been supported by precise training of personnel and by hiring new data model coordinators for the company. New persons have been trained to operate drones, and Traficom has granted Kreate permission to organise supervised tests in accordance with category A2 related to drone flying. Several new software programs for collecting, managing and sharing digital information have been put into trial use. The development work of the activity management system has also continued in 2022 with an emphasis on updating the old guidelines. The year 2022 saw the launch of the first Kreate contract that will be evaluated using the CEEQUAL assessment method measuring corporate sustainability. The assessment includes more than 200 items related to the ecological and social sustainability of the project.

Research and development expenses accounted for approximately 0.1 per cent of the Group's revenue in 2022.

PERSONNEL

At the end of December, Kreate Group employed 447 (385) people. The average number of personnel in January–December was 416 (392).

In 2022, the company continued strategically important recruitments and furthered the development of the competence and career paths of its personnel. In order to enable growth in the railway construction business, several railway and track construction professionals were hired in the conventional railway construction segment as well as in electric railway construction and safety devices, an area into which the company expanded in September according to its strategic growth plan. Another focus area was the recruitment of bridge construction and special foundation construction experts, which will support the company's future competitiveness and competence in technically demanding construction.

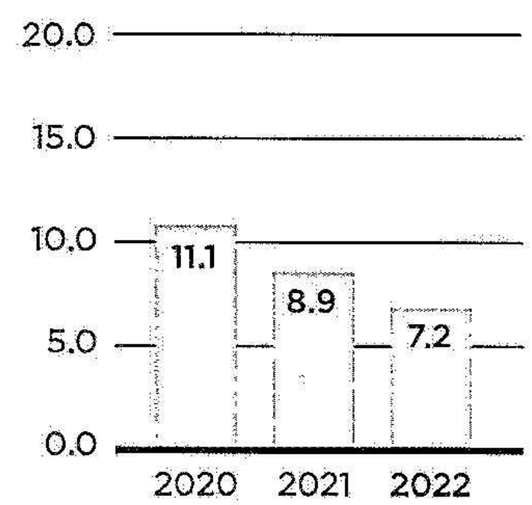
In April–June, Kreate offered dozens of trainee positions in work management and practical work to students of the field. Investing in the trainees' induction as well as supporting their work in projects and the further development of their process competence will help the students plan their future careers. The versatile and challenging jobs at projects as well as comprehensive support based on actual needs strengthen the trainees' understanding of working in infrastructure construction, Kreate's corporate culture and the company's ways of working. Offering interesting trainee positions supports students' willingness to continue working in infrastructure construction and strengthens Kreate's development as a builder of demanding projects.

Occupational safety

In 2022, Kreate Group had a total of six accidents affecting the lost-time injury frequency and, in January–December, the cumulative lost-time injury frequency proportional to the number of personnel was 7.2. Kreate's lost-time injury frequency was better than the construction industry average also in 2022.

The safety engagement efforts that were started at the end of Q1 was reflected in the number of safety observations and near miss reports growing on the yearly level. The company's goal is to make recording safety observations an even stronger everyday routine for the personnel and to bring to light even those observations that may seem minor but that contribute to safety. By increasing the number of high-quality

LOST-TIME ACCIDENT FREQUENCY



safety observations, the company wishes to support reaching the goal of zero accidents. This goal is also supported by the safety rounds carried out by managers and safety experts at worksites in the reporting period as well as furthering the model of substitutive work.

Development of personnel

Efforts to develop the personnel and their occupational well-being were continued throughout the financial period. The company's bicycle benefit, personal well-being coaching and joint well-being projects support the employees' well-being and stress management. As part of the working ability management measures, the Group continued improving the working conditions and the further development of leadership and supervisor work. Kreate aims at supporting personnel well-being by detecting all risks which could lead to the deterioration of the ability to work as early as possible and by planning actions for supporting the working ability.

In early 2022, the KreateAkatemia online training platform was launched with its diverse training courses. By offering contact, remote and online training, KreateAkatemia serves the company's needs for development and implementing consistent practices. The purpose of the comprehensive training content is to maintain the validity of qualifications and to support the employees' versatile opportunities for development. However, versatile working in different projects is important for professional development as most of a person's expertise is gained through on-the-job learning in projects.

MANAGEMENT TEA

As of 31 December 2022, Kreate's Management Team includes the following people: Timo Vikström, President & CEO; Tommi Hakanen, Vice President, Special Foundation Construction; Jaakko Kivi, Vice President, Technical Office; Sami Laakso, Vice President, Transport Infrastructure Construction; Mikko Laine, Chief Financial Officer; Timo Leppänen, Vice President, Railway Construction; Katja Pussinen, Vice President, HR and Antti Kakko, Vice President, Bridge Construction and Repair.

As per the company's stock market release of 20 July 2022, Accounting Manager, Bachelor of Engineering Antti Kakko was appointed Vice President, Bridge Construction and Repair and a member of Kreate Group's Management Team as of 1 November 2022. Vice President, Bridge Construction and Repair Sami Rantala left his position in Kreate Group's Management Team according to plan as of 1 November 2022. Tommi Lehtola, the leader of the Foundation and Concrete Construction business left his position in Kreate Group's Management Team on 1 August 2022. Lehtola's tasks were restructured within the organisation.

RESOLUTIONS OF THE ANNUAL GENERAL MEETING

Kreate Group Plc's Annual General Meeting was held on 29 March 2022. The Annual General Meeting adopted the financial statements for the financial year 2021 and granted the members of the Board of Directors and the President & CEO release from liability for the financial year 2021.

The Annual General Meeting decided that, based on the balance sheet verified for the financial year ending on 31 Dec 2021, a dividend of EUR 0.45 is issued per share for shares held outside the company. The dividend was paid to shareholders that were recorded on the company's list of shareholders maintained by Euroclear Finland Oy on the date of record for dividend payment which was 31 March 2022. The dividends were paid on 11 April 2022. The Annual General Meeting approved the remuneration policy and remuneration report of the governing bodies. The decision is advisory.

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The Annual General Meeting decided that the following fees are to be 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 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 2023. 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 a 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 2023. The authorisation revokes any previous unused authorisations for the repurchase and acceptance as a pledge of the company's own shares.

SHARES AND TRADING

Treasury shares

Kreate did not purchase any treasury shares in the reporting period. On 31 December 2022, Kreate Group Plc held 90,000 shares as treasury shares.

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 2022, the number of these shares reported on the consolidated balance sheet as treasury shares was 53,506 pieces, and all of these shares were purchased during the reporting period. This number of shares represented 0.60 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 provided but, based on a contract, Kreate

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exercises actual control in the arrangement and, therefore, the holding company is consolidated into the IFRS consolidated financial statement as a structured entity.

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 2022 was 8,984,772 shares. 1,599,375 of Kreate's shares were traded on the Helsinki Stock Exchange in January–December. The highest trading price was EUR 11.95 and the lowest price was EUR 7.43. The volume weighted average price of Kreate's shares during the reporting period was EUR 9.41. The share's closing price on the last trading day of the reporting period, 31 December 2022, was EUR 8.09. 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 and EAI Kreate Holding Oy which is consolidated into the Group as a structured company (143,506), was EUR 71.5 million. The share's P/E ratio at the closing rate was 12.7.

Largest shareholders 31 Dec 2022		Shares	%
1	Harjavalta Oy	1,783,689	19.85
2	Tirinom Oy	1,000,000	11.13
3	Ilmarinen Mutual Pension Insurance Company	425,000	4.73
4	Valtonen Seppo Timo Johannes	412,101	4.59
5	Varma Mutual Pension Insurance Company	359,000	4.00
6	Mutual fund Säästöpankki Pienyhtiöt	350,000	3.90
7	Rantala Sami Kalle Antero	273,534	3.04
8	Inkala Tero Antero	208,396	2.32
9	Elo Mutual Pension Insurance Company	180,000	2.00
10	Veritas Pension Insurance Company	175,000	1.95

Management shareholding

On the date of the financial statements, the Board of Directors, President & CEO and the members of the Management Team held a total of 3,012,086 shares either personally or through companies under their control. This represented 33.5 per cent of all the shares and voting rights in the company.

SHORT-TERM RISKS AND UNCERTAINTIES

Kreate Group's risk management aims at the 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 approved by the company's board of directors 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.

Strategic risks

Epidemics and pandemics as well as conflicts between states may have a material adverse effect on Kreate's business, the global economy and financial markets. The impacts of pandemics and conflicts on the economy may also be reflected in the reduction or postponement of planned investments and decrease the demand for Kreate's services.

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. Among others, Kreate executes road and railway construction projects, whose demand is largely dependent on transport policy planning and decision-making as well as the public economy's capabilities for investment.

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 competition for available skilled 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. The successful execution of Kreate's strategy is also dependent on other factors, many of which are at least partially outside of Kreate's influence. Therefore, Kreate may not necessarily be able to define, execute or adjust its business strategy successfully, as needed.

Failure to hire qualified personnel or 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.

Business acquisitions and internationalisation may involve situations and changes to plans that impact Kreate's performance and whose handling may require resources. The unsuccessful integration of ways of working or adoption of operations in connection with business acquisitions may impact Kreate's 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.

Kreate uses both its own employees and subcontractors in the execution of projects. 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.

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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 closing 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 the company's financing risks is also available in Note 3.4 to the company's financial statements.

SUSTAINABILITY EFFORTS AT KREATE

During the year, Kreate deepened its competence on sustainability throughout the organisation and encouraged the higher participation of the personnel from the different units. Sustainability efforts had previously been the responsibility of a few experts and focused on the promotion of the circular economy in the infrastructure sector, professional development and better occupational well-being and improving safety in the Group. Previously, Kreate has also followed quality and environmental indicators, but an increased need was identified in 2022 to clarify the material topics and sustainability goals as well as to establish more comprehensive processes for managing and implementing sustainability.

Kreate established steering and working groups in 2022, whose goal is to promote sustainability at the strategic level as well as during everyday work. The steering and working groups discussed sustainability topics that are relevant to Kreate and stakeholders, revised the ethical principles and set goals for the various aspects of sustainability, some of which will be tracked as part of internal development efforts and some of which will be reported to stakeholders at least once a year.

With the sustainability efforts made in 2022, Kreate identified in more detail the impacts of operations as well as opportunities to promote sustainable infrastructure construction. In 2023, a process for updating the strategy will be started to continue deepening the competence and knowledge relating to sustainability in the organisation.

As part of the sustainability efforts, material sustainability topics were updated based on interviews and various group activities. When selecting the material topics, attention was paid to the possibilities and special characteristics of infrastructure construction. When analysing the material topics, emphasis was placed on the importance of each topic according to how significant it is for the Group, society and stakeholders.

DIVIDENDS, DIVIDEND DISTRIBUTION POLICY AND PROPOSAL FOR PROFIT DISTRIBUTION BY THE BOARD OF DIRECTORS

On 29 March 2022, the Annual General Meeting resolved that a dividend of EUR 0.45 per share be paid. A dividend was not paid for the shares held by the company.

Kreate aims at distributing at least half of Kreate's annual net profit as dividends, considering Kreate's financial standing, cash flows and growth opportunities.

As at 31 December 2022, the distributable funds of the parent company Kreate Group Plc are:

Retained earnings	5,594,598.21
Profit (loss) for the period	3,774,335.89
Reserve for invested unrestricted equity	20,702,152.88
Distributable equity	30,071,086.98

The Board of Directors proposes to the General Meeting on 29 March 2023 that, based on the balance sheet verified for 2022, a dividend of EUR 0.46 be issued per share for shares held outside the company at the time of dividend distribution. The dividend is paid in two instalments of EUR 0.23, the first instalment in April 2023 and the second in October 2023. The remaining funds distributable as profits are left in unrestricted equity.

On the day of making the proposal for profit distribution, 30 January 2023, 8,841,266 shares were held outside the company, which is equivalent to total dividends of EUR 4,066,982.36.

OPERATING ENVIRONMENT IN 2023

Due to the strong start of the year and the strengthening of companies' order backlogs at the end of 2021, the Finnish construction sector grew in 2022, as forecast, by 2 per cent, with infrastructure construction experiencing a slight decline. Starting from the second quarter, growth was slowed down by the impacts of the Russian invasion of Ukraine, the rapid high inflation and the rise of the interest rates. With the changes in the operating environment and the degraded outlook, construction is expected to decline in 2023. Construction market research company Forecon expects the construction volume to decline by approximately 5 per cent in the current year, whereas the Confederation of Finnish Construction Industries expected a 2 per cent decline in its October economic assessment.

The slowing down of housing construction, delays in infrastructure investments and the downturn in the economy of the government and municipalities will, in particular, contribute to the decline. In Finland and Sweden, construction investments have been at a higher level than the rest of Europe for a long time, and an estimated decrease of 10% in housing construction in 2023, for example, will bring this area closer to the longer-term normal level. Starting from H2 2022, the number of building permits, quotation requests and orders has declined, which supports the assessments of construction and, in particular, housing construction, declining in volume in 2023.

Due to the changes in the operating environment that can even occur rapidly, it is challenging to make long-term forecasts concerning infrastructure construction, and the developments may vary from negative to positive between the different infrastructure segments. The decline in housing construction according to the forecasts will be particularly reflected in the foundation construction market. On the other hand, growth is expected in the repair construction

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sector, which is presumed to boost the foundation and special foundation construction market. The possible start of many industrial investments planned for this year will balance out the infrastructure construction market, where a slight decline is expected. In railway construction, the number of smaller projects has grown in 2022, and the railway construction market which is suitable for Kreate is expected to remain near the reporting period level or even grow in 2023. Despite the decline in infrastructure construction forecast for 2023 by the Confederation of Finnish Construction Industries, there is a strong long-term trend of infrastructure construction in Finland experiencing stable growth and low volatility.

Favourable developments continue in the Swedish infrastructure market in spite of the reductions in total volume; in particular, the rock engineering and concrete construction market, which demands special expertise and suits Kreate, will continue to be very strong in the next few years.

In the public sector, early in the year, the government and largest cities continued to launch projects in the infrastructure construction market as in previous years, but the cuts made in the Ministry of Transport and Communications' budget affected investments in major transport projects already in 2022. Furthermore, scheduling challenges in projects led by the government have created pressure in the activity planning of construction companies. The cuts will have a limited impact on the total market, however, since government projects amount to about 20% of the entire infrastructure construction market.

Despite the weaker government economy and outlook of infrastructure construction in the short term, the National Transport System Plan is expected to continue bringing long-term developments that exceed individual governments' terms in office to the development of the transport network. However, the municipalities' growing share of construction costs remains problematic; this may mean that projects are not executed and the condition of the road and street network and railways as well as the light rail network will continue to deteriorate. An economic downturn does not support the rapid increase of construction needs or the reduction of the maintenance backlog. The construction industry remains ready to drive economic growth, but the demand for construction is also largely affected by the stakeholders' ability to renew their operations and the tolerance of the government's economy.

The industry continued to prepare major future investments, and several significant industrial investments had moved to the implementation stage during the past year, which brought the industrial investments in 2022 to a level 20 per cent higher from the year before. According to the most recent investment survey by the Confederation of Finnish Industries, industrial investments are expected to grow by 7 per cent this year, amounting to EUR 9.6 billion. The forest industry, energy industry, mining industry and various projects related to the green transition will keep the infrastructure construction volume high and bring continuity to the related market.

Any possible stimulus activities from the public sector and the transition away from fossil fuels towards renewable energy alternatives will also create markets and opportunities for infrastructure actors. The infrastructure projects subjected to cuts in the near future are likely to start in the longer term, as the maintenance backlog keeps growing. Urbanisation, the infrastructure maintenance backlog and public sector projects are expected to continue to drive growth.

In its strategy, Kreate has chosen its business functions according to areas of structural engineering and transport infrastructure construction that will grow in the long term in line with the megatrends. Specialisation in demanding and versatile infrastructure is significantly more sustainable across business cycles and downturns than focusing on basic infrastructure construction. Furthermore, Kreate's expansion into Sweden, which has an infrastructure market twice the size of Finland's, offers opportunities for growth in the technically demanding infrastructure construction projects in the Greater Stockholm area, for example.

Overall, Kreate believes that the structural engineering and transport infrastructure construction markets that are relevant for demanding infrastructure construction will decline slightly in 2023 compared to the level in 2022.

RESULT GUIDANCE FOR 2023.

Kreate estimates that its revenue will remain at the 2022 level (2022: EUR 273.9 million) and EBITA (2022: EUR 8.8 million) will increase compared to 2022.

Justifications:
Kreate's high order backlog at the beginning of 2023 supports the positive development of revenue, but the general economic situation may affect the accumulation of new order backlog during the year. In addition to the order backlog, Kreate's specialisation in demanding construction as well as the stable infrastructure construction market support EBITA growth in 2023.

EVENTS AFTER THE REPORTING PERIOD

On 11 January 2023, Kreate issued a profit warning, providing preliminary information on the company's revenue and EBITA for the 2022 financial period. Revenue for the full year exceeded the range in the guidance by EUR 14 million and EBITA was in line with the guidance.

Kreate Group has decided to merge its wholly-owned subsidiary Kreate Rata Oy with its other subsidiary Kreate Oy. The merger is estimated to take place by the end of the first half of the year. The merger has no effect on the reported figures.

Helsinki, 30 January 2023
Kreate Group Plc
Board of Directors

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Key figures

M€	2022	2021	2020
Order backlog	306.9	202.8	134.9
Revenue	273.9	237.6	235.3
Change in revenue from the previous financial year,%	15.3	1.0	6.4
EBITDA	13.6	14.2	14.0
EBITDA,%	5.0	6.0	6.0
EBITA	8.8	10.5	10.5
EBITA,%	3.2	4.4	4.5
Operating profit	8.6	10.4	10.4
Operating profit,%	3.2	4.4	4.4
Result for the period	5.6	6.9	7.8
Earnings per share, €	0.64	0.80	0.88
Dividend per share, €	0.46*	0.45	0.44
Dividend/result,%	72*	56	50
Capital employed	75.9	62.0	54.5
Return on capital employed,%	12.5	17.8	19.2
Return on equity,%	13.8	20.4	24.7
Net investments in operating activities	-4.2	-4.9	-4.6
Free cash flow from operating activities	3.5	4.0	9.7
Net working capital	4.7	-0.0	-5.4
Net debt	33.4	20.9	27.9
Net debt/EBITDA	2.5	1.5	2.0
Net debt/EBITDA pro forma**	2.4		
Equity ratio,%	31.6	38.6	26.3
Personnel at the end of the period	447	385	383
Personnel on average	416	392	407

* Board of Directors' proposal to the Annual General Meeting
**The pro forma includes the EBITDA of the acquisition from 1 January to 31 August 2022

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Calculation formulas

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

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Consolidated statement of income

EUR thousand	Note	2022	2021
Revenue	2.1	273,874	237,628
Other operating income	2.2	1,276	544
Materials and services	2.3	-216,630	-181,943
Employee benefit expenses	2.5, 8.3	-33,343	-32,282
Other operating expenses	2.4	-12,294	-10,318
Share of associates' and joint ventures' profit or loss	7.2	723	584
Depreciation, amortisation and impairment	5	-4,976	-3,856
Operating profit		8,630	10,356
Financial income		2	4
Financial expenses		-1,917	-2,136
Financial income and expenses	3.2	-1,915	-2,132
Result before taxes		6,715	8,225
Income taxes	6.1	-1,077	-1,310
RESULT FOR THE PERIOD		5,638	6,914
Profit attributable to:			
Shareholders of parent		5,780	
Non-controlling interests		-142	
Earnings per share calculated from the income attributable to shareholders of the parent			
Undiluted, €		0.64	0.80
Diluted, €		0.63	0.80

EUR thousand	2022	2021
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
Result for the period	5,638	6,914
Items that may be reclassified subsequently to the statement of income		
Foreign exchange rate differences	25	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5,663	6,914
Comprehensive income attributable to:		
Shareholders of parent	5,799	
Non-controlling interests	-136	

The notes are an integral part of the financial statements

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Consolidated balance sheet

EUR thousand	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Intangible assets	5.3	690	871
Goodwill	5.3, 5.4	39,989	35,594
Property, plant and equipment	5.1	19,934	17,879
Right-of-use assets	5.2	2,881	1,127
Investments in associated companies and joint ventures	7.2	10,039	8,934
Other receivables	3.3	202	442
Deferred tax assets	6.2	1,184	698
Total non-current assets		74,919	65,545
Current assets			
Trade and other receivables	3.4, 4.1	49,829	34,162
Income tax receivables	6.1	382	571
Cash and cash equivalents	3.3	9,403	6,328
Total current assets		59,614	41,061
TOTAL ASSETS		134,533	106,606

EUR thousand	Note	31 Dec 2022	31 Dec 2021
EQUITY			
Equity attributable to the shareholders of the parent			
Share capital		80	80
Reserve for invested unrestricted equity		19,681	19,681
Treasury shares		-500	
Foreign exchange rate differences		18	
Retained earnings		23,353	21,347
Total equity attributable to the shareholders of the parent		42,632	41,108
Share of non-controlling interests		-133	
Total equity	3.1	42,499	41,108
LIABILITIES			
Non-current liabilities			
Interest-bearing debt	3.3, 3.4	32,072	22,645
Deferred tax liabilities	6.2	1,460	1,130
Total non-current liabilities		33,532	23,776
Current liabilities			
Interest-bearing debt	3.3, 3.4	10,735	4,558
Trade payables and other liabilities	4.2	45,458	34,478
Income tax liabilities	6.1	444	39
Provisions	8.1	1,864	2,647
Total current liabilities		58,502	41,722
Total liabilities		92,034	65,498
TOTAL EQUITY AND LIABILITIES		134,533	106,606

The notes are an integral part of the financial statements

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Consolidated cash flow statement

EUR thousand	Note	2022	2021
Result for the period		5,638	6,914
Depreciation, amortisation and impairment		4,976	3,856
Financial income and expenses		1,915	2,132
Income taxes		1,077	1,310
Other adjustments		-761	-833
Total adjustments		7,207	6,465
Change in trade and other receivables		-13,444	-4,115
Change in trade payables and other liabilities		9,088	-1,548
Change in provisions		-782	1,165
Total change in working capital		-5,138	-4,498
Cash flow from operations before financial items and taxes		7,706	8,881
Interest paid in operating activities		-285	-116
Interest received in operating activities		1	4
Other financial items		-709	-1,306
Dividends received		0	
Taxes paid		-749	-2,064
CASH FLOW FROM OPERATIONS		5,965	5,398
Investments in tangible and intangible assets	5.1, 5.3	-4,608	-5,559
Disposals of tangible and intangible assets	5.1, 5.3	411	635
Acquisition of the subsidiary less cash and cash equivalents on the date of acquisition	7.1	-5,934	
CASH FLOW FROM INVESTING ACTIVITIES		-10,132	-4,924

EUR thousand	Note	2022	2021
Share issue	3.1		11,224
Acquisition of treasury shares	3.1	-500	
Dividends paid	3.1	-3,993	-3,914
Drawdown of non-current loans	3.6	29,900	
Repayment of non-current loans	3.6	-21,250	-6,333
Drawdown of current loans	3.6	44,600	10,000
Repayment of current loans	3.6	-40,062	-12,265
Repayment of lease liabilities	3.6	-905	-691
Interest and other loan expenses	3.1, 3.2	-521	-313
CASH FLOW FROM FINANCING ACTIVITIES		7,269	-2,292
CHANGE IN CASH AND CASH EQUIVALENTS		3,102	-1,818
Cash and cash equivalents at the beginning of the period		6,328	8,146
Impact of the changes in foreign exchange rates		-27	
Cash and cash equivalents at the end of the period		9,403	6,328

The notes are an integral part of the financial statements

Consolidated statement of changes in equity

EUR thousand	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
Equity as at 1 Jan 2021	3	8,280			18,336	26,618		26,618
Items of comprehensive income								
Result for the period					6,914	6,914		6,914
Total comprehensive income attributable to the owners of the parent					6,914	6,914		6,914
Transactions with the owners								
Increase in share capital	78	-78						
Share issue *		11,479				11,479		11,479
Distribution of dividends					-3,914	-3,914		-3,914
Share-based awards					10	10		10
Total transactions with the owners	78	11,401			-3,904	7,575		7,575
Equity as at 31 Dec 2021	80	19,681			21,347	41,108		41,108
Equity as at 1 Jan 2022	80	19,681			21,347	41,108		41,108
Items of comprehensive income								
Result for the period					5,780	5,780	-142	5,638
Foreign exchange rate differences				18		18	6	25
Total comprehensive income				18	5,780	5 799	-136	5,663
Transactions with the owners								
Acquisition of treasury shares			-500			-500		-500
Distribution of dividends					-3,993	-3,993		-3,993
Share-based awards					219	219		219
Other change							2	2
Total transactions with the owners			-500		-3,774	- 4,274	2	-4,272
Equity as at 31 Dec 2022	80	19,681	-500	18	23,353	42,632	-133	42,499

*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.

The notes are an integral part of the financial statements

Notes to the consolidated financial statements

Group information

Kreate Group Plcincluding its subsidiaries is a Finnish infrastructure sector group that constructs demanding infrastructure. The Group's services comprise bridge, transport infrastructure, foundation, concrete and rail construction, rock engineering and the circular economy and environmental business. The Group is an industry-leading operator particularly in bridge and foundation construction both in terms of volume and expertise. Our operations are guided by strong basic values through which we offer solution-driven services to our broad range of clients, including both private and public customers. The Group has had operations mainly in Finland. In 2022, Kreate expanded to Sweden through a business acquisition.

The Group's parent company Kreate Group Plc, established under the laws of Finland and registered on 31 January 2014, is a public limited company, with a registered office in Helsinki, Finland. Kreate Group Plc is a publicly traded company whose shares are listed on Nasdaq Helsinki under the trading code KREATE. The company's business ID is 2601364-3, and its registered address is Haarakaari 42, 04360 Tuusula, Finland. Kreate Group Plc (hereinafter referred to as the "Company"), together with the subsidiaries presented in Note 7.1, forms the Kreate Group Plc group (hereinafter referred to as the "Group").

The company's Board of Directors has approved these consolidated financial statements at its meeting held on 30 January 2023. Under the Finnish Limited Liability Companies Act, shareholders have the opportunity to adopt or reject the financial statements at the General Meeting held after they are published. The General Meeting also has the right to resolve to revise the financial statements.

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

1.1. Accounting principles

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union and in compliance with the IAS and IFRS standards and SIC and IFRIC interpretations valid as at 31 December 2022. The new or revised standards that have become effective during the 2022 period have not had a material impact on the consolidated financial statements. The notes to the consolidated financial statements are also compliant with the Finnish legislation governing accounting and companies that supplements the IFRS regulations.

This section 1.1 describes the general accounting policies used in the preparation of these consolidated financial statements. The accounting policies applied to individual financial statement items are presented in connection with the note on each item.

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

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

In the spring, Kreate Group Plc established a subsidiary in Sweden, Kreate Sverige Holding AB, which purchased 100% of the shares in the Swedish company Kreate Sverige AB on 2 September 2022. In addition to the sale price, 25% of the shares in Kreate Sverige Holding AB were transferred to the seller. The balance sheets of the foreign subsidiaries have been converted into euros by using the exchange rates issued by the European Central Bank on the last date of the financial period, and the income statements and cash flows have been converted by using the average exchange rates for the reporting period. The foreign exchange rate difference resulting from the conversion of the subsidiaries' balance sheets and income statements is recognised under foreign exchange rate differences in equity and the change in foreign exchange rate differences is recognised under other items of comprehensive income. The minority share is separated in the income statement as a share of the result for the period and in the balance sheet as a share of equity.

The foreign exchange rate differences resulting from the elimination of foreign companies' acquisition cost and the conversion of profit and loss following the acquisition are presented under the foreign exchange rate differences in equity. If a foreign subsidiary or a part thereof is sold or otherwise relinquished, the relating accumulated foreign exchange rate differences are recognised from equity in the income statement as part of sales profit or loss. The goodwill arising in connection with the acquisition of foreign units and the fair value adjustments made to the carrying amounts of the assets and liabilities of those foreign units in connection with the acquisition are treated as assets and liabilities of those foreign units. They are converted to euros by using the exchange rates on the ending date of the reporting period.

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

Preparing IFRS financial statements requires the Group's management to make certain accounting estimates and discretionary decisions. Discretion applies to the selection and application of the accounting policies, the amounts of assets, liabilities, income and expenses as well as the information presented in the notes.

In its discretion, the management uses estimates and assumptions based on prior experience and the view held by the management at the balance sheet date. The estimates and decisions are reviewed regularly. However, the actual results and timing may differ from these estimates and assumptions. In the Group, the management's discretion is particularly related to the recognition of income over time, impairment testing and the recognition of provisions and deferred taxes.

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

- Recognition of income from projects (Note 2.1): The Group recognises sales income from project contracts over time. Recognition of sales income is based on the management's estimates on the sales income and expenses of 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 (Note 8.1): 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. A provision is recognised on onerous (loss-making) contracts once the direct expenses necessary for fulfilling the obligations exceed the benefits received from the contract.
- Testing of goodwill for impairment (Note 5.4): The Group has one cash-generating unit, Kreate Group, and it is the lowest level where goodwill is monitored. The Group tests the impairment of goodwill annually or whenever the management discerns indications that the recoverable amount may be less than the carrying amount.
- Lease agreements (Note 5.2): The management assesses the use of extension, termination or purchase options related to leases and the lease term of leases valid until further notice.
- Recognition of deferred tax assets (Note 6): Deferred tax assets from the confirmed losses of the previous financial periods or 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 (Note 2.5.2): 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.

1.3. Operating 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-maker, i.e. the Board of Directors, monitors the entire Group and verifies that the figures for the segment match the Group's figures.

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

The Group has not yet applied the revised standards and interpretations already published by IASB whose effective date has not been before 31 December 2022. The Group will adopt them as of the effective date of each standard and interpretation or, if the effective date is other than the first day of the financial period, from the beginning of the financial period following the effective date. According to the current estimate of the Group, these will have no material impacts on future consolidated financial statements.

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2. Result from business operations

2.1. Revenue and long-term projects

Accounting policy applied in the financial statements – Revenue recognition

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

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

Recognition of sales revenue over time

The Group's income flow comes almost entirely from infrastructure construction project contracts. The Group's most common contract types are a fixed-price project contract, design and build contract, design and build contract including a development phase as well as a project management contract. Each contract is treated as a separate entity, and the income derived from it is recognised as revenue over time based on the degree of completion of the project's performance obligation. In some contracts, separate development and execution phases can be identified, in which case the customer expressly approves the shift to the execution phase. Kreate processes the development and project stages as separate units if they have a material significance. In smaller contracts, the development and execution phases can be processed as a whole, but such that the execution phase is included in the project contract only after the customer has committed to the execution phase. This leads to substantially the same outcome as recognising the phases as income separately. Revenue from contracts with customers is recognised over time, as the customer is considered to have control over the asset where the service is performed. The asset item arising from a customer contract is not deemed to have an alternative use for the Group. The Group also possesses the effective right to receive payment for work performed by the time of review.

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

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

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

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

Management discretion – Revenue recognition

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

The Group's revenue consists of sales revenues recognised over time that, in all material respects, are revenue from infrastructure construction contracts. The Group's projects last from a few months to a few years, with most projects spanning less than 12 months. In infrastructure construction, operations are typically seasonal in nature and projects yield the most revenue between early spring and late autumn. More than 90% of the Group's revenue during the financial year was generated in Finland. During the financial year, the revenue of the Swedish subsidiaries was EUR 3.9 million for the period of September–December 2022. The assets and liabilities based on contracts with customers are itemised in working capital Notes 4.1 and 4.2.

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

EUR thousand	2022	2021
Structural engineering[1)]	176,611	137,546
Transport infrastructure construction[2)]	95,267	98,173
Other[3)]	1,997	1,909
Total	273,874	237,628

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

The revenue from transport infrastructure construction has remained close to the level of the previous financial year. The share of structural engineering has grown in line with Kreate's strategy.

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

%	2022	2021
Cities and municipalities	26%	16%
Government	38%	47%
Private sector	36%	37%

The private sector share of Kreate Group's revenue has remained constant between the financial periods. The share of cities, municipalities and the government varies according to the ongoing projects.

Order backlog

EUR thousand	2022	2021
Amount unrecognised as revenue		
Recognised over the year	202,017	136,551
Recognised at a later date	104,880	66,225
Total amount unrecognised as revenue	306,897	202,776

The impact of COVID-19 on the business of Kreate Group

The COVID-19 pandemic is no longer seen to have a significant impact on Kreate Group's business. There has been a temporary increase in absences due to illness of Kreate's personnel during the financial year, but this has not had an impact on the company's operations and no worksites have had to be closed as a result.

The impact of the Russian invasion of Ukraine on the business of Kreate Group

Starting from the second quarter, growth was slowed down by the impacts of the Russian invasion of Ukraine, the rapid high inflation and the rise of the interest rates. With the changes in the operating environment and the degraded outlook, fewer tenders have been submitted, which may have an impact on the accumulation of the order backlog.

2.2. Other operating income

Other operating income amounted to EUR 1.3 (0.5) million during the financial period and mainly consisted of the sale of scrap metal and tangible and intangible assets as well as insurance compensation.

2.3. Materials and services

Materials and services

EUR thousand	2022	2021
Materials and supplies		
Procurements during the financial year	65,637	56,841
External services	150,993	125,102
Materials and services in total	216,630	181,943

2.4. Other operating expenses

Other operating expenses

EUR thousand	2022	2021
Lease expenses from short-term leases	1,300	1,349
Lease expenses from leases with low value	187	357
Voluntary personnel related expenses	1,146	997
Travel expenses	3,712	3,318
IT expenses	1,441	1,107
Other operating expenses	4,509	3,192
Other operating expenses in total	12,294	10,318

2.4.1. Auditors' fees

Auditors' fees

EUR thousand	2022	2021
KPMG Oy		
Audit	138	45
Other services	32	183
Auditors' fees in total	170	228

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2.5. Personnel

2.5.1. Employee benefits

Accounting policy applied in the financial statements – Employee benefits

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

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

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

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

Personnel expenses

EUR thousand	2022	2021
Salaries and remuneration	26,787	26,458
Pension expenses	4,893	4,415
Other personnel benefits	1,664	1,410
Salaries and remuneration in total	33,343	32,282

The salaries and remuneration of the Management are itemised in Note 8.3 concerning the related parties.

2.5.2. Share based payments

Accounting policy applied in the financial statements – Share based payments

Share-based incentive plans are measured at fair value at the time of their issue and recognised as expenses in equal tranches for the vesting period. An equivalent adjustment is made in equity, or in liabilities in case of a benefit to be paid in cash. The expense determined at the time of issue is based on the Group 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 inspects the assumption concerning the final number on each date of the financial statements, and the possible impact of adjustments made in the original estimates is recognised on the income statement and an equivalent adjustment is made in equity or liabilities. If an instalment paid in shares involves a portion paid in cash for taxes, it is processed as part of the transaction paid in shares. The company has no share-based benefits that are paid in cash and recorded under liabilities.

During the financial year, the company decided to launch two new long-term share-based incentive plans for the key persons of the Group and the Group's joint venture: a performance share plan for 2021–2024 and a share bonus plan for 2022–2024. The aim of the new plans is to align the goals of the company, shareholders and key persons in order to grow the company value in the long term, commit the key persons to the company and offer them competitive incentive plans that are based on earning and accumulating shares in the company and on share value growth. The share-based incentive plans are considered to fall under the scope of standard IFRS 2 Share based Payment.

Performance share plan for 2021–2024

The Performance Share Plan 2021–2024 consists of 2 two-year performance periods, which are the calendar years 2021–2022 and 2023–2024. Each performance period 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. A possible bonus within the plan is paid after the restriction period partly in shares in the company and partly in cash. The purpose of the cash portion is to cover the taxes and tax-like charges incurred due to the bonus by the participant. As a rule, a bonus is not paid if a participant's employment or service contract terminates before the payment of the bonus.

For the 2021–2022 performance period, the bonus is based on the Group's cumulative operating profit (EBITA), Kreate's total shareholder return (TSR) and the completion of the company's strategic goals. At most, the bonuses paid for the 2021–2022 performance period shall be, in total, equivalent to the value of approximately 160,000 shares in Kreate Group Plc, including the portion paid in cash. The target group of the performance share plan for the 2021–2022 performance period comprises the members of the company's Management Team.

A member of the company's Management Team must hold at least 50 per cent of the net shares paid to the member based on the new plans until the member's total holding of shares in the company is equivalent to the member's gross yearly salary. This amount of shares must be held for as long as the person is a member of the Management Team.

Share bonus plan for 2022–2024

The share bonus plan for 2022–2024 decided on by the company's Board of Directors in June 2021 was launched in March 2022; it is tied to the performance bonus goals for 2022 and the share bonus will be paid to the participants following a two-year restriction period in 2025. The shares are purchased and managed by an external service provider, and the holding company EAI Kreate Holding Oy has been established for this purpose. The handling of the purchase of shares for remuneration in the Group is discussed in Note 3.1 Equity.

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. A performance bonus converted into shares is multiplied by a bonus multiplier decided by the Board of Directors before the payment of the bonus.

A possible bonus within the share bonus plan is paid after a two-year restriction period in 2025 partly in shares in the Company and partly in cash. The purpose of the cash portion is to cover the taxes and tax-like charges incurred due to the bonus by the key person. In

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connection with the payment, the key person is credited for the dividends paid and possible funds distributed during the restriction period.

The persons included in the share bonus plan target group were decided by the Board of Directors in spring 2022. The share bonus plan target group includes approximately 40 key persons, including the members of the company's Management Team. In the share bonus plan, the persons included in the target group may convert into shares a maximum of approximately EUR 1.5 million in total of the performance bonuses they have earned. A matching bonus is paid for the shares with a bonus multiplier of 0.5, which corresponds to approximately 93,000 shares based on the closing price on 31 December 2022. The final number of shares paid out of the plan depends on the number of persons participating in the plan, the realised performance bonus and the share price at the time of conversion.

Share-based incentives 1 January 2022–31 December 2022

Plan	SHARE BONUS PLAN FOR 2022–2024	PERFORMANCE SHARE PLAN FOR 2021–2024
Type	SHARE	SHARE
Instrument		PSP 2021–2022
Initial amount, pcs		160,000
Initial allocation date	22 Jun 2021	5 Nov 2021
Vesting date	31 Jan 2025	31 Jan 2025
Maximum contractual life, years	3.6	3.2
Remaining contractual life, years	2.1	2.1
Number of persons at the end of the financial year	38	7
Payment method	Cash and Equity	Cash and Equity

Transactions during the financial year	PSP 2021–2022	Total
Outstanding at the start of the period	122,130	122,130
Changes during the financial year		
Granted during the period	6,149	6,149
Forfeited during the period	26,172	26,172
Exercised during the period	0	0
Expired during the period	0	0
Outstanding at the end of the period	102,107	102,107

Fair value determination

For share-based incentive plans, a fair value has been determined at the time of granting, which is recorded as an expense for the incentive restriction period.

Valuation parameters for instruments granted during period *	
Share price at the time of granting, €	9.74
Share price at the end of the period, €	8.09
Maturity in years	2.92
Expected dividends, €	1.360
Total fair value, €	661,627

Effect of Share-based Incentives on the result and financial position during period, €	
Expenses for the financial year, share-based payments, equity-settled	218,524
Future cash payment to be paid to the tax authorities from share-based payments, estimate made at the end of the financial year	212,020

*Applicable only to the PSP 2021–2022 plan

2.5.3. Number of personnel

Number of personnel	2022	2021
Average number of office employees	245	229
Average number of other employees	171	163
Average number of personnel	416	392
Number of personnel at the end of the period	447	385

The business acquisition completed on 2 September increased the Group's number of personnel by approx. 50 people.

In 2022, the joint venture KFS Finland Oy employed 88 people on average (2021: 58), including the personnel of NordPile Oy, which KFS Finland Oy acquired during the 2021 reference period, for the Group's time of ownership. For the period after the acquisition, the associated company Karell Schakt AB employed 6 people on average.

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3. Capitalisation

3.1. Equity

Accounting policy applied in the financial statements – Equity

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

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

Expenses associated with the issuance or purchase of equity instruments are presented as an equity reduction item.

Reserve for invested unrestricted equity

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

The foreign exchange rate differences resulting from the elimination of foreign companies' acquisition cost and the conversion of profit and loss following the acquisition are presented under foreign exchange rate differences in equity. If a foreign subsidiary or a part thereof is sold or otherwise relinquished, the relating accumulated foreign exchange rate differences are recognised from equity in the income statement as part of sales profit or loss.

The Group's accounting policies relating to share-based payments are presented in Note 2.5.2.

Shares

	Outstanding shares	Treasury shares	Shares in total
Number of shares as at 31 Dec 2020	7,364,895	90,000	7,454,895
Changes in 2021	1,529,877	-	1,529,877
Number of shares as at 31 Dec 2021	8,894,772	90,000	8,984,772
Changes in 2022	-53,506	53,506	-
Number of shares as at 31 Dec 2022	8,841,266	143,506	8,984,772

Treasury shares

As at 31 December 2022, the number of Kreate Group Plc's shares was 8,984,772 and the company's share capital amounted to EUR 80,000. The company holds 90,000 own shares (treasury shares), whose acquisition cost is EUR 99,300, which has been deducted from the reserve for invested unrestricted equity.

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 2022, the number of these shares reported on the consolidated balance sheet as treasury shares was 53,506 pieces, and all of these shares were purchased during the financial period. This number of shares represented 0.60 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 provided 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.

Reserve for invested unrestricted equity

There have been no events affecting the reserve for invested unrestricted equity during the reporting period. In the 2021 reference period, Kreate Group Plc's shares were listed on the stock exchange of Nasdaq Helsinki Ltd. The IPO comprised a share issue and the sale of shares. Kreate accumulated approximately EUR 12.5 million in gross proceeds from the IPO. The company's IPO expenses without a tax impact were EUR 2.3 million, of which the company charged EUR 1.3 million to equity. The net proceeds from the IPO were recorded in the reserve for invested unrestricted equity.

Dividends

Kreate distributed a dividend of EUR 0.45 per share to its shareholders based on the financial year that ended on 31 December 2021. The dividend was paid to shareholders who were recorded on the company's list of shareholders maintained by Euroclear Finland Oy on the date of record for dividend payment which was 31 March 2022. The dividends were paid on 11 April 2022.

3.2. Financial income and expenses

EUR thousand	2022	2021
Interest income	2	4
Other financial income	0	0
Total financial income	2	4
Interest expenses from financial liabilities measured at amortised cost	-970	-820
Interest expenses from lease liabilities	-44	-25
Interest expenses from commercial papers	-59	
Other interest expenses	-14	-5
Other financial expenses	-829	-1,286*
Total financial expenses	-1,917	-2,136
Total financial income and expenses	-1,915	-2,132

* Other financial expenses for the reference period include EUR 0.9 million of IPO expenses

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3.3. Financial assets and liabilities

Accounting policy applied in the financial statements – Financial assets and liabilities

Financial assets

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

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

Financial assets are recognised on and derecognised from the balance sheet on the settlement date. Derecognition of financial assets occurs when the Group's contractual right to cash flows ceases to be valid or is lost, or when their risks and income have, in all material respects, been transferred outside the Group. When a financial asset item is derecognised from the balance sheet, the arising profit or loss is recognised directly under financial income or expenses on the income statement (or, in the case of trade receivables, under other operating income or expenses) together with foreign exchange gains or losses, if any.

Financial assets measured at amortised cost

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

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

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

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

The assets and liabilities based on contracts with customers are itemised in working capital Notes 4.1 and 4.2.

Financial assets measured at fair value through profit or loss

The Group had no financial assets measured at fair value through profit or loss in the financial periods 2022 and 2021.

Financial liabilities

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

Financial liabilities measured at amortised cost

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

Financial liabilities measured at fair value through profit or loss

The Group had no financial liabilities measured at fair value through profit or loss in the financial periods 2022 and 2021.

Cash and cash equivalents

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

Fair value measurement

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

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

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

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

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

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Financial assets and liabilities measured at amortised cost

31 Dec 2022 EUR thousand	Carrying amount	Fair value
Financial assets		
Receivables	202	202
Non-current financial assets	202	202
Trade and other receivables	21,254	21,254
Current financial assets	21,254	21,254
Cash and cash equivalents	9,403	9,403
Total financial assets	30,859	30,859
Financial liabilities		
Loans from financial institutions	29,714	29,900
Hire purchase liabilities	418	418
Lease liabilities	1,939	
Non-current interest-bearing liabilities	32,072	
Loans from financial institutions	2,600	2,600
Commercial papers	7,000	7,000
Hire purchase liabilities	179	179
Lease liabilities	956	
Current interest-bearing liabilities	10,735	
Trade payables and other liabilities	21,034	21,034
Other current financial liabilities	21,034	21,034
Total financial liabilities	63,841	

31 Dec 2021 EUR thousand	Tasearvo	Käypä arvo
Financial assets		
Non-current receivables	442	442
Non-current financial assets	442	442
Trade and other receivables	18,421	18,421
Current financial assets	18,421	18,421
Cash and cash equivalents	6,328	6,328
Total financial assets	25,192	25,192
Financial liabilities		
Loans from financial institutions	22,055	22,250
Hire purchase liabilities		
Lease liabilities	590	
Non-current interest-bearing liabilities	22,645	
Loans from financial institutions	4,000	4,000
Hire purchase liabilities		
Lease liabilities	558	
Current interest-bearing liabilities	4,558	
Trade payables and other liabilities	18,027	18,027
Other current financial liabilities	18,027	18,027
Total financial liabilities	45,230	

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

3.4. Financial risk management

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

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

Interest rate risk

The aim of the Group's interest rate risk management is to minimise the impact of interest rate fluctuations on the Group's result and cash flows. The Group's interest rate risk arises from long-term, variable rate debt contracts and interest-bearing financial assets. Changes in interest rates have an impact on income statement and balance sheet items as well as on

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cash flow. The Group may take out long-term debt with a variable or fixed interest rate. The ratio of variable rate debt to fixed-rate debt can be altered using interest rate derivatives, if necessary. At the date of these financial statements, the Group did not have any valid interest rate swaps. Based on a sensitivity analysis of the interest rate risk, a one percentage point increase in interest rates would have increased the Group's net financial expenses by EUR 0.4 million before taxes. A one percentage point change would not have had a significant impact on the consolidated balance sheet. Even though the interest rates have risen rapidly during the reporting period, it has not had an abnormal effect on the Group's core business.

At the date of these financial statements, the Group had interest-bearing loans from financial institutions amounting to EUR 39.9 (2021: 26.1) million. The collateral for the loans has been released in accordance with the terms and conditions of the loan agreement in connection with the initial public offering.

The average interest of interest-bearing debt, excluding the lease liabilities recognised on the balance sheet, was 2.9 (2.8) per cent in the January–December reporting period. The average interest for the reporting period was increased by 0.4 percentage points by the impact of effective interest for old loans that was transferred to the result in connection with the loan arrangements. Similarly, the average interest for the reference period was increased by 0.4 percentage points by the impact of effective interest that was transferred to the result in connection with a loan repaid in February 2021.

Credit and counterparty risk

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

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

On each balance sheet date, the Group considers whether there is evidence of impairment of financial assets or financial asset groups. The need for impairment on asset items is estimated both for individual items and groups of items. Evidence of impairment of an individual item may include signs of a debtor's significant financial difficulties, bankruptcy or non-performance of contractual payments. Changes to an impairment loss entry and credit losses on receivables are presented under other operating expenses.

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

The amount of impairment and credit losses during the financial year was EUR 48 (2021: 73) thousand. In the 2021 reference period, the credit loss risk was considered to be on a slightly higher level compared with the years before the pandemic. However, at the end of the 2022 financial year, the company was of the opinion that the COVID-19 pandemic no longer had a significant impact on its credit and counterparty risk. At the end of the 2022 financial year, the effects caused by the war in Ukraine were not considered to have a significant impact on the company's credit and counterparty risk, as the business is mainly with Finnish customers.

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

Maturity of trade receivables

EUR thousand	Unmatured	0–30 days	30–90 days	More than 90 days	Total	Expected credit loss	Carrying amount
31 Dec 2022	19,254	1,141	221	22	20,638	-39	20,600
31 Dec 2021	17,127	122	98	1	17,349	-37	17,312

Liquidity risk

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

The Group's cash and cash equivalents as at the end of the 2022 financial year amounted to EUR 9.4 (2021: 6.3) million. In addition, the Group had committed revolving overdraft and credit facilities of EUR 20.0 (2021: 15.0) million, which were not in use at the end of the financial period (2021: 3.0). The Group reports its loan covenants to its lenders every three months. The financial covenants applied to the loans concern the ratio of net debt to EBITDA at the end of the 2022 financial year. The covenants had not been breached in the financial years 2022 or 2021.

On 8 March 2022, Kreate signed an agreement for a domestic commercial paper 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 December 2022, the company had issued commercial papers to the value of EUR 7.0 million.

On 6 July 2022, the company signed a credit and credit limit agreement worth EUR 52.5 million, which replaced Kreate Group's earlier credit limit and loan agreements that would have been due in 2023. In addition to the repayment of previous loans, the Swedish business acquisition completed in September 2022 was financed within the framework of the new agreement. The new financing arrangement has a duration of four years and it contains one financial covenant measuring the ratio between Kreate Group's net debt and operating profit.

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Contractual cash flows of financial liabilities, including interest

The following table describes the contractual undiscounted maturity distribution of the remaining financial liabilities on the balance sheet date.

2022

EUR thousand	2023	2024	2025–2026	2027→	Total
Loans from financial institutions	3,431	6,668	25,048		35,147
Hire purchase liabilities	249	354	89		693
Commercial papers	7,000				7,000
Lease liabilities	1,005	1,572	416		2,993
Trade payables and other liabilities	21,034				21,034

2021

EUR thousand	2022	2023	2024–2025	2026→	Total
Loans from financial institutions	4,543	22,761			27,305
Hire purchase liabilities					
Lease liabilities	574	347	254		1,175
Trade payables and other liabilities	9,230				9,230

3.5. Management of the capital structure

Equity at the time of the financial statements consists of the share capital, the reserve for invested unrestricted equity and retained earnings. The aim of the Group's capital management is to ensure the normal preconditions for business operations.

The capital structure is primarily influenced by steering investments and the amount of working capital employed in operations. Through capital management, the Group aims to ensure, among other things, that it remains compliant with the covenants related to its interest-bearing debt in order to achieve its targets. The most important key figure concerning the management of capital is the ratio of net interest-bearing debt to EBITDA, which was 2.5 (1.5) at the end of the financial year.

Net debt

EUR thousand	31 Dec 2022	31 Dec 2021
Interest-bearing debt	42,807	27,203
Cash and cash equivalents	9,403	6,328
Net debt	33,404	20,875

EBITDA

EUR thousand	31 Dec 2022	31 Dec 2021
Operating profit	8,630	10,356
Depreciation, amortisation and impairment	4,976	3,856
EBITDA	13,606	14,212

3.6. Changes in debt due to financing

Debts from financing activities

2022

EUR thousand	Opening balance	Cash flows (drawdown/ repayment)	Transfers between non-current and current balance sheet items	Company acquisitions	Other changes with no cash flow effect	Closing balance
Loans from financial institutions	22,055	8,650	-1,000		9	29,714
Hire purchase liabilities			-241	687	-28	418
Lease liabilities	590		-1,005	182	2,172	1,939
Non-current interest-bearing liabilities	22,645	8,650	-2,246	869	2,153	32,072
Loans from financial institutions	4,000	-2,400	1,000			2,600
Commercial papers		7,000				7,000
Hire purchase liabilities		-62	241			179
Lease liabilities	558	-905	1,005		298	956
Current interest-bearing liabilities	4,558	3,633	2,246		298	10,735
Total debt from financing activities	27,203	12,283		869	2,451	42,807

2021

EUR thousand	Opening balance	Cash flows (drawdown/ repayment)	Transfers between non-current and current balance sheet items	Company acquisitions	Other changes with no cash flow effect	Closing balance
Loans from financial institutions	29,252	-6,333	-1,000		136	22,055
Hire purchase liabilities	281		-281			
Lease liabilities	852		-574		313	590
Non-current interest-bearing liabilities	30,385	-6,333	-1,855		449	22,645
Loans from financial institutions	4,667	-1,667	1,000			4,000
Commercial papers						
Hire purchase liabilities	317	-598	281			
Lease liabilities	636	-691	574		39	558
Current interest-bearing liabilities	5,620	-2,956	1,855		39	4,558
Total debt from financing activities	36,005	-9,289			488	27,203

4. Working capital

4.1. Trade and other receivables

EUR thousand	31 Dec 2022	31 Dec 2021
Trade receivables	20,600	17,312
Assets based on contracts with customers	27,522	15,739
Loan receivables	0	
Other receivables	654	1,110
Accrued income	1,053	1
Total trade and other receivables	49,829	34,162

Accrued income		
Accrued personnel costs	1	0
Other accrued income	1,052	1
Total accrued income	1,053	1

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

4.2. Trade payables and other liabilities

EUR thousand	31 Dec 2022	31 Dec 2021
Trade payables	16,241	12,426
Liabilities based on contracts with customers*	14,321	4,779
Other liabilities	4,792	5,601
Accrued liabilities	10,104	11,673
Total trade payables and other liabilities	45,458	34,478

Accrued liabilities		
Interest liabilities	356	269
Accrued personnel costs	8,759	10,926
Other accrued liabilities	990	477
Total accrued liabilities	10,104	11,673

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

5. Tangible and intangible assets

5.1. Property, plant and equipment

Accounting policy applied in the financial statements – Tangible assets

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

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

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

Straight-line depreciation	
Buildings	30 to 50 years
Structures	20 years
Technical equipment in buildings	20 years
Machinery and equipment	5 years
Heavy machinery	5/10 years
Sheet piling and metal	4 years
Trucks and vans	5 years
Equipment and other movable assets	5 years
Other tangible assets	4 to 10 years

The Group has tools that are recognised as annual expenses due to their nature. The servicing and maintenance costs relating to fixed assets are recognised as expenses for the period. Significant upgrades and additional investments are recorded as an asset's acquisition cost and depreciated over the remaining useful life of the main asset.

Mortgages on properties are presented in Note 8.2.

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

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Changes in tangible assets

2022 EUR thousand	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and acquisitions in progress	Total intangible assets
Acquisition cost as at 1 Jan	1,372	4,272	20,480	1,616	28,094	28,094
Exchange rate differences		-2	-100	0		-103
Increases			3,808		789	4,597
Business acquisitions		47	2,263	10		2,320
Decreases			-750			-750
Transfers between items		179	514	161	-853	0
Acquisition cost as at 31 Dec	1,372	4,496	26,215	1,787	288	34,158
Accrued depreciation, amortisation and impairment as at 1 Jan	-38	-1,650	-7,175	-1,351		-10,215
Exchange rate differences		0	39	0		39
Accrued amortisation on the decreases			596			596
Business acquisitions		-9	-738	-6		-753
Amortisation for the period		-149	-3,613	-130		-3,893
Accrued depreciation, amortisation and impairment as at 31 Dec	-38	-1,808	-10,891	-1,487		-14,225
Carrying amount as at 31 Dec	1,334	2,688	15,323	300	288	19,934

2021 EUR thousand	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and acquisitions in progress	Total intangible assets
Acquisition cost as at 1 Jan	1,372	3,395	16,123	1,616	725	23,233
Increases	0	0	4,963		504	5,467
Decreases			-606			-606
Transfers between items		876			-876	0
Acquisition cost as at 31 Dec	1,372	4,272	20,480	1,616	353	28,094
Accrued depreciation, amortisation and impairment as at 1 Jan	-38	-1,523	-4,692	-1,208		-7,461
Exchange rate differences						
Accrued amortisation on the decreases			231			231
Amortisation for the period		-128	-2,714	-143		-2,984
Accrued depreciation, amortisation and impairment as at 31 Dec	-38	-1,650	-7,175	-1,351		-10,215
Carrying amount as at 31 Dec	1,334	2,621	13,306	265	353	17,879

5.2. Leases

Accounting policy applied in the financial statements – Leases, the Group as lessee

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

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

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

Asset groups in the Group include business premises and vehicles leased under the normal terms and conditions. The lease agreements for the Group's business premises are mainly valid until further notice and their estimated durations vary between two and four years. The Group has not identified any service contracts under which there are identifiable assets that should be recognised separately. The Group treats all project-specific assets as short-term leases. Computers, tablets, printers and similar equipment are treated as assets of low value. The Group does not apply IFRS 16 to intangible assets.

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

Management discretion – Leases

The management uses significant estimates and discretion when measuring the value of leases on the balance sheet. The management regularly assesses the use of extension, termination or purchase options related to leases and the lease term of leases valid until further notice based on the strategic need for premises, among other factors. In addition, the management estimates the amount of discount rate for each right-of-use asset.

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Changes in right-of-use assets

2022 EUR thousand	Buildings and structures	Machinery and equipment	Total right-of-use assets
Acquisition cost as at 1 Jan	1,231	1,636	2,867
Exchange rate differences	-1	-7	-8
Increases	1,511	1,005	2,516
Business acquisitions	27	155	182
Decreases	-87	-432	-519
Acquisition cost as at 31 Dec	2,681	2,357	5,037
Accrued depreciation, amortisation and impairment as at 1 Jan	-798	-942	-1 740
Exchange rate differences	0	1	
Accrued amortisation on the decreases		392	392
Business acquisitions			
Accrued amortisation on the transfers	87		87
Amortisation for the period	-370	-528	-898
Accrued depreciation, amortisation and impairment as at 31 Dec	-1,080	-1,076	-2,156
Carrying amount as at 31 Dec	1,600	1,281	2,881

2021 EUR thousand	Buildings and structures	Machinery and equipment	Total right-of-use assets
Acquisition cost as at 1 Jan	1,247	1,632	2,879
Increases	-15	390	374
Decreases		-386	-386
Acquisition cost as at 31 Dec	1,231	1,636	2,867
Accrued depreciation, amortisation and impairment as at 1 Jan	-573	-843	-1,416
Accrued amortisation on the decreases		364	364
Amortisation for the period	-225	-463	-688
Accrued depreciation, amortisation and impairment as at 31 Dec	-798	-942	-1,740
Carrying amount as at 31 Dec	433	694	1,127

Notes concerning leases

EUR thousand	2022	2021
Lease liability		
Current	956	558
Non-current	1,939	590
Total outgoing cash flow due to leases*	2,435	2,422
Leases the Group is committed to that will commence at a later date, undiscounted lease liability		1,219

*Also includes lease payments on short-term leases and leases where the underlying administrative asset has a low value

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

5.3. Intangible assets and goodwill

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

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

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

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

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

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

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

Changes in intangible assets and goodwill

2022 EUR thousand	Intangible rights	Order backlog	Customer relationships	Other intangible assets	Prepayments and acquisitions in progress	Intangible assets	Goodwill	Intangible assets and goodwill in total
Acquisition cost as at 1 Jan	189	3,456	941	415	209	5,211	35,594	40,805
Exchange rate differences							-204	-204
Increases					12	12		12
Business acquisitions							4,599	4,599
Transfers between items				221	-221			
Acquisition cost as at 31 Dec	189	3,456	941	636	0	5,223	39,989	45,211
Accrued depreciation, amortisation and impairment as at 1 Jan	-140	-3,456	-398	-352		-4,340		-4,340
Exchange rate differences								
Business acquisitions								
Amortisation for the period	-29		-94	-70		-193		-193
Accrued depreciation, amortisation and impairment as at 31 Dec	-169	-3,456	-486	-422		-4,532		-4,532
Carrying amount as at 31 Dec	21	0	455	215	0	690	39,989	40,679

2021 EUR thousand	Intangible rights	Order backlog	Customer relationships	Other intangible assets	Prepayments and acquisitions in progress	Intangible assets	Goodwill	Intangible assets and goodwill in total
Acquisition cost as at 1 Jan	182	3,456	941	415	125	5,119	35,594	40,713
Increases	7			0	85	92		92
Acquisition cost as at 31 Dec	189	3,456	941	415	209	5,211	35,594	40,805
Accrued depreciation, amortisation and impairment as at 1 Jan	-106	-3,456	-298	-296		-4,156		-4,156
Amortisation for the period	-34		-94	-56		-184		-184
Accrued depreciation, amortisation and impairment as at 31 Dec	-140	-3,456	-392	-352		-4,340		-4,340
Carrying amount as at 31 Dec	49	0	549	63	209	871	35,594	36,465

5.4. Impairment testing

Accounting policy applied in the financial statements – Impairment

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

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

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

Management discretion – Impairment

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

When using cash flow estimates in the calculation and selecting calculation parameters, the management uses discretion based on the Group's history, the prevailing market conditions and predictive assessments made at the end of each reporting period. When testing for impairment, the management uses discretion regarding, for example, changes in the operating environment due to cost inflation, rising interest rates and economic cycles.

The Group's goodwill amounted to EUR 40.0 million in 2022 (2021: EUR 35.6 million). The Group has one cash-generating unit, Kreate Group, which is the lowest level where goodwill is monitored. The Group's goodwill was increased by the acquisition made during the financial year on 2 September 2022, which is disclosed in Note 7.1.

Impairment testing

The Group tests the impairment of goodwill annually or whenever there are indications that the recoverable amount may be less than the carrying amount. Consolidated goodwill was tested on 30 November 2022.

In impairment testing, the recoverable amounts of cash-generating units are defined based on value in use. The cash flow estimates are based on the confirmed yearly plan for 2023 and on forecasts derived from the strategy for 2024 and 2025. Key assumptions for the forecast period are the company's estimates of the development of the infrastructure market, the profitability of projects and the need for working capital. Cash flows that extend beyond the three-year forecast period have been calculated using the terminal value method. The management's conservative estimates of long-term growth in cash flows have been used when determining growth in the terminal value. The growth factor used for the terminal value is

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an annual growth of 0.2% (2021: 0.2%). The estimate of future development is based on the company's prior experience of the market's development, and market forecasts from various public research institutions are utilised when estimates are made.

The cash flow discount rate is determined using the weighted average cost of capital (WACC). The key elements of the WACC are risk-free interest rate, market risk premium, sector-specific beta factor, cost of debt and the ratio of equity to debt. The median of the peer group of Nordic listed companies has been used in the determination of the beta factor, and the beta factor has been calculated from weekly observations from 2 years of history. The Group has determined a pre-tax and a post-tax discount rate. In its calculations, the Group has used a pre-tax WACC of 8.5% (2021: 9.4).

The WACC calculation methodology has been partially changed compared to previous financial years: It has been possible to replace the methodology previously applied by the company with one based on the company's own market data and that of similar Nordic peers when the company has been publicly listed for a sufficient period of time. The WACC used is, therefore, not fully comparable with previous financial years.

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

6. Income taxes

Accounting policy applied in the financial statements – Income taxes

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

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

Deferred tax assets are only recognised when it is probable that an adequate amount of taxable income is available in the future against which the confirmed losses of previous financial periods or other temporary differences can be utilised. Deferred tax liabilities are recognised in full.

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

Management discretion – Taxes

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

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

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6.1. Income taxes on the income statement

EUR thousand	2022	2021
Tax based on taxable income for the period	1,289	910
Taxes for previous years	0	-0
Change in deferred taxes	-212	401
Total income taxes	1,077	1,310

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

EUR thousand	2022	2021
Profit/loss before taxes	6,715	8,225
Taxes calculated based on the Finnish tax rate (20%)	1,343	1,645
Taxes allocated to previous years	0	0
Utilisation of undeducted interest liabilities of associated companies from previous years	-120	-159
Non-deductible expenses	6	5
Previously unrecognised deferred tax assets	-200	-61
Tax-free income	0	-0
Share of the joint venture's profit	108	-117
Losses for which deferred tax has not been recognised	-102	
Difference between the tax rates of different countries	2	
Tax expense on the income statement	1,077	1,310
Other items	-56	-3
Effective tax rate	16.0%	15.9%

6.2. Deferred taxes on the balance sheet

Deferred tax assets and liabilities on the balance sheet

EUR thousand	1 Jan 2022	Recorded in the income statement	Recorded in equity	Acquisitions	31 Dec 2022
Deferred tax assets					
Deferred tax asset from the loss for the period		304			304
Provisions		67			67
Undeducted interest liabilities of associated companies	501	61			562
Other items	197	54			251
Total deferred tax assets	698	486			1,184
Deferred tax liabilities					
Difference between book and tax depreciation	1,090	274		56	1,420
Financial items	39	-2			37
Other items	1	2			3
Total deferred tax liabilities	1,130	274		56	1,460

EUR thousand	1 Jan 2021	Recorded in income statement	Recorded in equity	Acquisitions	31 Dec 2021
Deferred tax assets					
Undeducted interest liabilities of associated companies	440	61			501
Other items	23	-81	255		197
Total deferred tax assets	463	-20	255		698
Deferred tax liabilities					
Difference between book and tax depreciation	684	407			1,090
Financial items	66	-27			39
Other items		1			1
Total deferred tax liabilities	750	380			1,130

In its taxation, the Group utilised undeducted interest liabilities of associated companies from previous years, against which it allocated previously recognised deferred tax assets. Furthermore, the Group recognised tax assets of EUR 0.3 (2021: 0.1) million for previously accrued and undeducted interest liabilities of associated companies. After the recognition, the Group has EUR 1.8 million (2021: EUR 2.7 million) of undeducted interest liabilities of associated companies for which a deferred tax asset has not been recognised. According to the current legislation, there is no deadline for making the deduction in the taxation of subsequent years.

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7. Group structure

The Group executes projects through its subsidiaries or together with other parties either as joint ventures or joint functions. In order to determine the method of processing in accounting (e.g. subsidiary, joint venture, joint function or associated company), the Group considers, among other things, the company's decision-making mechanisms, legal structure and financing of the arrangements and their impact on the consolidation.

7.1. Subsidiaries

Accounting policy applied in the financial statements – Subsidiaries

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

In June 2021, the Board of Directors of Kreate Group Plc decided to launch two new long-term share-based incentive plans for the key persons of the Group and the Group's joint venture. Evli Alexander Incentives Oy ("EAI") is responsible for the procurement and management of the shares. To this end, EAI Kreate Holding Oy was established during financial period 2022; funded by Kreate, it will acquire shares pursuant to the agreement and in accordance with the provisions in the Limited Liability Companies Act concerning the funding of purchase of the company's own shares. These shares will be exclusively used as part of Kreate's share-based incentive plan an in accordance with its terms. The holding company is legally owned by EAI but, based on the agreement, Kreate exercises actual controlling interest in the arrangement and acts as the principal, whereas EAI acts as an agent through the holding company. This control that results from contractual factors means that the holding company is consolidated into the IFRS consolidated financial statement as a structured entity.

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

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

The Kreate Group Plc group comprises the parent company Kreate Group Plc and its wholly-owned Finnish subsidiaries as well as its Swedish subsidiaries in which it has a 75% holding.

The acquired individual assets and assumed liabilities of the acquisitions are recognised at fair value on the date of their acquisition, i.e. when the controlling interest is transferred to Kreate. In some situations, e.g. when an acquisition takes place close to the end of the period, its accounting treatment may not be completed by the end of the reporting period in question. In such cases, Kreate will present in its financial statements preliminary amounts for the items of the acquisition whose accounting treatment is incomplete. If necessary, the Group will later retroactively adjust the preliminary amounts recorded during the review period, which is a maximum of 12 months from the date of the acquisition. Adjustments may be due to new information obtained about the facts and circumstances prevailing on the date of the acquisition, for example.

The share of non-controlling interests is presented as a separate item in equity. This item includes the shares of non-controlling interests of the subsidiaries' net assets determined when preparing the consolidated financial statements. The item comprises both the net assets on the date of emergence of the non-controlling interests and changes in equity after that. Changes in the share of non-controlling interests resulting from changes in the subsidiary's holding are treated as transactions within equity.

Group structure

	Registered office	Parent company	Group holding 31 Dec 2022	31 Dec 2021
Parent company				
Kreate Group Plc	Helsinki			
Subsidiaries				
Kreate Oy	Helsinki	Kreate Group Plc	100%	100%
Kreate Rata Oy	Helsinki	Kreate Oy	100%	100%
Kreate Sverige Holding AB	Stockholm	Kreate Group Plc	75%	
Kreate Sverige AB	Nynäshamn	Kreate Sverige Holding AB	75%	
Estrock AB	Stockholm	Kreate Sverige Holding AB	75%	
EAI Kreate Holding Oy	Helsinki	Kreate Group Plc	0%	

The Group has had no changes in the group structure during the 2021 reference period.

Changes in the group structure during the financial period

On 2 September 2022, the Swedish subsidiary Kreate Sverige Holding AB, 100% owned by the parent company Kreate Group Plc, purchased 100% of the shares in the Swedish company Kreate Sverige AB. Kreate Sverige owns 100% of the shares in Estrock AB and 34% of the shares in Karell Schakt AB. The business acquisition supports Kreate's strategic growth target in Sweden, and the acquisition gives Kreate an expert organisation in rock engineering and underground construction comprising some 50 people as well as equipment related to these activities in Sweden. Prior to this transaction, Kreate had no operative organisation in Sweden.

The net debt-free sale price was SEK 70 million (EUR 6.5 million converted according to the exchange rate at the time of transaction) and 25% of the shares in Kreate Sverige Holding AB, which were transferred to the seller. Following the transaction, Kreate Group Plc owns 75% of the shares in Kreate Sverige Holding AB. On 6 July 2022, Kreate Group Plc signed a new credit agreement, and the acquisition was financed within this agreement. As the sale price, the seller was paid SEK 70,025,000 in cash, of which the seller used SEK 25,000 to purchase shares in Kreate Sverige Holding AB at the time of closing the sale.

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Assets and liabilities recorded for the purchase as well as goodwill and net assets

EUR million	Total
Purchase price	6,819
Fixed assets	1,595
Shares in associated companies	515
Receivables	2,105
Cash and cash equivalents	959
Total assets	5,173
Non-current liabilities	680
Current liabilities	2,004
Deferred tax liabilities	58
Total liabilities	2,742
Acquired identifiable net assets	2,432
Goodwill	4,388

The figures have been converted according to the exchange rate at the time of transaction

The table includes the assets and liabilities for the activities acquired. The consolidation is preliminary and, therefore, the definition of the fair values of the acquired assets and liabilities may be specified further during the 12-month valuation period.

Revenue and profit/loss for the financial period for the acquired company

Starting from the date of acquisition (2 September 2022), the acquisition has impacted the Group's revenue by EUR 3.9 million and the Group's operating profit by EUR -0.1 million. If the business acquisition had been consolidated into the Group's financial statements from the start of the financial year, its impact on the Group's revenue would have been EUR 11.5 million and its impact on operating profit would have been EUR 0.1 million.

7.2. Joint ventures and associated companies

Accounting policy applied in the financial statements – Joint ventures and associated companies

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

Associated companies are companies in which the Group exercises significant influence but not control or joint control. Significant influence is the right to participate in decision-making related to the financial and operating policies of the investee, but it is not control or joint control over those policies. Typically, a significant influence is deemed to exist when the Group holds 20% or more of the voting power on the investee but not control.

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

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

KFS Finland Oy is a joint venture which specialises in foundation construction. It is mutually owned with Keller Holdings Ltd., and neither owner has control over the joint venture. KFS Finland Oy purchased all the shares in NordPile Oy during the reference period.

The associated company Karell Schakt AB joined the Group in a business acquisition completed on 2 September 2022. Karell Schakt AB is an associated company operating in the infrastructure construction industry, with operations in Sweden. Kreate Sverige AB has a 34% holding in the company and the company's other two owners work in the company and hold the remaining 66% of its shares

		Kreate Group's holding	
	Registered office	31 Dec 2022	31 Dec 2021
Joint ventures and associated companies			
KFS Finland Oy	Tuusula	50%	50%
NordPile Oy [1]	Masku		50%
Karell Schakt AB	Ösmo	34%	

[1] NordPile Oy has merged with KFS Finland Oy on 21 July 2022

Investments in joint ventures and associated companies

EUR thousand	31 Dec 2022	31 Dec 2021
Shares in joint ventures	9,608	8,934
Shares in associated companies	431	

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Summary of financial information on joint ventures and associated companies

2021

EUR thousand	Joint ventures	Associated companies
Non-current assets	21,832	
Current assets	8,346,[1]	
Non-current liabilities	12,720,[2]	
Current liabilities	8,614	
Net assets	8,843	
Revenue	40,039	
Operating profit	1,722,[3]	
Result for the period	1,124,[4]	

[1] Current assets include cash and cash equivalents of EUR 2.2 (2020: 0.9) million
[2] Non-current liabilities include interest-bearing debts of EUR 11.3 (2020: 3.4) million
[3] Operating profit includes depreciations of EUR 2.2 (2020: 1.5) million
[4] Result for the period includes financial income of EUR 0.0 (2020: 0.0) million, financial expenses of EUR 0.2 million (2020: 0.1) million, and income tax of EUR 0.4 (2020: 0.4) million

2022

EUR thousand	Joint ventures	Associated companies
Non-current assets	18,359	245
Current assets	7,471[1]	521,[5]
Non-current liabilities	14,324[2]	99,[6]
Current liabilities	6,002	188
Net assets	5,504	479
Revenue	40,729	425
Operating profit	1,090[3]	148,[7]
Result for the period	220,[4]	147,[8]
Dividends from joint venture during the financial period		

[1] Current assets include cash and cash equivalents of EUR 1.5 (2021: 2.2) million
[2] Non-current liabilities include interest-bearing debts of EUR 10.2 (2021: 11.3) million
[3] Operating profit includes depreciations of EUR 2.2 (2021: 2.2) million
[4] Result for the period includes financial income of EUR 0.0 (2021: 0.0) million, financial expenses of EUR 0.4 million (2021: 0.2) million, and income tax of EUR 0.1 (2021: 0.4) million

[5] Current assets include cash and cash equivalents of EUR 0.2 million
[6] Non-current liabilities include interest-bearing debts of EUR 0.1 million
[7] Operating profit includes depreciations of EUR 0.0 million
[8] Result for the period includes financial income of EUR 0.0 million, financial expenses of EUR 0.0 million, and income tax of EUR 0.0 million

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

EUR thousand	2022	2021
Net assets of joint ventures	5,504	8,843
Group's share of net assets (50%)	2,752	4,422
Adjustments under IFRS and by the Group on net assets of joint venture	2,475	132
Fair value allocated to shares in joint ventures at acquisition	4,381	4,381
Shares in joint ventures in the Group	9,608	8,934
Investments in joint ventures	9,608	8,934
Joint venture's profit	220	1,124
The Group's share of joint venture's profit (50%)	110	562
Adjustments under IFRS and by the Group	563	22
Share of joint venture's profit in the Group	673	584

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

EUR thousand	2022	2021
Net assets of associated companies	479	
Group's share of net assets (34%)	163	
Adjustments under IFRS and by the Group on net assets of joint venture	-114	
Fair value allocated to shares in associated companies at acquisition	382	
Shares in associated companies in the Group	431	
Investments in associated companies	431	
Associated company's profit	147	
The Group's share of associated company's profit (34%)	50	
Adjustments under IFRS and by the Group		
Share of associated company's profit in the Group	50	

KFS Finland Oy prepares its financial statements in accordance with the Finnish Accounting Standards (FAS) and Karell Schakt AB in accordance with the Swedish Generally Accepted Accounting Principles (GAAP). The itemisations for the financial year concerning the joint venture are based on the figures in KFS Finland Oy's separate financial statements, and the figures for the reference period are based on the figures in the consolidated financial statements of KFS Finland Oy. The itemisations for the financial year concerning the associated company are based on the figures in Karell Schakt AB's separate financial statements.

When consolidated, the result and balance sheet of these companies are adjusted to comply with IFRS accounting principles. This consists of recognising leases, adjusting the acquisition cost calculation and accounting for the depreciation difference.

For KFS Finland Oy's acquisition of NordPile in the 2021 reference period, fair value has

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been allocated for machines and equipment, and customer relationships as well as the order backlog have been identified as assets in earlier acquisitions. The effect of the amortisation of these items is recognised by the Group through profit or loss.

In the consolidated balance sheet, the fair value allocated to the shares of KFS Finland Oy and Karell Schakt AB at the time of acquisition is also included in shares in joint ventures and associated companies.

7.3. Joint functions

Accounting policy applied in the financial statements – Joint functions

The Group may also execute an individual, long-term project agreed in advance as a joint project venture together with another party. A joint project venture is not an independent legal unit; its parties have a contractual joint responsibility for the operations and obligations of the joint project venture. The joint project venture has a legal obligation to keep books, and the Group's share of the profit, expenses, assets and liabilities for a project executed in a joint project venture is consolidated into the reporting of the Group company participating in the joint project venture. Projects executed in a joint project venture are recognised over time in accordance with the Group's recognition principles.

8. Other notes

8.1. Provisions

Accounting policy applied in the financial statements – Provisions

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

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

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

A possible restructuring provision is recognised when the amount of expenses can be estimated reliably, a binding decision on restructuring has been taken and a detailed plan has been prepared and it has been communicated to the affected parties.

Management discretion – Provisions

When recognising provisions, the management has to estimate if there is a legal or constructive obligation for which it is likely that a payment obligation will occur. In addition, the management must estimate the amount of the obligation and the time of its realisation. A provision may be recognised only if these can be estimated reliably.

Provisions

EUR thousand	Warranty provisions	Loss provisions	Total provisions
Provision as at 1 Jan 2022	2,647		2,647
Increases in provisions	1,767	342	2,110
Provisions used during the period	-1,099		-1,099
Provisions reversed during the period	-1,793		-1,793
Provision as at 31 Dec 2022	1,522	342	1,864

EUR thousand	Warranty provisions	Loss provisions	Total provisions
Provision as at 1 Jan 2021	1 452	30	1 482
Increases in provisions	1,698		1,698
Provisions used during the period	-208	-30	-238
Provisions reversed during the period	-296		-296
Provision as at 31 Dec 2021	2,647		2,647

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8.2. Collateral and contingent liabilities

EUR thousand	2022	2021
Contingent liabilities outside the balance sheet		
Guarantees given on behalf of joint ventures		29
Guarantees given on behalf of joint project ventures	10,647	6,299
Other guarantees		20
Guarantee liabilities from project contracts	43,500	35,214
Lease liabilities from short-term assets with a low value	872	467
VAT liability	297	277

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

Kreate Oy is obligated to revise the VAT deductions it has made on real estate investments in the modifications of the Tuusula office and the office yard area in the 2022 financial year, a warehouse building completed in Tuusula in 2021 and an office/maintenance building completed in Lappeenranta in June 2014 if the volume of operations subject to VAT at the properties decreases during the revision period. The last revision year for the modifications and construction work is 2031.

8.3. Related parties

The related parties of the Group's parent company Kreate Group Plc include the subsidiaries, the structured entity EAI Kreate Holding Oy, 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 control or joint control. Key management personnel include the parent company's Board members, President & CEO and other 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.

Until the IPO during the reference period, the 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%.

Related-party transactions

EUR thousand	1-12/2022 Income	Expenses	12/2022 Income	Liabilities
Associate and joint venture	3,243	-11,053	377	364
Other related parties [1]		-15		

EUR thousand	1-12/2021 Income	Expenses	12/2021 Income	Liabilities
Intera Fund II Ky	6,674	-6,782	45	389
Muu lähipiiri [1]		-195		

[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.

The joint ventures and associated companies have joint business transactions with the Group in relation to subcontracting and machinery. Guarantees given on behalf of the joint venture are presented in Note 8.2.

In the financial year, the Group has had very few transactions with the other related parties, mainly comprising the leasing of premises. The salaries and remunerations received by the related parties are presented in the table "Salaries and remunerations of key management personnel".

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

Salaries and remunerations of key management personnel

EUR thousand	2022	2021
Fees of the Board of Directors	192	191
Salary and fees of the President & CEO	551	518
Salary and fees of the Management Team	1,761	1,672
Total	2,504	2,381

The Board of Directors decides on the remuneration of the President & CEO and the members of the Management Team. The members of the Management Team are insured under statutory pension insurance policies as well as voluntary supplementary pension insurance policies. In the financial year ended on 31 December 2022, the pension fees for the defined contribution scheme amounted to EUR 44.2 (2021: 43.1) thousand for the President & CEO and a total of EUR 117 (2021: 111) thousand for the members of the Management Team.

In addition, the Annual General Meeting on 29 March 2022 decided that the following fees are to be 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, it was 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 term of notice for the Management Team members' employment contracts is three to six months. The President & CEO and six other members of the Management Team are, upon the termination of their employment contract or CEO contract and subject to certain conditions, entitled to receive a severance payment equivalent to a three to eight months' salary in addition to the salary for the notice period as compensation for the non-competition clause.

The itemisations relating to the Group's performance share plan are presented in Note 2.5.2.

8.4. Events after the reporting period

On 11 January 2023, Kreate issued a profit warning, providing preliminary information on the company's revenue and EBITA for the 2022 financial period. Revenue for the full year exceeded the range in the guidance by EUR 14 million and EBITA was in line with the guidance.

Kreate Group has decided to merge its wholly-owned subsidiary Kreate Rata Oy with its other subsidiary Kreate Oy. The merger is estimated to take place by the end of the first half of the year. The merger has no effect on the reported figures.

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Parent company's income statement (FAS)

EUR thousand		2022		2021
REVENUE		757		475
Materials and services				
Material, supplies and goods		-10		-1
Personnel expenses				
Salaries and remuneration	-980		-832	
Personnel benefits				
Pension expenses	-186		-178	
Other personnel benefits	-170	-1,336	-166	-1,175
Depreciation, amortisation and impairment				
Depreciation according to plan		-432		-361
Other operating expenses		-460		-324
OPERATING PROFIT/LOSS		-1,481		-1,387
Financial income and expenses				
From Group companies	158		6	
From others				
Interest expenses and other financial expenses				
To Group companies			-26	
To others	-1,084	- 927	-1,665	- 1,686
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		-2,407		-3,073
Appropriations				
Group contributions		7,000		8,100
Income taxes		-818		-847
PROFIT/LOSS FOR THE PERIOD		3,774		4,180

Parent company's balance sheet (FAS)

EUR thousand		2022		2021
Assets				
NON-CURRENT ASSETS				
Intangible assets				
Intangible rights			2	
Other long-term expenditures	497		926	
Investments				
Shares in Group companies		52,031		52,024
TOTAL NON-CURRENT ASSETS		52,528		52,953
CURRENT ASSETS				
Non-current receivables				
Receivables from Group companies	7,007	7,007	8,100	
Current receivables				
Receivables from Group companies	7,989			
Other receivables			7	
Accrued income	344	8,332	571	8,678
Cash and cash equivalents		5,827		4,779
TOTAL CURRENT ASSETS		21,166		13,458
Total assets		73,694		66,410
Liabilities				
EQUITY				
Share capital		80		80
Other reserves				
Reserve for invested unrestricted equity		20,702		20,702
Retained earnings		5,595		5,407
Profit/loss for the period		3,774		4,180
TOTAL EQUITY		30,151		30,370
LIABILITIES				
Non-current				
Loans from financial institutions	29,900	29,900	22,250	22,250
Current				
Loans from financial institutions	2,600		4,000	
Commercial papers	7,000			
Trade payables	25		102	
Liabilities to Group companies	3,279		8,797	
Other liabilities	46		39	
Accrued liabilities	693	13,643	852	13,791
TOTAL LIABILITIES		43,543		36,041
Total liabilities		73,694		66,410

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Parent company's cash flow statement

EUR thousand	2022	2021
Profit/loss for the period	3 774	4 180
Depreciation, amortisation and impairment	432	361
Financial income and expenses	927	1,686
Income taxes	818	847
Other adjustments	-7,000	-8,100
Total adjustments	-4,823	-5,206
Change in trade and other receivables	-386	51
Change in trade payables and other liabilities	-317	-728
Total change in working capital	-703	-678
Interest paid in operating activities	-220	-101
Interest received in operating activities	158	6
Other financial items	-281	-1,014
Taxes paid	-562	-2,103
CASH FLOW FROM OPERATIONS	-2,657	-4,915
Investments in tangible and intangible assets	-7,614	-1,144
CASH FLOW FROM INVESTING ACTIVITIES	-7,614	-1,144
Share issue		12,500
Dividends paid	-3,993	-3,914
Drawdown of non-current loans	29,900	
Repayment of non-current loans	-21,250	-6,333
Drawdown of current loans	44,600	24,047
Repayment of current loans	-40,000	-26,917
Drawdown/repayment of credit limit	-5,517	
Interest and other loan expenses	-521	-313
Group contributions	8,100	8,900
CASH FLOW FROM FINANCING ACTIVITIES	11,319	7,970
CHANGE IN CASH AND CASH EQUIVALENTS	1,048	1,911
Cash and cash equivalents on the opening balance sheet	4,779	2,869
Change in cash and cash equivalents	1,048	1,911
Cash and cash equivalents at the end of the period	5,827	4,779

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Accounting policies applied in the parent company's financial statements

Information about the Group

Kreate Group Plc is the parent company of the Group. The parent company Kreate Group Plc owns 100% of the Group's subsidiary Kreate Oy and 75% of the subsidiary Kreate Sverige Holding AB.

Kreate Rata Oy, a wholly-owned subsidiary of Kreate Oy, and Kreate Sverige AB and Estrock AB, wholly-owned subsidiaries of Kreate Sverige Holding AB, are consolidated into the financial statements of Kreate Group Plc.

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

Valuation and accrual principles and methods

Measurement of non-current assets

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

The amortisation periods are:
Intangible assets 3 to 4 years
The acquisition cost of non-current assets with a probable useful life of less than 3 years as well as acquisitions of low value (below EUR 850) are recognised in full as an expense in the period in which they are acquired.

Financial assets and liabilities

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

Notes to the parent company's financial statements

Notes to the income statement

Revenue

EUR thousand	2022	2021
Revenue	757	475

Notes concerning the personnel

Average number of personnel during the period	2022	2021
Office employees	3	3

Salaries, remunerations and pension expenses for the period EUR thousand	2022	2021
Salaries and remuneration	980	832
Pension expenses	186	178
Other personnel benefits	170	166
Total	1,336	1,175
Fringe benefits (tax value)	35	41

Salaries and remunerations of the management EUR thousand	2022	2021
Members of the Board	192	191

Depreciation, amortisation and impairment

EUR thousand	2022	2021
Depreciation according to plan	432	361

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Other operating expenses

Auditors' fees

EUR thousand	2022	2021
Audit	70	15
Other services	2	183
Total	72	198

Financial income and expenses

EUR thousand	2022	2021
Other interest income		
From Group companies	158	6
From others	0	0
Total interest income	158	6
Total financial income	158	6
Interest expenses		
To Group companies		-26
To others	-800	-650
Total interest expenses	-800	-677
Other financial expenses		
Other financial expenses	-284	-1,015
Total other financial expenses	-284	-1,015
Total financial expenses	-1,084	-1,692
Total financial income and expenses	-927	-1,686

Appropriations

EUR thousand	2022	2021
Group contributions	7,000	8,100

Income taxes

EUR thousand	2022	2021
Income taxes from operations	818	847

The company has EUR 4,621 thousand (2021: EUR 5,223 thousand) in undeducted interest liabilities of associated companies.

Notes to the balance sheet

Itemisation of non-current assets

Intangible assets

EUR thousand	Intangible rights	Other long-term expenditures	Total
Acquisition cost as at 1 Jan 2022	13	1,293	1,306
Increases			
Transfers between items			
Acquisition cost as at 31 Dec 2022	13	1,293	1,306
Accrued depreciation, amortisation and impairment as at 1 Jan 2022	-11	-367	-378
Amortisation for the period	-2	-430	-432
Accrued depreciation, amortisation and impairment as at 31 Dec 2022	-13	-796	-810
Carrying amount as at 31 Dec 2022	0	497	497
Carrying amount as at 31 Dec 2021	2	926	929

Investments

EUR thousand	Other shares and interests	Total
Acquisition cost as at 1 Jan 2022	52,024	52,024
Increases	7	7
Acquisition cost as at 31 Dec 2022	52,031	52,031
Accrued impairment as at 1 Jan 2022		
Accrued impairment as at 31 Dec 2022		
Carrying amount as at 31 Dec 2022	52,031	52,031
Carrying amount as at 31 Dec 2021	52,024	52,024

Shares and holdings

	Company's ownership,%
Kreate Oy, Helsinki	100
Kreate Sverige Holding AB, Stockholm	75

Non-current receivables

EUR thousand	2022	2021
Receivables from Group companies		
Loan receivables	7,007	
Total	7,007	
Total non-current receivables	7,007	

Current receivables

EUR thousand	2022	2021
Receivables from Group companies		
Accrued income	7,989	8,100
Total	7,989	8,100
Receivables from others		
Other receivables		7
Accrued income	344	571
Total	344	578
Total current receivables	8,332	8,678

Equity

EUR thousand	2022	2021
Restricted equity		
Share capital as at 1 Jan	80	3
Increase in share capital		78
Share capital as at 31 Dec	80	80
Total restricted equity	80	80
Unrestricted equity		
Reserve for invested unrestricted equity as at 1 Jan	20,702	8,280
Share issue		12,500
Increase in share capital		-78
Reserve for invested unrestricted equity as at 31 Dec	20,702	20,702
Retained earnings as at 1 Jan	9,587	9,321
Distribution of dividends	-3,993	-3,914
Retained earnings as at 31 Dec	5,595	5,407
Profit (loss) for the period	3,774	4,180
Total unrestricted equity	30,071	30,290
Total equity	30,151	30,370

Distributable unrestricted equity

EUR thousand	2022	2021
Calculation of distributable unrestricted equity		
Retained earnings	5,595	5,407
Profit (loss) for the period	3,774	4,180
Reserve for invested unrestricted equity	20,702	20,702
Distributable equity	30,071	30,290

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Non-current liabilities

EUR thousand	2022	2021
Loans from financial institutions	29,900	22,250

Current liabilities

EUR thousand	2022	2021
Liabilities to Group companies		
Group account liability	3,279	8,797
Other liabilities		
Total	3,279	8,797
Liabilities to others		
Loans from financial institutions	2,600	4,000
Commercial papers	7,000	
Trade payables	25	102
Other liabilities	46	39
Accrued liabilities	693	852
Total	10,364	4,994

Material accrued expense items

EUR thousand	2022	2021
Salaries and remuneration, including social expenses	337	583
Interest	356	269
Total	693	852

Collateral and contingent liabilities

Collateral and guarantees given on behalf of Group companies EUR thousand	2022	2021
Other guarantees	43,500	35,214

Collateral and guarantees given on behalf of joint project ventures EUR thousand	2022	2021
Other guarantees	10,647	6,299

Collateral and guarantees given on behalf of key persons EUR thousand	2021	2020
Other guarantees		20

Other contingent liabilities EUR thousand	2022	2021
Credit card limit used	4	1

Pension liabilities

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

Board of Directors' proposal on the use of distributable funds

As at 31 December 2022, the distributable funds of the parent company Kreate Group Plc are:	
Retained earnings	5,594,598.21
Profit (loss) for the period	3,774,335.89
Reserve for invested unrestricted equity	20,702,152.88
Distributable equity	30,071,086.98

The Board of Directors proposes to the General Meeting on 29 March 2023 that, based on the balance sheet verified for 2022, a dividend of EUR 0.46 be issued per share for shares held outside the company at the time of dividend distribution. The dividend is paid in two instalments of EUR 0.23, the first instalment in April 2023 and the second in October 2023. The remaining funds distributable as profits are left in unrestricted equity.

On the day of making the proposal for profit distribution, 30 March 2023, 8,841,266 shares were held outside the company, which is equivalent to total dividends of EUR 4,066,982.36.

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

Helsinki, 30 January 2023

Petri Rignell
Chair of the Board of Directors

Jussi Aine

Timo Kohtamäki

Petra Thorén

Timo Pekkarinen

Elina Rahkonen

Timo Vikström
President & CEO

Auditor's note

A report on the audit carried out has been submitted today.
Helsinki, 31 January 2023

KPMG Oy
Firm of Authorised Public Accountants

Turo Koila
Authorised Public Accountant KHT

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Auditor's Report

To the Annual General Meeting of Kreate Group Plc

Audit of the financial statements

Opinion

We have audited the financial statements of Kreate Group Plc (Business ID 2601364-3) for the financial year 1 Jan–31 Dec 2022. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting principles as well as the parent company's balance sheet, income statement, cash flow statement and notes.

In our opinion

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

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

Basis for Opinion

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

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

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland, and we have not provided any prohibited non-audit services as referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.4.1 to the consolidated financial statements.

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

Materiality

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

Key Audit Matters

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

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

KEY AUDIT MATTERS	HOW THE AUDIT ADDRESSED THE MATTERS IN QUESTION
Revenue – Accounting policies for consolidated financial statements and note 2.1	
• The recognition of sales consists of the handover of goods and services as defined in project contracts to customers, with the total revenue standing at EUR 274 million. • Revenue reporting includes the risk of a misstated recognition date and amount due to management judgements concerning recognition and the large number of invoiced amounts. • Recognition of income from projects is mainly based on the degree of completion. The degree of completion is defined as the relative share of actualised costs from the total costs estimated by the management. Potential erroneous cost estimates would lead to misstated recognition.	• We have evaluated the company's sales recognition and calculation processes in relation to the principles defined in the IFRS standards. • We have tested the functionality of the key internal controls used to ensure the completeness and timing of sales reporting. • We have compared the total revenue estimates of projects recognised based on degree of completion with customer contracts. In addition, we have analysed estimated and actualised project costs and project margins. We have also examined the updating process concerning the cost estimates and degrees of completion as well as assessed its appropriateness. • Furthermore, we have carried out material auditing activities relating to the sales completeness and recognition date.

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KEY AUDIT MATTERS	HOW THE AUDIT ADDRESSED THE MATTERS IN QUESTION

Valuation of goodwill – Accounting policies for consolidated financial statements and notes 5.3 and 5.4

- Goodwill EUR 40 million represents a significant 30% share of the consolidated balance sheet total.
- Goodwill is tested for impairment when there are indicators of impairment or annually at a minimum. Impairment testing is carried out by comparing the recoverable amount of the cash-generating unit to its carrying amount. Management estimates the recoverable amount of the cash-generating unit by using a discounted cash flows model. The cash flow estimates used as the basis for testing are subject to a significant number of management judgements particularly concerning revenue growth, profitability and the discount rate.
- Due to the significance of the carrying amount and the significant management judgement relating to the estimates, goodwill valuation is a key audit matter.

- We have critically evaluated the management's principles and assumptions on which the cash flow estimates for future years have been made.
- We have involved KPMG's valuation experts in the audit to evaluate the reasonableness of the discount rates, the technical correctness of the calculations and the assumptions used in relation to the market and industry data.
- In addition, we have assessed the appropriate presentation of notes relating to impairment testing of goodwill in the financial statements.

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

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

In preparing the financial statements, the Board of Directors and the President and CEO are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Other Reporting Requirements

Appointment information

We have served as the auditor elected by the Annual General Meeting uninterruptedly for four years as from 26 April 2019.

Kreate Group Plc has become a significant entity from the point of view of public interest on 19 February 2021.

Other Information

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

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

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

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

Helsinki, 31 January 2023
KPMG OY AB

Turo Koila
Authorised Public Accountant KHT