GRK Infra Oyj

Report of the Board of Directors and financial statements for

2022

including consolidated IFRS financial statements for financial period ended 31 December 2022

The report of the Board of Directors and the financial statements have been prepared in two languages, of which the Finnish version is official and the English translation is non-official.

Contents

Report of the Board of Directors

Description of the business model

GRK designs, repairs and builds roads, fairways, tracks and bridges to make everyday life run smoothly, get people to meet each other and make the future more sustainable. GRK's expertise also includes environmental services business. We have nearly 1,000 professionals in Finland, Sweden and Estonia.

GRK's core competencies include the implementation of diverse infrastructure construction projects, project management of large projects and extensive track expertise. GRK offer services from design to construction and maintenance.

Our customers include the state administration, municipalities, cities and the private sector. GRK works on several projects in cooperation with other companies in the infrastructure sector.

In addition to the parent company GRK Infra Oyj, the GRK Group includes country companies in each operating country: GRK Suomi Oy, GRK Eesti AS in Estonia and, in Sweden, GRK Infra AB and GRK Rail AB, the latter of which merged with GRK Infra AB after the reporting period. The aim is to later rename the company as GRK Sverige AB.

Civil engineering and road construction

GRK builds roads, streets and civil engineering infrastructure and improves existing transport infrastructure. We specialise in demanding bridge construction work, such as waterway and railway bridges. Our services cover area construction related to road construction, as well as concrete, steel and composite structures, foundations, industrial construction, bridge and tunnel construction and repair, as well as excavation, shoring and quarrying. Civil engineering and road construction also includes paving.

Rail construction

GRK's comprehensive rail construction services cover the entire life cycle of rail construction. GRK offers all services from design to construction and maintenance. The areas of expertise in rail construction cover systems and structures for railways, metro lines and trams. Our services cover track engineering, track electrification, safety equipment and demanding structural engineering projects from foundations to telecom tower structures. GRK is responsible for the maintenance of tracks in several areas, including southern Finland.

Environmental services

GRK offers circular economy services to various industries and waste producers. GRK carries out area building projects using recycled materials and, if necessary, takes care of additional planning and permit applications. GRK receives and handles waste and industrial by-products both at its own and its customers' locations. GRK accepts reusable, classified and processable industrial mineral rejects, fly ash, bottom ash, and bottom and foundry sands, among others. In addition, the environmental business includes the bioproduct business, such as the production and sale of biochar.

Market situation and operating environment

GRK operates in Finland, Sweden and Estonia. In all of GRK's operating countries, Russia's invasion of Ukraine has slowed down growth, and the economy is sliding into a recession due to it.

The Bank of Finland estimates that Finland's economy grew by 1.9% in 2022. In 2023, the economy will drift into a slight recession, with GDP contracting by 0.5%. The reason for the recession is the energy crisis exacerbated by Russia's war of aggression and the rapid rise in the cost of living. Growth will recover to 1.1 per cent in 2024 as the headwinds of the economy ease. (Source: Bank of Finland, forecast of the Finnish economy 12/22.)

Inflation has accelerated in 2022. Because of the war, the availability of energy is weaker than before, and it has considerably increased the prices of electricity and fuels. Shortages of raw materials and components and disruptions in international freight traffic will gradually ease. Inflation will slow down to 5% in 2023, and it will be around 2% in 2024–2025. (Source: Bank of Finland, forecast of the Finnish economy 12/22.) There are still significant risks associated with the inflation outlook.

According to the European Commission's economic forecast, the euro zone is heading for a recession. Growth is forecast to continue in spring 2023, and GDP in 2023 is expected to grow by 0.3 per cent. Inflation is expected to ease off but to remain at a high level of 7% in 2023 (Source: European Commission autumn 2022 Economic Forecast). In Sweden, GDP is estimated to decrease by 0.6 per cent in 2023 and grow by 0.8 per cent in 2024. In Estonia, GDP is estimated to increase by 0.7 per cent in 2023 and by 2.1 per cent in 2024. The deteriorating economic situation will also inevitably be reflected in the construction sector.

In Finland, high inflation and the end of zero interest rates are now eroding construction investments in an exceptional way. According to the Confederation of Finnish Construction Industries RT's estimate, construction will decrease by 2 per cent in 2023 due to a decrease in infrastructure construction, among other things. The rapid increase in costs burdens civil engineering, and the decline will continue in 2023. Cost will continue to grow rapidly. Government funding for transport infrastructure will fall to a very low level, even though the budget has, to some extent, patched up previous cuts in basic transport infrastructure maintenance. (Source: Confederation of Finnish Construction Industries, economic cycle outlook 10/22). In Sweden, construction investments are expected to decrease by approximately 10 percent in 2023. Although public infrastructure construction in Sweden will decrease by 4 percent, with the growth of private investments, it will decrease by only 2 percent as a whole. (Source: Byggföretagen, Konjukturrapport 2/2022). Construction in the Norrbotten area, which is important to GRK, is expected to grow with significant investments. Infrastructure construction in Estonia is maintained by Rail Baltica's projects and the electrification of Estonia's railway lines.

In recent years, approximately 85 per cent (approximately 89% in 2021) of GRK's invoicing has consisted of public sector projects. In the past, the infrastructure construction market has been characterised by low exposure to short-term cyclical fluctuations, as infrastructure construction projects are often long-term and long-prepared, and a significant part of demand consists of orders from cyclically more stable public operators. Among other things, the increase in defence spending caused by Russia's war of aggression and the sustainability gap in public finances may have an impact on the demand for infrastructure projects. On the other hand, investments made by big cities have remained at a high level, and several large tram projects are expected to start in 2023–24. Private industrial and energy investments as well as defense and border security projects are also expected to increase the demand for infrastructure construction.

Economic review

Seasonality

In infrastructure construction, there is typically significant seasonal fluctuation. This is influenced, for example, by the tendering schedules of the customers, seasons and weather conditions. In paving, for example, government contracts are typically tendered early in the year, and the best time to perform the contracts is during warm seasons or when there is no snow.

In addition to paving, also in rail construction, the work period normally runs from early spring to the end of the year. There is also a similar seasonal fluctuation in civil engineering and road construction. Therefore, projects accumulate the most revenue during the period between early summer and the end of the year. Early in the year, project costs and therefore also the revenue of the projects are lower than later in the year, while overhead costs are distributed more evenly than the project costs throughout the year.

GRK's business is characterised by significant seasonal fluctuations, especially between the first and second halves of the year. Due to seasonal fluctuations, the accumulation of the Group's revenue and, in particular, its profitability, is clearly more timed in the second half of the year.

The seasonal nature of operations also has an impact on the development of the Group's working capital items, which are normally at their highest in the summer season and at their lowest at the turn of the year or early in the year, when projects are completed and the last payment installments are invoiced to the customers.

GRK Group's key figures

GRK Group	1–12 2022	1–12 2021	1–12 2020
Revenue (EUR million)	450.5	430.6	387.3
EBITDA (EUR million)	24.4	32.6	31.2
EBITDA %	5.4%	7.6%	8.0%
Adjusted EBITDA (EUR million)	26.3	34.0	32.4
Adjusted EBITDA %	5.8%	7.9%	8.4%
Operating profit (loss) (EUR million)	11.4	20.7	21.7
Operating profit margin, %	2.5%	4.8%	5.6%
Adjusted operating profit (EUR million)	13.7	22.6	22.9
Adjusted operating profit margin, %	3.0%	5.3%	5.9%
Profit for the financial period (EUR million)	7.0	15.7	18.6
Equity (EUR million)	77.0	78.2	65.1
Return on equity %	9.0%	21.9%	32.1%
Equity ratio %	41.9%	43.6%	43.4%
Order backlog at the end of the year (EUR million)	381	382	405
Average number of personnel	946	888	741

Revenue

GRK Group's revenue is primarily comprised of income from Civil engineering and road construction, rail construction and paving contract revenues and environmental services revenues.

The most significant part of the invoicing of sales, approximately 85 per cent, consisted of contracts for customers in the public sector, and approximately 15 per cent of the invoicing in 2022 consisted of projects for private customers.

The Group's revenue continued to increase in 2022, increasing by 4.6% to EUR 450.5 (430.6) million during the period under review. The most significant share of GRK's revenue was generated in Finland. Revenue in Finland amounted to EUR 329.7 million, which is the same level as in the previous year (EUR 330.8 million in 2021). Due to growth in revenue in Sweden and Estonia, Finland's share of GRK's revenue decreased from 77% to 73%

Revenue developed favourably, especially in Sweden, where revenue increased by 23% to EUR 67.5 million. Revenue also increased in Estonia, by 21% to EUR 51.4 million. In 2022, the development of the revenues of the country companies has been in line with the strategy, as GRK has sought growth especially in Sweden.

In Finland, **revenue** increased in 2022 due to several rail construction projects in particular. Revenue from rail construction grew by 7 per cent in 2022. GRK has several rail construction projects under way, some of which are related to the construction of new rail connections and some to track maintenance. Revenue of the civil engineering and road construction business in Finland, on the other hand, decreased.

The share of continuous business continued to grow in accordance with the strategic objectives. Continuous business includes the maintenance of rail networks and part of the environmental services business. Finland's rail network is divided into 12 areas, the maintenance of which is put out to tender by the Finnish Transport Infrastructure Agency every five years. GRK is currently responsible for the maintenance of the tracks and safety equipment in two of these areas. The most significant maintenance contract in terms of revenue is the maintenance of railway lines in Uusimaa in 2020–2025; the related contract will continue until 2025. Since April 2022, GRK has also been responsible for the entire railway network in Southwest Finland, which includes, for example, the Rantarata line (Turku–Kirkkonummi). Maintenance in the new area started to generate revenue immediately starting in April 2022. GRK also maintains the electric track and high-current systems in the maintenance areas of the Tampere operating centre area.

In 2022, the rail construction business and civil engineering and road construction business had several joint contracts. The Kalasatama–Pasila project in particular had a favourable impact on revenue. In May 2022, GRK was selected to carry out four different contracts on the Kouvola–Kotka–Hamina track section to enable safe traffic and growth of rail transport. On the track section, GRK will carry out, for example, superstructure work, excavation and construction of maintenance roads, electric track and high-current works, and build an underpass in Inkeroinen.

In civil engineering and road construction, revenue was affected by several smaller contracts. The biggest projects in civil engineering and road construction included the improvement of Ring Road III, the sewer tunnels at Blominmäki and the Paimenportti grade-separated junction in Kotka.

In Finland, the revenue of the paving business increased slightly, even though the market situation has been difficult as many customers have reduced their investments.

In Estonia, **the growth in revenue** was especially influenced by the construction of the Võõbu–Mäo road section and the construction of the Tartu ring road. In addition, GRK is involved in the Rail Baltica project, where GRK built a green bridge in Rapla County in 2022.

One of the **most significant projects in Sweden** is the road project on the E4, in Börjelslandet. In Sweden, the H2 Green Steel project is already reflected in the development of revenue, in which GRK carries out the foundation and earthworks of steel and hydrogen plants for the production of green steel in Boden, northern Sweden. GRK and H2 Green Steel signed a contract on the project in May 2022, on the basis of which it was agreed to carry out preparatory tasks. They generated revenue already in the second half of 2022. The actual contract for the overall project was signed after the review period, in January 2023.

Operating profit

The Group's operating profit decreased to EUR 11.4 (20.7) million and adjusted operating profit was EUR 13.7 (22.6) million.

Relative profitability was weaker than in the comparison year due to the sharp increase in the prices of materials in terms of operating margin, 2.5% (4.8%).

The exceptionally sharp increases in the cost of raw materials burdened the profitability of several projects. The costs of materials, energy and logistics began to rise during the COVID-19 epidemic. Russia's war of aggression and sanctions caused a strong increase in the prices of materials and energy, as well as problems with the availability of materials. The increase in material prices particularly affected the first half of 2022, with some material costs levelling off in the second half of 2022. In particular, the increase in prices has affected the project margins of long-term projects in Estonia and in the paving business in Finland.

In 2022, GRK had several fixed-price contracts in progress, which do not involve indices to eliminate the effects of cost changes. GRK has discussed on compensation for the increased costs in ongoing projects with our customers. In Estonia and Sweden, compensation has been received in some projects, but in Finland, the compensations have been minor compared to the incurred cost changes.

GRK has been engaged in several measures due to the increase in costs caused by Russia's war of aggression. In the calculation of tenders, the risk related to the pricing of materials has been taken more closely into account, for example, in the tender prices of contracts containing steel products.

Order backlog

The Group's order backlog stood at EUR 381.0 (381.6) million. The order backlog has remained at a good level. GRK focuses accurately on selecting tender projects and increasing the order backlog in projects in which the expertise of the entire Group can be utilised.

During the review period, the implementation of public projects has been overshadowed by Russia's war of aggression. During spring 2022, some customers cancelled or postponed their orders, especially in Estonia. Despite the difficult market environment, GRK has managed to win several significant projects in its order backlog during the review period. These include the renewal of the railway bridge across the Aura river, track maintenance in Southwest Finland, renovation of the Lappeenranta–Luumäki track section, the Kouvola–Kotka–Hamina section repair project and the construction of roads and tracks in Sundsvall, Sweden.

In March 2022, GRK announced that it had been selected to participate in the Hailuoto bridge and road project to improve Hailuoto's accessibility. The project consists of two phases, which are the development and the implementation phase. The development phase commenced in spring 2022. The implementation phase, i.e. the actual construction work, can begin once the water permit decision for the project has become final. During the review period, the Vaasa Administrative Court rejected the appeal of a district organisation of the Finnish Association for Nature Conservation' on the Hailuoto embankment, but in January 2023, the district organisation announced that it was applying for leave to appeal from the Supreme Administrative Court. The total estimated cost of the project is approximately EUR 96 million. If realised, the project would bring a significant addition to GRK's order backlog.

The most significant projects in 2022

Ilmala tram line, 7/2020–10/2022, Helsinki

The Ilmala tram line construction project included the construction of a tram line in the Pasila and Ilmala districts of Helsinki. The built tram line is a continuation of the existing tram line 9. The end stops of the trams were built at the new Ilmalantori square, which was completed next to the Ilmala station in autumn 2022. At the same time, the municipal technology of Pasilankatu and Radiokatu was renewed, such as water pipes, sewers and cables, and one-way bicycle paths were built on Radiokatu. The value of the contract was approximately EUR 19.3 million.

Maintenance, track maintenance in Uusimaa and Southwest Finland

An alliance comprising GRK Rail Oy, the Finnish Transport Infrastructure Agency and Finrail Oy is responsible for the maintenance of the Uusimaa railway and safety equipment until March 2025 at the minimum. The maintenance contract covers the entire railway network of Uusimaa. The target budget of the project is approximately EUR 150 million.

GRK started maintenance in the south-west coast area on 1 April 2022 and the contract will end on 31 March 2027. The contract has a two-year option. The value of the agreement is approximately EUR 55 million.

Kouvola–Kotka–Hamina 5/22–2023

GRK has been selected to carry out four different contracts on the Kouvola–Kotka–Hamina track section to enable safe traffic and growth of rail transport. The client is the Finnish Transport Infrastructure Agency, and the total value of the agreements is approximately EUR 13 million. GRK's work will take place in 2022–2023.

Improvement of Ring Road III, 3/21–11/23, Askisto, Vantaankoski–Pakkala

In the third-phase contract of the Ring Road III improvement, work will be carried out on the Espoo–Vantaa border to Vihdintie for a distance of approximately 2.5 kilometres and on a three-kilometre road section between Vantaankoski and Pakkala.

The contract includes the construction of new grade-separated junctions and thorough repair of the road structure, as the pile slab on the south lane has been damaged. The project also includes a large amount of bridge work. The value of the contract is approximately EUR 34 million.

Road 97, Södra Sunderby-Sävast, 11/2019–9/2022, Sweden

GRK Infra AB's improvement project promotes traffic safety and accessibility between Södra Sunderby and Sävast. The contract includes the widening of the road, the installation of central railings, the construction of three new grade-separated junctions and the construction of a parallel road network alongside the 97 road. The value of the contract is approximately EUR 45 million.

Võõbu–Mäo, 7/20–11/22, Estonia

In May 2020, the Estonian Road Administration and GRK Infra AS together with GRK Infra Oyj signed an agreement on the construction of the Võõbu-Mäo section of the Tallinn–Tartu highway. The length of the road section concerned is 17 kilometres and it includes the construction of a four-lane road section and six bridges. The total value of the contract is approximately EUR 44 million.

Umeå river bridge, 3/2019–2023, Sweden

GRK is building a bridge across the Umeå river in Sweden on the Umeå E10 ring road. Construction began in 2019 and the bridge is expected to be completed in autumn

2023. The contract section includes the construction of a 530-metre road bridge over the Umeå river and the construction of a walking and cycling route over the Baggbölevägen. The value of the agreement is approximately EUR 44 million. The project has been delayed, more information about the subject is available in the section describing the risks.

Cash flow, financial position and major investments

In January–December, the Group's cash flows from operating activities amounted to EUR 21.0 (full-year 2021: 17.3) million, cash flows from investing activities to EUR -19.2 (–20.1) million and cash flows from financing activities to EUR –7.2 (–1.6) million. Cash and cash equivalents has decreased by EUR 5.4 million since the turn of the previous year. In addition to the lower result than in the previous year, the decrease in cash and cash equivalents was particularly attributable to the significant investments made during the financial period, loan repayments and the payment of dividends. The withdrawals of new loans were related to the investments made during the financial period.

Cash and cash equivalents at the end of December were EUR 43.0 (31 December 2021: 48.5) million and unused binding overdraft facilities were EUR 11.5 (11.5) million. The Group's interest-bearing liabilities, including lease liabilities, amounted to EUR 38.2 (34.7) million. Net debt amounted to EUR –7.2 (–16.7) million and the equity ratio was 41.9 (43.6) per cent, so the Group's solvency remained strong.

The net investments for 2022 were EUR 21.8 (21.7) million, to a significant extent relating to asphalting equipment, rail construction and environmental services business.

In accordance with its strategy, GRK will continue to invest in its environmental services business. During the review period, GRK applied for an environmental permit for a new pyrolysis plant for different types of waste to be built in Utajärvi, which will produce about 3,000 tonnes of biochar annually. The operation of the biochar plant is scheduled to start in spring 2023. The plant has been in trial use during the review period.

Strategy

GRK's Board confirmed the company's updated strategy in late 2022. The Group's updated strategy is for 2023–2025.

The strategy was updated mainly due to geopolitical changes and the weakening of the economic outlook, but megatrends were also examined. It was perceived that the economy will decline in the next few years and the price of energy will be high. At the same time, road investments will decline in Finland and Estonia, but increase in Sweden. In addition, sustainability criteria are becoming increasingly important, and investments in renewable energy are increasing.

The strategic intent is that in 2025, GRK will be the most versatile company in the infrastructure sector that grows profitably, is a forerunner in sustainable construction and has the most dedicated team.

The strategic intent will be reached by GRK growing especially in Sweden and maintaining healthy profitability across the board. GRK will invest in the profitable growth of environmental services. The goal of GRK is an entrepreneurial and unified culture that attracts and retains the best experts.

Financial targets have been updated along with the new strategy, and profitability is pursued instead of a significant growth leap.

GRK measures the success of its strategy by monitoring the Group's financial targets, which the company aims to achieve by the end of 2025:

- Revenue: over EUR 500 million
- Operating profit: over 6%
- Return on equity: over 25%
- Equity ratio: over 35%

Changes in the Group's structure

GRK revised its organisation and operations model during 2022. The goal was to have a clearer organisational structure where the GRK Group consists of the parent company GRK Infra Oyj and three local subsidiaries in Finland, Sweden and Estonia. The restructuring was part of long-term strategy implementation. By revising the operating model, GRK secures its competitiveness and is able to respond to customers' wishes efficiently.

Before the restructuring, the companies in the GRK Group operated by business area, but after the change, customers have received GRK's comprehensive services through their own country company. The structural change was implemented through mergers and business transfers during 2022.

Prior to the restructuring, the GRK Group included a total of six companies:

- The parent company GRK Infra Oyj
- GRK Road Oy and GRK Rail Oy in Finland
- GRK Infra AB and GRK Rail AB in Sweden
- GRK Infra AS in Estonia.

The restructuring was implemented in 2022 as follows:

- GRK Rail Oy sold the entire share capital of GRK Rail AB to GRK Infra AB on 6 September 2022
- GRK Rail Oy was renamed as GRK Suomi on 1 October 2022
- The construction business operations of GRK Infra Oyj were transferred under GRK Suomi Oy from 1 October 2022.
- GRK Road Oy was merged with GRK Suomi Oy on 31 December 2022, at which time GRK Road Oy ceased operations.
- In Estonia, GRK Infra AS was renamed as GRK Eesti AS. The new name came into effect on 20 October 2022.
- After the review period, GRK Rail AB was merged into GRK Infra AB. In Sweden, the aim is to rename the company as GRK Sverige AB. The new name is expected to come into effect in early 2023.

As part of the restructuring, GRK announced in its press release on 29 August 2022 that GRK Suomi Oy's business operations were divided into three different business groups.

Personnel

In 2022, the GRK Group had an average of 946 (1–12/2021: 888) employees.

In summer 2022, the number of GRK's personnel exceeded one thousand for the first time, when the Group employed seasonal workers and trainees during the summer.

The accident frequency (accidents at work resulting in at least one day's absence per million hours worked) was 11.6 (7.9), which is below the industry average. The number of accidents included in calculating the accident frequency was 20 (13).

GRK Group	1–12/2022	1–12/2021	1–12/2020
Finland	819	792	666
Sweden	50	35	25
Estonia	76	61	50
Group total*	**946**	**888**	**741**

*Average number of personnel for the countries and the Group.

Research and development

GRK's strategic intent is to be the most versatile operator in the infrastructure sector in 2025. We are pursuing profitable growth. We want to be a pioneer in sustainable construction and we have the most dedicated team in the sector. This requires GRK to make significant investments in research and development.

In 2022, our research activities focused especially on the development of environmental services, because in accordance with the strategy, we are seeking strong growth in environmental services.

Environmental services development projects support all of our business operations. They allow us to respond to the increasing requirements for sustainable construction.

A low-carbon operating model for infrastructure construction

Launched in April 2020, our research project on a low-carbon operating model for infrastructure construction ended at the end of 2022. The project was partly funded by Business Finland. The project has operated in two areas: In Kärkölä, the site was a decommissioned clay extraction area of an old brick factory, and in Punkalaidun, the site was a decommissioned peat bog.

In the project, we are committed to improving the growing conditions of the areas and reforesting them. The project has also piloted carbon sequestration in a forest area and modelled compensation for carbon dioxide emissions from GRK's operations. The project has been carried out in close cooperation with the Finnish Meteorological Institute. At the edge of the forest area, there has been a Finnish Meteorological Institute measurement station that has continuously measured the forest area's ability to absorb carbon.

The project will provide GRK with accurate information about the significance of reforestation in compensating for its emissions. It has been noteworthy how important the growing medium used and the selected plants are in calculating the offset.

New binders, earthworks materials and fertiliser products in infrastructure construction

In 2020, GRK started a survey aiming to process ash, slag or similar industrial by-products and waste materials into high-quality end products for binder use, earthworks and fertilisers. The project will investigate the potential raw material flows that enable continuous large-scale production power. The project is partly funded by Business Finland.

In 2022, we studied several materials and chose some of them for further productisation. The appreciation of recycled materials is growing all the time, and the shortage of virgin raw materials steers the use of side streams and waste materials. This project supports GRK's goals as a sustainable builder and will also allow us to increase our carbon handprint. The project will continue until November 2023.

Biochar

GRK will further strengthen its environmental business by introducing a new carbon-negative product, biochar, to the market. Our in-house biochar production enables the reversal of the carbon footprint and strengthens profitable business growth. For the investment of our first production plant, we received a partial RRF investment grant from Business Finland. The year 2022 was spent on plant development and construction of the operating area. Biochar production will commence in 2023.

Non-financial information

GRK's responsibility is based on the company's strategy, values and commitments. GRK's sustainability goals are outlined in the Group's strategy, with the strategic intent of leading the way in sustainable construction. The indicators include safety, customer satisfaction, increased operating profit in environmental services, no harm to the environment and carbon neutrality of own operations by 2030.

Environmental responsibility

GRK's environmental management procedures comply with the ISO 14001:2015 environmental management system standard. The environmental management system together with the safety (ISO 45001:2018) and quality management systems (ISO 9001:2015) form the company's operating system, which is certified in accordance with the relevant management system standards. The annual external audits of the operating system required for maintaining the certificates are carried out by DNV Business Assurance Finland Oy Ab.

Operations in accordance with the environmental certificate are also monitored through weekly safety and environmental inspections at construction sites, regular site inspections and internal audits. Environmental activities are part of the normal day-to-day operations of construction sites.

Carbon footprint

The carbon footprint is a measure of the impact of various services and products on climate warming. It can be used to measure how much greenhouse gases are generated during construction, for example.

GRK's carbon footprint has been calculated for the entire Group in 2022. The accounting takes into consideration Scope 1 and 2 emissions of the Greenhouse Gas Protocol (GHG). The accounting was carried out using an emissions measurement tool created in cooperation between GRK and Sitowise.

In infrastructure construction, the carbon footprint of own operations is primarily influenced by the fuel emissions of construction site equipment and vehicles (Scope 1). With regard to fuels, our calculations take into account all use in our own operations. In 2022, we used approximately 900,000 litres of renewable fuels. Renewable fuels accounted for approximately 26% of our total consumption. In addition, we significantly increased the use of LPG in our asphalt business in 2022. In 2022, we used a total of approximately 1 million kg of LPG, while the use in 2021 was approximately 0.5 million kg. This change is significantly reducing our carbon footprint, as the CO_2 emissions of LPG are 15–20% lower than those of fuel oil.

With regard to purchased energy, we have strengthened the use of renewable energy (Scope 2). In Sweden, we use 100% renewable energy. In Finland, we have purchased energy centrally since April 2022, and we have used 100% renewable energy thereafter. In Estonia, the share of renewable energy is 12%.

GRK's carbon footprint was 14,367 tonnes of CO_2 equivalent in 2022 (14,812 tonnes CO_2 equivalent).

Carbon handprint

Carbon handprint indicates how a company develops products and services that enable the company or its customer to reduce their own carbon footprint. In 2022, GRK influenced its own carbon handprint through several products.

During 2022, GRK used a total of 551,000 tonnes of recycled materials in its operations. This is 20% more than in 2021. Recycled materials include asphalt, concrete, ashes, slags and tyres. The use of reclaimed asphalt mixture in paving operations totalled 105,000 tonnes in 2022. This is 35% more than in 2021. The material is included in the total amount of recycled materials.

In addition, GRK has separated a total of 2,300 tonnes of precious metals, such as copper, aluminium and other non-magnetic metals in, the treatment of incineration bottom slags. These materials have been delivered to the metal industry for reuse. In addition, 2,000 tonnes of iron and steel have been magnetised, and this has been delivered as raw material for steel. The treatment of construction waste has generated 892,000 litres of energy waste, which has been delivered to energy production to replace fossil fuels.

Our carbon handprint in 2022 was 10,800 tonnes of CO_2 equivalent. This corresponds to the CO_2 emissions produced by all GRK personnel of approximately 10 t CO_2 equivalent per person per year. The carbon handprint was calculated for the first time, so the comparison for 2021 is not available.

Social responsibility:

Becoming a pioneer in sustainable construction – accident frequency rate goal of < 5 in 2025

GRK has carried out long-term safety work for several years. The goal of the strategy period is to get the accident frequency rate below 5. The accident frequency rate describes the number of accidents causing sick leave per one million hours worked. GRK has succeeded in decreasing the accident frequency rate for several years by introducing and developing predictive safety tools and by strengthening the use of existing good practices.

In 2022, there were some setbacks in safety, but in the next few years, GRK will strengthen the management of basic safety issues, develop the consideration of safety in all operations, train our in-house personnel in the competence and consideration of safety, quality and environmental issues and develop the operating model for rewarding safety.

Employee satisfaction

In 2022, GRK conducted the Työvire personnel survey with 563 respondents. The response rate was 64%. The pulse score was 3.9 out of 5, and the average varied between 3.3 and 4.7 out of 5 between different respondent groups.

The Työvire personnel survey is a short pulse survey, while the Employee Net Promoter Score (eNPs) is used as a strategic indicator of overall satisfaction at GRK. In 2022, GRK Group's eNPS was 23 (39). The median eNPS of companies is about 20, of the top quartile 40 and the top decile about 60.

Corruption and bribery

GRK's ethical guidelines are aggregated into the principles of fair operations, which include the Group's common code of conduct. The principles of fair operations are based on legislation, official regulations and the company's values, based on which concrete procedures have been built for

GRK's management and employees for different scenarios. GRK's goal is also to commit our partners to the principles of fair operations and to ensure that they follow similar practices in their cooperation with GRK.

Combatting the black economy and preventing bribery and corruption are part of GRK's principles of fair operations. GRK has zero tolerance for bribery and corruption. The principles of fair operations provide guidelines for preventing bribery and corruption, examples of situations that may arise in day-to-day life and guides on what to do in these situations.

GRK has an anonymous whistleblowing channel for anyone to report grievances or suspicions of fraud concerning the company.

The whistleblowing channel can be used to report, for example, shortcomings in occupational safety and health, breaches of equality, non-discrimination and equality, conflicts of interest, suspicions of the black economy, money laundering or terrorist financing, as well as bribery and corruption. All reported violations are investigated appropriately and confidentially.

After the review period, at the beginning of 2023, GRK adopted an internal guideline on conflicts of interest. The purpose of the guideline is to ensure that decisions in GRK's operations are always made transparently and in the best interests of GRK. A conflict of interest must not affect the decisions made at work, which is why, according to the guideline, in a conflict of interest situation, decision-making must always be delegated to the supervisor of one's own supervisor.

EU Taxonomy

In the field of corporate responsibility, a major current theme is the regulation of sustainable financing in the European Union, i.e. the EU Taxonomy. GRK has recognised that the EU Taxonomy is relevant to it through the European Commission's Corporate Sustainability Reporting Directive (CSRD) proposal.

Towards the end of 2022, GRK started a preliminary investigation into the EU Taxonomy, finding out that some of the company's operations belong to the sectors with environmentally sustainable financing and investment targets defined in the regulation.

GRK will publish the results of the preliminary investigation in its annual and sustainability report for 2023. GRK will continue to evaluate its economic activities in relation to the taxonomy regulation and monitor the development of the regulatory field affecting sustainability reporting.

GRK's overall impact on society and sustainability will be discussed in more detail in the annual and sustainability report for 2023, which will be published on the company's website at www.grk.fi/

Recognition for work

In 2022, GRK received recognition for its sustainability work when it was selected as a finalist in the CO_2 reduction category of the World Sustainability Awards 2022.

Most significant risks and uncertainties

GRK Group's comprehensive risk management develops joint procedures to identify, assess, manage and monitor risks related to the achievement of goals and the continuity of operations. The task of risk management is to ensure the effective implementation of the company's strategy in both the short and long term. Risk management aims to ensure the achievement of financial goals.

Risk management is implemented throughout the GRK Group at all levels of operations as part of the operating system in accordance with good governance principles. Mitigating risks and identifying opportunities is part of day-to-day business management. A systematic risk management process includes active, proactive and protective measures that both protect against threats and identify opportunities.

The GRK Group classifies risks into five risk areas. Strategic risks are often related to external events and changes, changes in society or the operating environment, legislation and the market situation, which affect long-term plans and strategic goals. Operational risks are related to the day-to-day operations of the organisation,

Key risks in 2022:

Risk	Risk management measures
Rapid expansion of operations	Developing the management system so that operations are less dependent on individuals
The effects of the war in Ukraine on the market prices and availability of energy and materials	Preparation through procurement and contracts.
Market situation, dependence on public procurement	Development of the offering, development of tendering, active monitoring of the market.
Accident at the Umeå bridge construction site in 2020	Described in more detail under Legal proceedings.

especially at construction sites and in projects. The key starting point for project risk management in our operations is the identification of project-related risks and good management from the tender calculation of the projects to their completion. Financial risks are related to economic and financial factors. Damage risks are caused by unexpected and sudden events and can be occupational accidents, incidents and damage to third parties. Compliance risks are related to compliance with legislation, official regulations, GRK's values and the principles of fair operations.

Legal proceedings

In September 2020, an accident that took place at GRK Infra AB's Umeå construction site after the second phase of the bridge beam installation had commenced. During the installation phase, the bridge beam slid off its base so that it was damaged.

The client of the project, the Swedish Transport Administration (Trafikverket) commenced an investigation of the accident together with a third party, GRK and the insurance company. The report on the investigation assesses, among other things, the impact of the exceptionally low friction and brakes of the mounting base on the accident.

Due to the incident, GRK Infra AB has initiated arbitration and demands the subcontractor to compensate for the damage and delay penalties incurred in an arbitral tribunal. The counterparty has also issued its own counterclaim based on the work it had performed; however, in total, the claim was only a fraction of GRK's claims. GRK's final claims will be specified during the arbitration, taking into account the final damage repair costs. As a whole, insurance claims received are also taken into account. Furthermore, GRK Infra AB has submitted a claim to the District Court of Helsinki concerning the guarantee granted by the subcontractor's Finnish parent company. By application of GRK Infra AB, the District Court of Helsinki has already issued an order of attachment seizing EUR 7,760,000 of the guarantor's assets, equal to the amount of the guarantee. GRK has provided the execution authority with a guarantee of EUR 3,500,000 required for the procedural remedy.

In March 2021, the insurance company decided to compensate for the part of the damage covered by the insurance. The insurance company has indemnified the costs incurred in accordance with the policy conditions. The insurance company has reserved the right to reassess its indemnity decision, including the recovery of the indemnities paid, should information deviating from what was known to the insurance company before making the decision subsequently emerge. The project still involves schedule, cost and technical risks, the effects of which the management has taken into account according to the best estimate in the project's latest profit forecast.

In 2022, GRK was a defendant in a criminal prosecution regarding an environmental violation. The case concerned the notification procedure for shipments of non-hazardous recycled metals to the EU. After the review period, on 10 February 2023, the Helsinki District Court dismissed the charges.

Management and auditors

Board

Kari Kauniskangas was elected as a new member of the Board of Directors of GRK Infra Oy by the extraordinary general meeting of shareholders held on 31 January 2022. **Jukka Nikkanen**, **Tarja Pääkkönen**, **Esa Lager**, **Johanna Korhonen** and **Keijo Haavikko** will continue as Board members.

Jukka Nikkanen acted as Chair of the Board as agreed until 1 September 2022, and Kari Kauniskangas started as Chair of the Board on 1 September 2022.

In 2022, the Board established an Audit Committee. The members of the Audit Committee are Jukka Nikkanen (Chair from 1 September 2022), Esa Lager (Chair until 31 August 2022) and Kari Kauniskangas.

Auditor

The company's auditor was PricewaterhouseCoopers Oy, with **Markku Launis**, Authorised Public Accountant, as its principal auditor.

Management team

GRK Infra Oyj's management team on 31 December 2022:

- Juha Toimela (President and CEO of GRK Infra Oyj and CEO of GRK Suomi Oy from 1 October 2022)
- Keijo Haavikko (Executive Vice President of GRK Infra Oyj)
- Mikko Nyhä (Executive Vice President of GRK Suomi Oy from 1 October 2022, CEO until 30 September 2022, Business Director, Rail)
- Sami Immonen (Technical Director)
- Johanna Korhonen (HR Director)
- Johanna Metsä-Tokila (General Counsel)
- Mika Mäenpää (CEO, GRK Infra AB)
- Jaakko Mäkelä (Business Director, Civil Engineering and Road Construction and Paving)
- Priit Paabo (CEO, GRK Eesti AS)
- Timo Pinomäki (Chief Risk Officer)
- Riina Rantsi (Director, Business Development, Sustainability, Marketing and Communications)
- Mikko Sillman (Chief Financial Officer)

Resolutions of the Annual General Meeting

Annual General Meeting

The Annual General Meeting of GRK Infra Oyj was held in Vantaa on 8 March 2022.

The Annual General Meeting decided, in accordance with the Board's proposal, that a dividend of approximately EUR 5.6 million be distributed based on the 2021 result.

The meeting elected Kari Kauniskangas, Keijo Haavikko, Jukka Nikkanen, Johanna Korhonen, Tarja Pääkkönen and Esa Lager as members of the Board of Directors.

In its first meeting after the Annual General Meeting, Jukka Nikkanen was elected as Chair of the Board for a term expiring on 31 August 2022, and Kari Kauniskangas as of 1 September 2022 until the end of the term of office. Keijo Haavikko was elected as Vice Chair of the Board.

The Annual General Meeting also adopted the financial statements for 2021 and discharged the members of the Board of Directors and the CEO from liability.

The Board's remuneration was decided on by the Annual General Meeting.

PricewaterhouseCoopers Oy (PwC) was chosen as the company's auditor. The principal auditor is Markku Launis, Authorised Public Accountant (KHT).

Extraordinary General Meeting

GRK Infra Oyj's Extraordinary General Meeting of 31 January 2022 elected Kari Kauniskangas as a new member of the Board of Directors.

The company's legal form was changed from a private limited company to a public limited company. The company name is GRK Infra Oyj, in Swedish GRK Infra Abp and in English GRK Infra Plc. The meeting also decided:

- On amending the Articles of Association (including removing the company's separate series of shares)
- On joining the book-entry system
- On increasing the share capital to EUR 80,000 as an increase from reserves.
- The Extraordinary General Meeting of 14 February 2022 decided:
- On splitting the share through an unpaid share issue to the company's current shareholders.
- On authorising the Board of Directors to decide on a directed share issue to acquire all of the shares in the company's subsidiaries GRK Road Oy and GRK Rail Oy (exchange of shares) and approval of the exchange of shares. The share exchange was carried out on 2 June 2022, when the previous individual shareholders of the subsidiaries subscribed a total of 1,404,022 new company shares. The shares were entered in the Trade Register on 15 June 2022.
- On authorising the Board of Directors to apply for the listing of the company's shares on the Nasdaq Helsinki Oy stock exchange. The validity of the authorisation ended on 30 June 2022. The authorisation was not used.
- On authorising the Board of Directors to decide on a share issue (initial public offering). The validity of the authorisation ended on 30 June 2022. The authorisation was not used.
- On authorising the Board of Directors to decide on a share issue and issuance of special rights entitling to shares.
- On authorising the Board of Directors to decide on the repurchase and acceptance as pledge of the company's own shares.

Share

Changes in the number of shares and share issues

By way of the decision of the general meeting at the end of January, the company gave up different classes of shares. After the change, all of the company's shares are of the same type, i.e. there is only one type of shares in the company.

In February, the company's general meeting decided on a share split with a free share issue to the company's shareholders. The shareholders of the company were issued four new shares for each existing share without consideration. The number of shares in the company before the share split was 7,957,541 shares and after the share split 39,787,705 shares.

The company's shares were included in the book-entry system on 10 March 2022.

On 2 June 2022, the company's Board of Directors decided on a directed share issue to acquire all of the shares in the company's subsidiaries GRK Road Oy and GRK Rail Oy (exchange of shares). With the share exchanges, the company acquired the remaining shares in GRK Road Oy and GRK Rail Oy from their minority shareholders. The company received the shares in its subsidiaries in share exchanges and handed over a total of 1,404,022 new shares as consideration. The new shares were entered in the Trade Register on 15 June 2022.

Repurchase of own shares

During the financial year, the company acquired a total of 143,376 of its own shares from private shareholders. On 31 December 2022, the company held a total of 1,193,376 shares, which account for 2.9% of all company shares and votes.

Company shares

At the general meeting at the end of January, the company decided to increase the share capital by EUR 45,353.30 to EUR 80,000. The share capital increase was implemented as an increase from reserves.

At the end of the review period, the company's share capital is EUR 80,000. The company has a total of 41,191,727 shares. All company shares confer equal rights to dividend, the company's assets and voting at general meetings. The company's shares are subject to the redemption and consent clauses according to the Articles of Association.

Related party loans

The company has granted loans to the company's key personnel to finance part of their subscription price for the company's shares. The terms and conditions of the loans are market-based, and the shares subscribed by these persons in the collective investment scheme are collateral. The amount of related party loan receivables at the end of the review period is EUR 628 thousand (31 December 2021: EUR 764 thousand).

Operating environment for 2023

The market situation is difficult, as the economy will be in recession in 2023 and energy prices will remain high. Demand for civil engineering and road construction is decreasing in Finland and Estonia, but growing in Sweden. There are growth opportunities in rail construction in all of GRK's operating countries. In Finland, business opportunities are seen in large cities' projects. Growth is also pursued in the private sector in Finland and Sweden.

Estimate of probable future development

GRK estimates that its revenue and adjusted operating profit in 2023 will increase somewhat from the year 2022 (turnover EUR 450.5 million and adjusted operating profit EUR 13.7 million in 2022).

Board of Directors' proposal for the distribution of profits

The company's distributable funds are EUR 80,247,007.46, of which the profit for the financial period is EUR 9,697,253.90.

The Board proposes to the Annual General Meeting that the distributable funds be used as follows:

- Dividend of EUR 0.16 will be paid for each share outstanding at the time of dividend payout totalling 39,998,351 shares, resulting in a total dividend of EUR 6,399,736.16
- The remaining distributable funds of EUR 73,847,271.30 will be retained in equity.

The company's liquidity is good and the proposed distribution of profits will not compromise the company's liquidity.

Events after the financial period

- GRK announced on 3 January 2023 that the City of Vaasa had chosen the joint alliance group of GRK and Sitowise as the service provider for the city's cycling project. The cycling project will last until 2029, during which a high-quality route network of 50 kilometres of walking and cycling trails as well as other cycle paths and related services will be implemented in Vaasa. The total cost of the project will be determined during annual development phases, and the target is approximately EUR 30–50 million.
- GRK announced on 8 February 2023 that it had received a giant project from Sweden. H2 Green Steel selected GRK Infra AB to carry out the foundation and earthworks of its new hydrogen and steel plant. The value of the contract exceeds SEK 2 billion, or close to EUR 200 million. The project will continue until early 2025.
- Eesti Raudtee (Estonian Railways) has selected GRK to electrify the Aegviidu–Tapa–Tartu railway line. The total cost of the project is approximately EUR 79 million. This is the first significant step towards electrifying Estonia's railway lines. The contract was signed in February 2023.

Key figures and calculation formulas

Key figures

EUR thousand	31 December 2022	31 December 2021	31 December 2020
Revenue	450,459	430,586	387,259
Revenue change, %	4.6%	11.2%	29.7%
EBITDA	24 403	32,599	31,169
EBITDA margin, %	5.4%	7.6%	8.0%
Adjusted EBITDA	26,285	33,961	32,402
Adjusted EBITDA margin, %	5.8%	7.9%	8.4%
Operating profit before amortisation of intangible assets (EBITA)	11,858	20,904	21,705
Operating profit before amortisation of intangible assets (EBITA), %	2.6%	4.9%	5.6%
Adjusted operating profit before amortisation of intangible assets (adjusted EBITA)	13,876	22,811	22,938
Adjusted operating profit before amortisation of intangible assets (adjusted EBITA) margin, %	3.1%	5.3%	5.9%
Operating profit	11,364	20,724	21,654
Operating profit margin, %	2.5%	4.8%	5.6%
Adjusted operating profit	13,689	22,630	22,887
Adjusted operating profit margin, %	3.0%	5.3%	5.9%
Profit (loss) for the period	6 983	15,698	18,576
Profit (loss) for the period, % of revenue	1.6%	3.6%	4.8%
Basic earnings per share, EUR [1]	0.18	0.39	0.47
Diluted earnings per share, EUR [1]	0.18	0.39	0.47
Net debt	−7,172	−16,739	−25,385
Net debt/EBITDA	−0.3	−0.5	−0.8
Net debt/adjusted EBITDA	−0.3	−0.5	−0.8
Net working capital	−6,037	−4,066	−16,648
Equity ratio	41.9%	43.6%	43.4%
Return on capital employed (ROCE), %	10.0%	20.0%	25.6%
Return on equity (ROE), %	9.0%	21.9%	32.1%
Net investments	21,809	21,689	20,035
Operating free cash flow	−2,977	−5,206	29,787
Order backlog at end of the period	381,017	381,559	405,336
Accident frequency rate	11.6	7.9	10.7
Sickness absence %	2.9%	1.6%	1.4%
Average number of personnel during the year	946	888	741

1) Earnings per share, basic and diluted, for the financial years ended 31 December 2021, 31 December 2020 and 31 December 2019 has been adjusted for the effect of the share issue without consideration (split) decided on by the Company’s Extraordinary General Meeting of 14 February 2022.

Calculation formulas for key figures

Key figure		Calculation formula	
Revenue change, %	=	Revenue - revenue for the comparison period / Revenue for the comparison period	×100
Items affecting comparability	=	Material items outside the ordinary course of business relating to i) transaction costs related to company acquisitions or business purchases (whether implemented or not) ii) gains and losses or impairments generated by the sale of tangible and intangible assets and subsidiaries and affiliates iii) restructuring costs, including termination benefits, as well as strategic restructuring and examination-related costs v) costs related to preparations for and the implementation of the Company's listing on the stock exchange and v) unusual legal and arbitration costs	
EBITDA	=	Operating profit (loss) + depreciation, amortisation and impairment	
EBITDA margin	=	EBITDA / Revenue	×100
Adjusted EBITDA	=	Operating profit (loss) + depreciation, amortisation and impairment + items affecting comparability	
Adjusted EBITDA margin	=	Adjusted EBITDA / Revenue	×100
Operating profit before amortisation of intangible assets (EBITA)	=	Operating profit (loss) + amortisation and impairment of intangible assets	
Operating profit before amortisation of intangible assets (EBITA) margin	=	Operating profit (loss) before amortisation of intangible assets (EBITA) / Revenue	×100
Adjusted operating profit before amortisation of intangible assets (adjusted EBITA)	=	Operating profit + amortisation and impairment of intangible assets + items affecting comparability	
Adjusted operating profit before amortisation of intangible assets (adjusted EBITA) margin	=	Adjusted operating profit before amortisation of intangible assets (adjusted EBITA) / Revenue	×100
Operating profit (loss) (EBIT)	=	Revenue + other operating income - materials and services - employee benefit expenses - other operating expenses - depreciation, amortisation and impairment	
Operating profit (EBIT) margin	=	Operating profit (loss) (EBIT) / Revenue	×100
Adjusted operating profit (adjusted EBIT)	=	Operating profit (loss) + items affecting comparability	
Adjusted operating profit (adjusted EBIT) margin, %	=	Adjusted operating profit (adjusted EBIT) / Revenue	× 100
Profit (loss) for the period, % of revenue	=	Profit (loss) for the period / Revenue	×100

Key figure		Calculation formula
Equity ratio %	=	Total equity (including non-controlling interests) / Balance sheet total - contract liabilities (advances received) ×100
Net debt[1]	=	Borrowings + lease contact liabilities - loan receivables - cash and cash equivalents
Net debt/EBITDA	=	Borrowings + lease liabilities - loan receivables - cash and cash equivalents / Operating profit (loss) + depreciation, amortisation and impairment
Net debt/adjusted EBITDA	=	Borrowings + lease liabilities - loan receivables - cash and cash equivalents / Operating profit (loss) + depreciation, amortisation and impairment + items affecting comparability
Net working capital[2]	=	Non-current receivables less non-current loan receivables + inventories + trade receivables and other receivables less current loan receivables - non-current other liabilities less other financial liabilities - contract liabilities (advances received) - trade payables and other current liabilities - provisions
Return on capital employed % (ROCE %)	=	Operating profit (loss) / Equity + interest-bearing liabilities (loans + lease liabilities) on average during the financial year ×100
Return on equity (ROE) %	=	Profit (loss) for the period / Total equity on average during the financial year × 100
Net investments	=	Increase in intangible assets and property, plant and equipment and right-of-use assets - disposals of intangible assets and property, plant and equipment + cumulative depreciation and amortisation associated with disposals + reclassifications
Operating free cash flow	=	Net cash flow from operating activities on the cash flow statement – Acquisition of property, plant and equipment and intangible assets on the cash flow statement - Proceeds from sale of property, plant and equipment on the cash flow statement - repayments of lease liabilities on the cash flow statement
Order backlog at end of the period	=	Transaction price allocated to partially fulfilled or completely unfulfilled performance obligations and estimated transaction price of new projects
Accident frequency (without subcontractors)	=	Number of accidents / Hours worked × million (h)
Sickness absence %	=	Days of disability × 0.8 / (Number of employees × selected period length × 0.7) × 100
Basic earnings per share	=	Profit (loss) for the period / Average number of shares adjusted for share issues, excluding own shares
Diluted earnings per share	=	Profit (loss) for the period / Diluted average number of shares adjusted for share issues, excluding own shares

1) The other financial liability included in other non-current liabilities in 2021 has not been taken into account as part of net debt due to the nature of the item. This item is an additional equity investment made by a subsidiary's former shareholder (Aktieägartillskott), which must be returned to the original investor in the event that the subsidiary in question accumulates a corresponding amount of distributable funds.

2) The Company's management has classified business acquisition purchase price debt included in the other non-current liabilities as an item of net working capital, because it is a longer interest-free payment period obtained for part of the purchase price. In addition, the other financial liability included in other non-current liabilities in 2021 has not been taken into account as part of net working capital due to the nature of the item. This item is an additional equity investment made by a subsidiary's former shareholder (Aktieägartillskott), which must be returned to the original investor in the event that the subsidiary in question accumulates a corresponding amount of distributable funds.

Consolidated statement of comprehensive income

EUR thousand	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Revenue	1	**450,459**	**430,586**
Other operating income	3	17,576	14,669
Materials and services	4	−337,743	−314,457
Employee benefit expenses	5	−81,022	−75,222
Depreciation, amortisation and impairment	6	−13,040	−11,875
Other operating expenses	7	−24,868	−22,978
Operating profit (loss)		**11,364**	**20,724**
Finance income		157	61
Finance expenses		−1,566	−1,029
Finance income and expenses	8	−1,409	−968
Profit (loss) before income tax		**9,955**	**19,755**
Income taxes	9	−2,972	−4,057
Profit (loss) for the period		**6,983**	**15,698**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Translation differences		−91	−70
Other comprehensive income for the period, net of tax		**−91**	**−70**
Total comprehensive income for the period		**6,891**	**15,628**

EUR thousand	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Profit (loss) for the period attributable to:			
Owners of the parent company		6,983	15,154
Non-controlling interests	5, 18	-	544
Profit (loss) for the period		**6,983**	**15,698**
Total comprehensive income for the period attributable to:			
Owners of the parent company		6,891	15,084
Non-controlling interests	5, 18	-	544
Total comprehensive income for the period		**6,891**	**15,628**
Earnings per share for profit attributable to the owners of the parent company:			
Basic earnings per share, EUR	18	0.18	0.39
Diluted earnings per share, EUR	18	0.18	0.39

Notes are an integral part of these financial statements.

Consolidated balance sheet

EUR thousand	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Property, plant and equipment	10	64,195	54,144
Right-of-use assets	11	10,834	11,677
Intangible assets	12	1,273	1,713
Receivables	16, 22	4,706	5,303
Deferred tax assets	9	1,143	1,026
Total non-current assets		**82,151**	**73,862**
Current assets			
Inventories	15	5,569	5,756
Trade receivables and other receivables	1, 16, 22	84,368	77,832
Cash and cash equivalents	17	43,020	48,456
Total current assets		**132,957**	**132,044**
TOTAL ASSETS		**215,108**	**205,906**
EQUITY AND LIABILITIES			
Equity			
Share capital		80	35
Reserve for invested unrestricted equity		35,567	26,863
Translation differences		−162	−71
Retained earnings		34,572	33,921
Profit (loss) for the period		6,983	15,154
Total equity attributable to owners of the parent company	18	**77,040**	**75,901**
Non-controlling interests	5, 18	-	2,280
Total equity	18	**77,040**	**78,181**

EUR thousand	Note	31 Dec 2022	31 Dec 2021
Liabilities			
Non-current liabilities			
Borrowings	19, 22	21,332	18,791
Lease liabilities	11, 22	7,092	8,202
Other liabilities	21	221	1,805
Deferred tax liabilities	9	1,540	1,513
Provisions	20	2,949	1,560
Total non-current liabilities		**33,135**	**31,872**
Current liabilities			
Borrowings	19, 22	6,170	4,179
Lease liabilities	11, 22	3,572	3,504
Contract liabilities	1	31,343	26,600
Trade payables and other payables	21	62,871	59,248
Provisions	20	977	2,322
Total current liabilities		**104,933**	**95,853**
Total liabilities		**138,068**	**127,725**
TOTAL EQUITY AND LIABILITIES		**215,108**	**205,906**

Notes are an integral part of these financial statements.

Consolidated statement of changes in equity

		Equity attributable to owners of the parent company						
EUR thousand	Note	Share capital	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
Equity at 31 December 2020		**35**	**24 769**	**–1**	**38 812**	**63 615**	**1 441**	**65 056**
Profit (loss) for the period		-	-	-	15,154	**15,154**	544	**15,698**
Translation differences		-	-	–70		**–70**	0	**–70**
Total comprehensive income		-	-	–70	15,154	**15,084**	544	**15,628**
Transactions with owners:								
Share issue	18, 25	-	2,093	-	-	**2,093**	-	**2,093**
Dividends paid	18, 25			-	–5,144	**–5,144**	–109	**–5,254**
Changes in non-controlling interest that did not result in loss of control	5, 18			-	253	**253**	404	**657**
Total transactions with owners		**-**	**2,093**	**-**	**–4,891**	**–2,798**	**295**	**–2,503**
Equity at 31 December 2021		**35**	**26,863**	**–71**	**49,075**	**75,901**	**2,280**	**78,181**
Profit (loss) for the period		-	-	-	6,983	**6,983**	-	**6,983**
Translation differences		-	-	–91	-	**–91**	-	**–91**
Total comprehensive income		-	-	–91	6,983	**6,891**	-	**6,891**
Transactions with owners:								
Share capital increase	18	45	–45	-	-	**-**	-	**-**
Dividends paid	18, 25			-	–5,608	**–5,608**	–210	**–5,818**
Changes in non-controlling interest that did not result in loss of control (exchange of shares)	5, 18	-	8,750	-	–6,820	**1,930**	–2,070	**–140**
Redemption of own shares	5, 18	-	-	-	–2,075	**–2,075**	-	**–2,075**
Total transactions with owners		**45**	**8,705**	**-**	**–14,502**	**–5,753**	**–2,280**	**–8,032**
Equity at 31 December 2022		**80**	**35,567**	**–162**	**41,555**	**77,040**	**-**	**77,040**

Notes are an integral part of these financial statements.

Consolidated statement of cash flows

EUR thousand	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Cash flows from operating activities			
Proceeds from customers	1	451,680	413,958
Payments to suppliers and employees	4, 5	−447,589	−405,792
Other income	3	19,341	12,961
Interest received	8	117	−18
Paid interest and payments for other financial expenses	8	−982	−827
Income taxes paid	9	−1,591	−3,009
Net cash flow from operating activities		**20,976**	**17,272**
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets	10, 12	−19,106	−17,959
Acquisition of business	13	−1,500	−1,500
Acquisition/disposal of associated companies	14	-	3
Proceeds from sale of property, plant and equipment	10	749	485
Loans granted to shareholders/employees	16, 25	-	−1,479
Repayments of granted loans	16, 25	643	332
Interest received from loans	16, 25	7	18
Net cash flow from investing activities		**−19,207**	**−20,101**

EUR thousand	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Cash flows from financing activities			
Proceeds from issues of shares	18	-	2,093
Equity investment from non-controlling shareholders	5, 24	-	657
Transaction costs from share issuance	16	-	−150
Repurchase of own shares	5, 18, 25	−208	−105
Proceeds from borrowings	19, 22	11,292	8,285
Repayment of borrowings	19, 22	−8,347	−3,630
Repayments of lease liabilities	11	−4,096	−3,505
Dividends paid	18	−5,818	−5,254
Net cash flow from financing activities		**−7,176**	**−1,607**
Net increase/decrease (−) in cash and cash equivalents		−5,407	−4,436
Cash and cash equivalents at the beginning of the financial year	17	48,456	52,919
Effects of exchange rate changes on cash and cash equivalents		−29	−28
Cash and cash equivalents at end of year	17	**43,020**	**48,456**

Notes are an integral part of these financial statements.

Notes to the consolidated financial statements

ACCOUNTING PRINCIPLES

Basic information about the Group

GRK Infra Oyj (0533768-1) (hereinafter referred to as "the Parent Company" or "the Company") is a Finnish public limited liability company domiciled in Vantaa. Its registered address is Jaakonkatu 2, FI-01620 Vantaa, Finland. GRK Infra Oyj and its subsidiaries comprise the GRK Group (hereinafter referred to as "GRK" or "the GRK Group").

GRK is a Finnish construction group operating in Finland, Sweden and Estonia. The customers of GRK Group consist of both public and private sector entities. The GRK Group's core competencies include the implementation of demanding infrastructure construction projects, project management of large projects and extensive rail construction expertise. In road and railway construction, civil engineering, environmental services and industrial construction, GRK provides all the necessary services from design to construction and maintenance.

These consolidated financial statements include the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the financial years ended 31 December 2022 and 31 December 2021 and the consolidated balance sheet at 31 December 2022 31 and 31 December 2021 ("consolidated financial statements"). The Board of Directors of GRK Infra Oyj approved the publication of these consolidated financial statements at its meeting on 3 March 2023. In accordance with the Finnish Limited Liability Companies Act, shareholders can adopt or reject the financial statements in a general meeting held after their publication. The general meeting can also amend the financial statements. A copy of the financial statements is available on the www.grk.fi website / from GRK Infra Oyj, Jaakonkatu 2, FI-01620 Vantaa, Finland.

Accounting principles

The consolidated financial statements of the GRK Group have been prepared in accordance with the International Financial Reporting Standards approved for use in the EU. The IAS and IFRS standards and SIC and IFRIC interpretation in force on 31 December 2022 were followed in preparing them. The notes to the financial statements also meet the requirements of the Finnish legislation on accounting and companies supplementing the IFRS standards. No new standards have been adopted during the period and no known future changes in standards or interpretations are expected to have a material effect on the financial statements.

The consolidated financial statements are based on the use of historical cost, unless otherwise mentioned in the relevant accounting principles.

The consolidated financial statements are reported in the euro, which is the operating and reporting currency of the Group's parent company. The financial statements are presented in thousands of euros, unless otherwise mentioned. All of the reported figures are rounded, and therefore the combined total of individual figures can differ from the reported total.

Translation of items denominated in foreign currencies

Transactions denominated in foreign currencies are translated into the operating currency at the exchange rate on the day of the transaction. Exchange rate gains and losses arising from transaction-related payments and the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rate of the closing date are recognised through profit or loss.

Exchange rate gains and losses associated with borrowings are reported in finance income and expenses in the income statement. All other exchange rate gains and losses are reported at net amounts in other operating income and expenses on the income statement.

The income statements of group companies using an operating currency other than the reporting currency are translated into euros at the average rate for the period and balance sheets at the rate of the closing date. All translation-related exchange rate gains and losses are recognised in other comprehensive income.

Exchange rate differences arising from net investments in foreign units are recognised in other comprehensive income in the consolidated financial statements. When a foreign function is divested in full or part, the associated exchange rate gains and losses are recognised through profit or loss as part of the gain or loss on disposal. The goodwill arising from the acquisition of a foreign unit and adjustments made to achieve fair values are treated as assets and liabilities of the foreign unit and translated at the exchange rate of the closing date.

Key management judgement and estimates

Preparing the consolidated financial statements requires the management to make accounting estimates and assumptions that, as a rule, only rarely fully correspond with the actual results and have impacts on the amounts of assets, liabilities, income and expenses in the financial statements. In addition, the management must exercise judgement in applying the accounting principles.

Information about areas involving major judgement or complexity and items most likely to be adjusted materially if the estimates and assumptions prove wrong is provided in the associated note.

The following notes present the key management judgement and estimates of the management:

Note	Subject
1. Revenue	Amount of performance obligations
1. Revenue	Transaction price
1. Revenue	Satisfaction of performance obligation
5. Employee benefit expenses	Share-based payments
5. Employee benefit expenses	Incentive schemes
9. Income taxes	Deferred tax assets from tax losses incurred during previous financial periods
11. Leases	Determining the lease term
11. Leases	Determining the incremental borrowing rate
11. Leases	Estimating the amount of landscaping provisions
12. Intangible assets	Impairment testing of goodwill
13. Business combinations	Measurement of acquired assets
20. Provisions	Onerous contracts
20. Provisions	Landscaping provision
23. Contingent liabilities and commitments	Accident at the Umeå bridge site

1. REVENUE

Disaggregation of revenue by company

EUR thousand	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
GRK Infra Oyj*	170,238	233,254
GRK Suomi Oy*	161,475	98,122
GRK Road Oy**	36,270	31,799
GRK Infra AB	63,578	50,291
GRK Rail AB	4,225	4,274
GRK Eesti AS	48,769	42,072
Eliminations	−34,095	−29,225
Total	**450,459**	**430,586**

*GRK Infra Oyj's construction-related operational business was transferred to GRK Suomi Oy in a business transfer on 30 September 2022

**GRK Road Oy merged into GRK Suomi Oy on 31 December 2022

Disaggregation of revenue by time of recognition as revenue

EUR thousand	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Recognised at a point in time	6,677	4,029
Recognised over time	443,782	426,557
Total	**450,459**	**430,586**

Breakdown of revenue by geographical area

EUR thousand	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Finland	329,663	330,819
Sweden	67,524	54,832
Estonia	51,370	42,523
Other	1,902	2,411
Total	**450,459**	**430,586**

Contract assets and liabilities

EUR thousand	31 Dec 2022	31 Dec 2021
Contract assets	24,169	22,457
Contract liabilities (advances received)	31,343	26,600

Contract assets are included in the balance sheet item Trade receivables and other receivables (Note 16 Trade receivables and other receivables). EUR 13,262 thousand of contract liabilities (advances received) was recognised as revenue during the reporting period (2021: EUR 19,675 thousand).

Transaction price allocated to remaining performance obligations in the contract portfolio

EUR thousand	31 Dec 2022	31 Dec 2021
Unrecognised transaction price	**381,017**	**381,559**
To be recognised within 12 months	270,032	243,549
To be recognised later	110,984	138,011

The transaction price allocated to remaining performance obligations in the contract portfolio is referred to as order backlog in the report of the Board of Directors.

Accounting policy

IFRS 15 includes a five-step model for the recognition of sales revenue. The steps are 1) identification of a contract, 2) identification of performance obligations, 3) determining the transaction price, 4) allocation of the transaction price to performance obligations and 5) recognition of revenue. The primary objective of the standard is to provide users of financial statements with information about the nature, timing and uncertainty associated with contract sales revenue and cash flows. Revenue from contracts with customers is recognised as (or when) the performance obligation is fulfilled by transferring the promised goods or services to a customer. The goods or services are transferred to a customer when the customer obtains control of the goods and services. Revenue is recognised at the amount to which the company is expected to be entitled in exchange for those goods and services.

Most significant revenue streams and performance obligations

GRK Group's revenue comprises primarily income from railway and road construction, civil engineering and paving (more than 90% during all reported financial periods) and from environmental services and other services. The most common contract types used in the GRK Group are turnkey contract, DB contract (design and build), DBd contract (design and build contract including a development phase) and project management contract. In addition, in environmental services, the GRK Group receives industrial by-products and other waste fractions suitable for use from various parties.

Railway and road construction and civil engineering contracts include typically a delivery of a single integrated project to the customer which is accounted for as a single performance obligation. Any additional and alteration work is an amendment to the performance obligation and is treated for as part of the existing contract. The contracts can include a separate development phase that is treated as a separate performance obligation.

Railway and road construction and civil engineering contracts can also be executed utilizing a consortium or an alliance model. In consortiums, the GRK Group and its partner(s) form a consortium that jointly has a contract with the customer. In consortiums, the GRK Group recognises the share of income and expenses specified in the consortium agreement in its consolidated financial statements. In alliance projects, the projects are executed with joint responsibility between the alliance partners. For alliance projects, the GRK Group's share based on the alliance agreement, is recognised as revenue. Revenue from consortium and alliance contracts is recognised according to the recognition principles for contract revenue described below.

In paving contracts, the agreement typically comprises several sites and each site is a separate distinct performance obligation. Any alteration or additional work is treated either as part of the existing performance obligations or, in the case of a completely new site, as new performance obligations.

In environmental services, the GRK Group sells waste processing services and recycled raw materials to customers. Waste processing services include services for the treatment, utilisation and final disposal of waste. In selling recycled materials, each weight unit of sold recycled raw material makes up a separate performance obligation. Waste processing services are a series of separable services.

In addition, the GRK Group provides maintenance, engineering and consulting services that are a series of distinct services.

Satisfaction of the performance obligation

The satisfaction of the performance obligation is based on the transfer of control over the goods or services to the customer. The performance obligations in railway, road construction and civil engineering and paving contracts are primarily satisfied over time, as the customer is considered to have control over the asset to which the service is provided for. The asset arising from the customer contract is also not considered to have an alternative use to the Group, and the Group has an enforceable right to payment for the performance completed to date, including a reasonable profit margin.

In the waste processing services of environmental services, performance obligations are satisfied over time, as the customer receives and consumes the service simultaneously as the GRK Group is performing it. In the sales of recycled raw materials, the performance obligation is satisfied when the raw material has been handed over to the customer and the customer obtains control of it.

In maintenance, design and consulting services, the customer receives and consumes the service simultaneously as the GRK Group is performing it, and the performance obligations are satisfied over time.

Determination of the transaction price

In order to determine the amount of revenue to be recognised, the management estimates the transaction price expected to be received from the customer, including variable components, such as penalties and additional bonuses based on work outputs. Additional and alteration work is included in the revenue once its implementation has been approved by both parties. Variable consideration is included in the transaction price when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associates with the variable consideration is subsequently resolved. If a contract includes more than one performance obligation, the transaction price is allocated to the the Performance Obligation on the basis of stand-alone selling prices.

Timing of revenue and payments

Most of the GRK Group's business is of a project nature, and projects can be distributed across several years. The GRK Group's projects last from a few months to a few years. In the infrastructure sector, operations are typically seasonal, and therefore projects accumulate the most revenue during the period between early summer and the end of the year. Generally, there is no significant difference between the timing of the customer's payment and the GRK Group performing the service. In long-term projects, the payments made by the customer are based on contractually agreed instalment schedules or the completion of a specific work phase. The GRK Group's project contracts do not include significant financing components, and the payment terms are primarily from two weeks to a maximum of two months.

Recognition of revenue from project contracts, waste processing, maintenance, design and consulting services

The GRK Group uses an input-based method for measuring the progress towards complete satisfaction of project contracts when recognising revenue over time. The progress towards completion based on the management's judgement is determined based on the realised costs, i.e. costs of raw materials, labour hours and other costs, relative to the total expected costs. Correspondingly, unrealised costs indicate the amount of performance not satisfied.

If the amount invoiced for a customer contract is less than the revenue recognised based on the progress towards complete satisfaction or the performance obligation at the time of reporting, the difference is presented as a contract asset in Trade receivables and other receivables on the balance sheet. If the amount invoiced for a customer contract is more than the revenue recognised based on the progress towards satisfaction of the performance obligation at the time of reporting, the difference is presented as a contract liability in the Advances received item under current liabilities on the balance sheet. If the outcome of a long-term project could not be reliably estimated, revenue is recognised only to the extent equalling the amount of the realised costs. If it is probable that the total cost of completing the customer contract will exceed the total revenue to be recognised, the expected loss is immediately recognised as an expense.

For recognising revenues from the environmental services waste processing services and maintenance, design and consulting services, the GRK Group uses the IFRS 15 practical expedient according to which an entity may recognise revenue in the amount to which the entity has a right to invoice, if the entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date.

Recognising other revenue

The GRK Group recognises revenue from the environmental services sale of recycled materials and other minor sales of material at a point in time. Revenue is recognised when the material has been handed over to the customer and the control transfers to the customer.

Warranty and other obligations

The GRK Group does not have any warranty terms and conditions exceeding ordinary warranties. The warranty periods are usually from two to five years. The management's estimate of the warranty provision is based on historical data about the level of provision required for managing future and current reclamation costs. Additional information about the landscaping provisions associated with environmental services is provided in Note 20 Provisions.

Key management judgement and estimates

The decisions based on significant management judgement in measuring and recognising revenue concern the amount of performance obligations, value of the transaction price and definition and timing of the progress towards complete satisfaction of performance obligation.

Amount of performance obligations

In identifying performance obligations, the management of the GRK Group estimates, among other things, the connection between different tasks and services and whether the customer can benefit from them separately. In identifying performance obligations, management judgement is associated with the treatment of options, for example. Options to additional goods and services are treated on a case-by-case basis as either separate or as part of the combined output to the customer. The management reassesses the transaction price once the exercise of the option has been confirmed if the option is considered to be part of the combined output of the original contract. The timing and amount of recognition as revenue can vary depending on whether the option is treated as a distinct performance obligation or as part of the combined output.

Transaction price

In order to determine revenue, the management of the GRK Group estimates the transaction price expected to be received from the customer, which may also include variable consideration in contracts, such as penalties and additional bonuses based on work outputs. The GRK Group takes any variable consideration into account in sales revenue when it is highly probable a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associates with the variable consideration is subsequently resolved. The original transaction price is assessed separately for each contract and variable consideration is reassessed at each reporting date.

Measuring progress towards complete satisfaction of performance obligations

Management judgement is required when measuring progress using input methods in order to make a reliable estimate of the development of the total costs required for completing the contract. In assessing their impact on the cost forecast, the management of the GRK Group assesses their situation based on the best knowledge at the time, but the actual outcome can differ from the estimate despite the careful assessment of the management. Estimates relating to the revenue recognition of contracts and monitoring of previous estimates are made regularly and reliably based on the management's empirical knowledge.

2. OPERATING SEGMENTS AND MARKET AREAS

Operating segments

The parent company's CEO is the chief operational decision-maker of the GRK Group. The chief operational decision-maker is responsible for the allocation of resources to the operating segments and assessing their performance. The Group management team assists the CEO in planning and managing operational activity. The CEO regularly reviews the Group's business functions both at the Group level and at the level of the six standalone entities listed in Note 1 Revenue. The management of the GRK Group has defined these six standalone entities as the operating segments of GRK before the aggregation of the segments.

The management of the GRK Group has decided to aggregate the six operating segments into a single larger operating segment. In practice, this operating segment includes the whole business of the Group. This single large operating segment corresponds to the GRK Group's only reportable segment, and therefore segment information is not reported except for information concerning the entity as a whole.

The GRK Group has one reportable segment: Construction services. This is based on the fact that the Group's business is comprised of construction services projects and other business activities that support construction services, such as maintenance, paving and environmental and rail business, which are not monitored separately from construction services. The aggregated operating segments have similar product and customer profiles. The EBITDA and operating profit levels of the different standalone entities are similar. In addition, the aggregated operating segments are similar with regard to medium- and long-term economic trends and characteristics.

Of the invoicing of the GRK Group, approximately 85% (approximately 89% in 2021) concerned customers in the public sector and approximately 15% (approximately 11% in 2021) private customers. Major public customers include the traffic agencies, cities, municipalities or joint municipalities and entities controlled by them in the operating countries of the GRK Group.

The figures of the GRK Group's one reportable segment are not fully equal to the IFRS figures for the GRK Group. The basis of decision-making in assessing performance and allocating resources is the operating profit according to FAS of the standalone entities. A reconciliation of the reportable segment's operating profit with IFRS profit before tax and a reconciliation of long-term assets is presented below.

Reconciliation

EUR thousand	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Reportable segment's operating profit (FAS)	**12,619**	**20,949**
Group eliminations	−1,214	235
Finance income and costs, net	−1,409	−968
GAAP differences	−42	−460
Profit before tax (IFRS)	**9,955**	**19,755**

The GAAP difference in the reportable segment's operating profit is to a significant extent comprised of the difference in the timing of recognition of revenue and reversal of amortisation of goodwill and capitalised transaction costs. For the 2021 financial period, there was also a difference in the accounting for change in non-controlling interests (Note 24 Subsidiaries) and accounting for the transaction costs of new issued shares (Note 16 Trade receivables and other receivables).

Non-current assets of the reportable segment by country

EUR thousand	31 Dec 2022	31 Dec 2021
Finland	130,135	79,426
Sweden	1,863	841
Estonia	4,444	3,477
Total non-current assets	**136,441**	**83,743**

Reconciliation

EUR thousand	31 Dec 2022	31 Dec 2021
Non-current assets of the reportable segment (FAS)	**136,441**	**83,743**
Group eliminations	−60,370	−23,162
GAAP difference	6,080	13,280
Total non-current assets	**82,151**	**73,862**

The GAAP difference in the reportable segment's non-current assets is primarily comprised of the different treatment of leases (Note 11 Leases), reversal of consolidated FAS goodwill, capitalisation of development expenses (Note 12 Intangible assets) and classification of deferred tax assets in non-current assets in IFRS reporting.

3. OTHER OPERATING INCOME

EUR thousand	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Insurance indemnities received	16,300	13,194
Fuel tax refunds	445	824
Proceeds from sale of property, plant and equipment	259	325
Grants received	223	218
Rental income	63	30
Other	284	77
Total	**17,576**	**14,669**

Other operating income includes income other than revenue from the actual construction service business, such as proceeds from sale of property, plant and equipment, insurance indemnities, rental revenue and government grants. Government grants received as compensation for costs incurred are recognised as other income in the same period as the costs are recognised as expenses. Government grants connected to property, plant and equipment are recognised as a reduction of the acquisition cost of the property, plant and equipment, and they are described in Note 10 Property, plant and equipment.

The most significant items included in other operating income in the 2022 financial period and the comparison period 2021 were comprised of insurance indemnities received in connection with the bridge accident in Umeå (see Note 23 Contingent liabilities and commitments). Other significant items included in other operating income were comprised of fuel tax refunds connected to the paving business, proceeds from sales of property, plant and equipment and grants received.

4. MATERIALS AND SERVICES

EUR thousand	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Purchases of materials and supplies	−100,005	−86,539
Change in material and supply inventory	−674	2,313
Change in work in progress	487	237
Production for own use	204	235
External services	−237,755	−230,702
Total	**−337,743**	**−314,457**

Materials and services were comprised of purchases, change in inventories and external services during the financial period. The material and supply costs and external service costs comprised of costs directly connected to the Group's actual construction service business.

5. EMPLOYEE BENEFIT EXPENSES

EUR thousand	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Wages and salaries	−64,770	−61,074
Cash-settled share-based payments	120	−31
Pension costs - defined contribution plans	−11,315	−9,664
Other employee benefit expenses	−5,056	−4,453
Total	−81,022	−75,222

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Average number of employees during the period		
White-collar	452	421
Blue-collar	494	467
Total	**946**	**888**

Accounting policy

Short-term employee benefits

Short-term employee benefits, such as wages, bonuses, fringe benefits and annual holiday are recognised as expenses on accrual basis for the financial period during which they are incurred. Performance bonuses are recognised as expenses when the GRK Group becomes liable to pay them and their amount can be reliably estimated.

Pension obligations

The GRK Group has defined contribution pension plans. In defined contribution pension plans, contributions are paid to the insurance company, after which the GRK Group has no other payment obligations. The contributions to defined contribution plans are recognised as an expense on the income statement for the financial period concerned by the charge.

Share-based payments

The GRK Group's synthetic options are cash-settled share-based incentive schemes. The synthetic options are put into effect at fair value pursuant to valuation calculations on the grant date, and therefore no expense or liability was recognised for them at the grant date. The scheme is remeasured at fair value at the end of each reporting period and the change in the fair value of the liability is recognised on the income statement. A corresponding adjustment is made to the liabilities on the balance sheet. The impact of the synthetic options on profit is presented in employee benefit expenses on the income statement.

The GRK Group considers shares subject to a redemption obligation as a cash-settled share-based scheme. The shares subject to a redemption obligation are recognised on the balance sheet as a liability in accordance with the contractual obligation. If dividend is paid to shares subject to a redemption obligation before their redemption, an obligation for a cash payment is incurred by the GRK Group, which is recognised as financial expenses on the income statement and liability on the balance sheet.

Key management judgement and estimates

Share-based payments

The GRK Group uses judgement on whether an arrangement or transaction includes a share-based payment. According to the management's view, shares subject to a redemption obligation for which the GRK Group has a contractual obligation to redeem the shares are treated as cash-settled share-based arrangements. The contractual obligation to redeem the shares expires in connection with the admission to listing or sale of the company. Executed share redemptions do not form an established practice in which shares would be redeemed from private shareholders, excluding persons retiring in accordance with the shareholder agreement.

Determining the fair value of the arrangement requires the management to exercise judgement. In collective investment schemes in which employees have had an opportunity to subscribe for shares in the company, the employee is not considered to have received a benefit because the subscription price is considered to equal the fair value. The value of the liability of the cash-settled synthetic options at the grant date is considered to be zero. Therefore, no expense pursuant to IFRS 2 relating to the share-based payment was recognised at the grant date. The GRK Group has prepared a corresponding analysis for the subsequent measurement of the synthetic options for the balance sheet date, and the difference between the values on the grant date and said balance sheet date is recognised on accrual basis as an expense on the income statement and liability on the balance sheet.

Incentive schemes

Synthetic options

The personnel of the GRK Group has been granted synthetic options as part of the parent company GRK Infra Oyj's share-based incentive schemes. The GRK Group has organised one synthetic option plan that covered a limited number of the company's employees in 2019. All subscribed options, totalling 422,180 options (84,436 options calculated using the numbers before the share split carried out during the 2022 financial period), were granted at the same time in 2019. The synthetic option plan has a fixed term expiring in 2024, and it grants the participants an opportunity to a cash-settled reward. The plan includes a market condition, and additionally a service condition. No reward is paid and no expense is recognised if the conditions are not estimated to be met. The options do not entitle their holder to subscribe for shares. The number of outstanding synthetic options was 268,660 at the end of the 2022 financial period (276,336 in 2021). The liability for the options granted to the personnel in the GRK Group's financial statements for 2022 (IFRS) is EUR 9 thousand (EUR 129 thousand in 2021).

Collective investment schemes

The GRK Group has implemented several collective investment schemes targeted at certain members of the Group's management and other key employees or future key employees and external investors. Collective investment schemes have been carried out with the company's employees and recruited key employees in 2010–2021. The collective investment scheme of 2018 also involved external investors. In addition, during 2022, the company carried out an exchange of shares for the private shareholders of the subsidiaries, whereby the private shareholders of the subsidiaries became shareholders of the parent company and the subsidiaries became wholly-owned subsidiaries of the parent company.

The GRK Group has had consistent measurement principles as of 2010. This measurement principle was updated in 2018 when external investors joined. This updated measurement principle has thereafter been used in all collective investment schemes. All subscriptions for shares have therefore been carried out mainly under the same measurement principle and terms and conditions. Therefore, no group has received additional benefits for subscribing for shares in relation to others in the directed share issues. The collective investment schemes include a share-based payment, but because the subscriber pays the fair value on the grant date for the share, the investments do not involve an additional benefit and therefore no expense pursuant to IFRS 2 is recognised.

A loan has been granted to very few of the company's employees and officers in conjunction with collective investment schemes to finance their subscription price for the company's shares in part. GRK treats these granted loans as loan receivables based on the terms and conditions of the loan being market-based and the employee or officer borrower having an unconditional obligation to repay the loan to GRK Infra Oyj.

In the collective investment schemes, good or bad leaver conditions have also been agreed upon with the key employees or officers, and they will expire in connection with the company's admission to listing or sale of the company. Regarding contractual redemption due to retirement, a deadline has been set for the redemption of shares, within which redemptions are made annually in equal batches until admission to listing or disposal. The shares to be redeemed are treated as cash-settled share-based arrangement to the extent that the GRK Group has a contractual obligation to redeem the shares. Share redemption liability of EUR 1,866 thousand has been recognised in the GRK Group's financial statements for 2022 (EUR 0 thousand in 2021). In 2022, the parent company redeemed shares at an amount of EUR 96 thousand from a person who terminated their employment with the GRK Group and at EUR 112 thousand from retired persons. At the end of 2021, the GRK Group did not have unredeemed shares subject to a contractual redemption obligation that it would be obligated to redeem before the expiry of the contractual obligation according to the management's estimate at the time.

Also, in part of the GRK Group's subsidiaries, key employees have been granted an opportunity to subscribe for shares in the company in which they are employed. These subscriptions were also realised with the same measurement principle and mainly under the same terms and conditions as the subscriptions in the parent company's collective investment scheme. With regard to the shares held by the key employees of the subsidiaries, the scheme is share-settled according to the management's view. In share subscriptions by the subsidiaries' key employees, the employee pays the fair value on the granting date, so no benefit that should be recognised as an expense under IFRS 2 emerges in the scheme. An exchange of shares was carried out in 2022, resulting in all of the persons who were previously shareholders of the subsidiaries becoming shareholders of the parent company.

6. DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR thousand	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Depreciation and amortisation according to plan		
Intangible assets	–187	–180
Property, plant and equipment	–8,331	–7,579
Right-of-use assets	–4,077	–3,572
Total	**–12,596**	**–11,331**
Impairment losses		
Goodwill	–307	0
Property, plant and equipment	–137	–544
Total	**–444**	**–544**
Total depreciation, amortisation and impairment losses	**–13,040**	**–11,875**

The EUR 137 thousand impairment recognised in the financial year 2022 and the EUR 544 thousand impairment recognised in the financial year 2021 for tangible assets were mainly caused by the scrapping of old, decommissioned railway stock.

Of the impairment of goodwill recognised in the financial year 2022, EUR 307 thousand is described in more detail in Note 12. Intangible assets.

7. OTHER OPERATING EXPENSES

EUR thousand	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Vehicle expenses	–4,496	–5,029
Travel expenses	–7,092	–6,142
IT software and equipment expenses	–2,842	–2,564
Consulting, advisory and administrative services	–2,430	–1,793
Premises expenses	–1,928	–1,312
Other expenses	–6,080	–6,137
Total	**–24,868**	**–22,977**

The nature of other operating expenses is costs related or linked to the operations of the Group companies overall rather than the construction services sold by the Group companies and their volumes. The most significant individual items in other operating expenses during the financial period under review and comparison periods were vehicle expenses and travel expenses.

Auditors' fees

EUR thousand	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
PricewaterhouseCoopers		
Statutory audit	–129	–123
Tax advisory services	–9	–19
Other services	–695	–204
Total	**–833**	**–345**

Auditors' fees include the fees for statutory audit and fees for other services paid to the audit firm of each Group company.

8. FINANCE INCOME AND EXPENSES

EUR thousand	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Finance income		
Interest income from loan receivables	7	18
Other finance income and exchange rate gains from financial liabilities	150	43
Total	**157**	**61**
Finance expenses		
Interest expenses from borrowings	−620	−582
Interest expenses from lease liabilities	−186	−192
Commission expenses	−13	−21
Exchange rate losses from financial liabilities	−483	−32
Other finance expenses	−264	−199
Total	**−1,566**	**−1,029**
Finance income and expenses total	**−1,409**	**−968**

The Group's financial expenses consist mainly of interest expenses on loans and lease liabilities, guarantee expenses on projects, exchange rate losses and other financial expenses.

9. INCOME TAXES

Income taxes are comprised of current income tax expense, adjustments of taxes for previous financial periods and change in deferred taxes.

EUR thousand	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Current tax on profit for the period	−3,173	−3,561
Adjustments for current tax of prior periods	93	−12
Total current income tax expense	**−3,080**	**−3,573**
Change in deferred tax assets	−142	−322
Change in deferred tax liabilities	249	−162
Deferred tax expense/benefit	**108**	**−484**
Income tax expense	**−2,972**	**−4,057**

The reconciliation between the tax expense recognised on the consolidated income statement and taxes calculated using the Finnish tax rate (20% for all financial periods) is as follows:

EUR thousand	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Profit before tax	9,955	19,755
Tax calculated at Finnish tax rate 20%	−1,991	−3,951
Effect of other tax rates for foreign subsidiaries	−655	159
Change in deferred taxes - change in tax rate		−56
Effect of non-deductible expenses	−198	−101
Effect of non-taxable income	−1	0
Effect of reassessment of previously unrecognised deferred tax assets from tax losses	0	−29
Effect of previously unrecognised tax losses	0	37
Effect of unrecognised deferred tax assets from tax losses	-	-
Adjustments for current tax of prior periods	93	−12
Other items	−221	−103
Income tax expense	**−2,972**	**−4,057**

Deferred tax assets and liabilities

EUR thousand	At 1 Jan	Recognised to profit or loss	Exchange rate differences	At 31 Dec
2022				
Deferred tax assets				
Provisions	516	−25	-	491
Confirmed losses	890	−138	−13	739
Other items	187	18	−5	201
Total	**1,592**	**−144**	**−17**	**1,431**
Off-setting	−566	-	-	−288
Total	**1,026**	**−144**	**−17**	**1,143**
Deferred tax liabilities				
Accumulated depreciation differences	1,812	−336	-	1,476
Financial liabilities	88	−84	-	4
Other items	179	169	-	348
Total	**2,079**	**−251**	**-**	**1,828**
Off-setting	−566		-	−288
Total	**1,513**	**−251**	**-**	**1,540**
2021				
Deferred tax assets				
Provisions	95	421	-	516
Confirmed losses	1,686	−776	−21	890
Trade payables and other payables	20	−20	-	0
Other items	134	53	-	187
Total	**1,935**	**−322**	**−21**	**1,592**
Off-setting	−228	-		−566
Total	**1,707**	**−322**	**−21**	**1,026**
Deferred tax liabilities				
Accumulated depreciation differences	1,706	106	-	1,812
Financial liabilities	56	32	-	88
Other items	155	24	-	179
Total	**1,917**	**162**	**-**	**2,079**
Off-setting	−228	-	-	−566
Total	**1,689**	**162**	**-**	**1,513**

On 31 December 2022, the Group recognised deferred tax assets totalling EUR 739 thousand relating to confirmed tax losses incurred in the most recent and previous financial periods. On 31 December 2021, the Group recognised deferred tax assets of EUR 890 thousand relating to confirmed tax losses incurred in previous financial periods. The recognition of the deferred tax asset is based on the Group's estimate that the companies have convincing evidence on profitable performance, based on which it is probable that there will be taxable profit against which the losses can be utilised. On the closing date on both 31 December 2022 and 31 December 2021, the Group did not have confirmed losses for which deferred tax assets had not been recognised.

Accounting policy

Income tax

The tax paid based on each country's income tax rate on the taxable profit for the period adjusted for changes in deferred tax assets and liabilities resulting from temporary differences and unused losses in taxation are reported as the current tax expense or income.

Taxes based on the taxable profit for the period and deferred taxes are recognised through profit or loss, except when they are connected to items of other comprehensive income or items recognised directly in equity. In this case, the tax is correspondingly recognised in other comprehensive income or directly in equity.

Deferred taxes

Deferred taxes are recognised for temporary differences between the values in taxation and carrying amounts of assets and liabilities. The enacted or substantively enacted tax rates as of each reporting date that are expected to apply in the period when the asset is realised or the liability is settled are used in the measurement of deferred taxes.

Deferred tax assets are only recognised when it is probable that taxable income against which the temporary difference and losses can be utilised will be available.

Deferred taxes are not recognised for the initial recognition of goodwill or when it is due to the initial recognition of an asset or liability in a transaction which is not a business combination and the transaction will not have an impact on the accounting profit or taxable income upon its realisation.

Key management judgement and estimates

The management of the GRK Group uses judgement and estimates in deciding on whether deferred tax assets will be recognised for unused tax losses. The estimates are affected by expectations of the profit and taxable profit from the Group companies' operations in future years and the options of utilising the tax losses. Deferred tax assets are recognised to the extent that it is probable that there will be future taxable profit against which the unused tax losses and unused tax rebates can be used.

10. PROPERTY, PLANT AND EQUIPMENT

EUR thousand	Land areas and connection fees	Buildings	Machinery and equipment	Advance payments and construction in progress	Total
2022					
Acquisition cost at 1 January	694	4,325	61,018	8,017	74,054
Additions	79	483	7,618	10,868	19,049
Disposals	−52	-	−1,532	-	−1,583
Reclassifications	-	17	4,823	−4,894	−54
Translation differences	-	-	−30	−53	−83
Acquisition cost at 31 December	**722**	**4,825**	**71,898**	**13,939**	**91,383**
Accumulated depreciation and impairment at 1 January	-	−836	−19,074	-	−19,910
Depreciation	-	−409	−7,922	-	−8,331
Accumulated depreciation of disposals	-	-	1,118	-	1,118
Impairment	-	-	−137	-	−137
Reclassifications	-	-	53	-	53
Translation differences	-	-	20	-	20
Accumulated depreciation and impairment at 31 December	**-**	**−1,245**	**−25,943**	**-**	**−27,188**
Net book value at 1 January	**694**	**3,489**	**41,944**	**8,017**	**54,144**
Net book value at 31 December	**722**	**3,580**	**45,955**	**13,939**	**64,195**

EUR thousand	Land areas and connection fees	Buildings	Machinery and equipment	Advance payments and construction in progress	Total
2021					
Acquisition cost at 1 January	610	2,968	51,899	1,981	57,458
Additions	84	1,357	6,620	9,737	17,798
Disposals	-	-	−1,234	-	−1,234
Reclassifications	-	-	3,741	−3,691	49
Translation differences	-	-	−7	−10	−18
Acquisition cost at 31 December	**694**	**4,325**	**61,018**	**8,017**	**74,054**
Accumulated depreciation and impairment at 1 January	-	−596	−11,928	-	−12,523
Depreciation	-	−241	−7,338	-	−7,579
Accumulated depreciation of disposals	-	-	783	-	783
Impairment	-	-	−544	-	−544
Reclassifications	-	-	−51	-	−51
Translation differences	-	-	4	-	4
Accumulated depreciation and impairment at 31 December	**-**	**−836**	**−19,074**	**-**	**−19,910**
Net book value at 1 January	**610**	**2,373**	**39,971**	**1,981**	**44,935**
Net book value at 31 December	**694**	**3,489**	**41,944**	**8,017**	**54,144**

Accounting policy

Land areas and connection fees are measured at cost. Other property, plant and equipment is measured at cost less accumulated depreciation and any impairment. Cost includes the purchase price and all costs directly arising from bringing the asset to the location and condition in which it can operate as intended by the management.

Property, plant and equipment is depreciated using the straight-line method over the estimated economic useful life. The estimated economic useful lives are as follows:

Estimated economic useful life	
Buildings	5–25 years
Machinery and equipment	
Tools and measuring equipment	3–5 years
Passenger cars	4–5 years
Lorries and vans	3–7 years
Office machines and equipment	5 years
Asphalt stations and heavy asphalt equipment	10–20 years
Rail work machines and equipment	10–20 years
Other production machinery and equipment	5–12 years

The residual values and economic useful lives of assets are reviewed at the end of each reporting period and adjusted if necessary. If the carrying amount of an asset exceeds its estimated recoverable amount, the carrying amount is written down to the recoverable amount.

Government grants relating to property, plant and equipment are recognised as reductions of the carrying amounts of property, plant and equipment. The grants reduce the amount recognised as an expense over the useful life of the asset in the form of lower depreciation. Other government grants are described in Note 3 Other operating income. The acquisition of property, plant and equipment does not involve material borrowing costs that should be capitalised in the cost. Expenses arising from significant improvements are capitalised and depreciated as expenses over the economic useful life of the related asset. Ordinary repair and maintenance costs are recognised as expenses when they are incurred.

Gains and losses on the disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount, and they are recognised in other operating income or other operating expenses.

11. LEASES

IFRS 16 Leases requires lessees to recognise all leases on the balance sheet as a main principle. At the commencement of the lease, a right-of-use asset and a lease liability are recognised on the balance sheet, and their value is determined based on the present value of future lease payments. Instead of lease expenses, depreciation of right-of-use assets and interest expenses on the lease liability are recognised over the lease term.

The GRK Group leases land, business premises, apartments, production machinery and equipment, passenger cars, vans and lorries and tools and other construction site movables. The leases on business premises and land areas can be either fixed-term or valid until further notice. Leases on apartments are typically valid until further notice. Leases on production machinery and equipment, cars and other vehicles are fixed-term. Leases on construction site movables are typically based on annual agreements specifying the price list and primary terms and conditions. The leases can include extension and termination options. Some of the leases include index adjustment clauses, which are typically tied to the cost-of-living index. They are not taken into consideration in the lease liability until they are realised. Production machinery, equipment and vehicle leases can include redemption options. The leases of the GRK Group do not include material variable lease payments or residual value guarantees. The GRK Group does not have significant activities as a lessor.

EUR thousand	Buildings	Machinery and equipment	Vehicles	Land	Total
2022					
Acquisition cost at 1 January	11,500	610	6,763	817	19,690
Translation differences	−43	0	−46	−1	−90
Additions	2,536	50	937	98	3,621
Increase/decrease due to remeasurement	−252	0	−33	−22	−307
Disposals	-	−36	-	-	−36
Reclassifications	-	4	49	-	54
Acquisition cost at 31 December	**13,741**	**628**	**7,669**	**893**	**22,932**
Accumulated depreciation and impairment at 1 January	**−4,250**	**−301**	**−2,904**	**−559**	**−8,014**
Translation differences	19	-	26	1	46
Accumulated depreciation of disposals	-	-	-	-	-
Accumulated depreciation of reclassifications	-	−2	−50	−161	−53
Depreciation	−2,366	−122	−1,429	0	−4,078
Accumulated depreciation and impairment at 31 December	**−6,597**	**−425**	**−4,356**	**−720**	**−12,098**
Net book value at 1 January	**7,251**	**309**	**3,859**	**258**	**11,677**
Net book value at 31 December	**7,145**	**203**	**3,313**	**173**	**10,834**

EUR thousand	Buildings	Machinery and equipment	Vehicles	Land	Total
2021					
Acquisition cost at 1 January	**9,192**	**564**	**5,868**	**753**	**16,377**
Translation differences	−9	-	−9	-	−18
Additions	870	46	1,537	-	2,453
Increase/decrease due to remeasurement	1,728	-	11	64	1,803
Disposals	−280	-	−594	-	−874
Reclassifications	-	-	−49	-	−49
Acquisition cost at 31 December	**11,500**	**610**	**6,763**	**817**	**19,690**
Accumulated depreciation and impairment at 1 January	−2,691	−176	−2,083	−389	−5,339
Translation differences	3	-	4	-	7
Accumulated depreciation of disposals	270	-	569	-	839
Accumulated depreciation of reclassifications	0	-	51	-	51
Depreciation	−1,832	−125	−1,445	−170	−3,572
Accumulated depreciation and impairment at 31 December	**−4,250**	**−301**	**−2,904**	**−559**	**−8,014**
Net book value at 1 January	**6,501**	**388**	**3,785**	**363**	**11,038**
Net book value at 31 December	**7,251**	**309**	**3,859**	**258**	**11,677**

EUR thousand	31 Dec 2022	31 Dec 2021
Lease liabilities		
Current	3,572	3,504
Non-current	7,092	8,202
Total	**10,664**	**11,706**

The cash flows due to leases in the 2022 financial period and the maturities of the lease liabilities are presented in Note 22 Financial risk management and financial assets and liabilities.

The income statement includes the following amounts associated with leases:

EUR thousand	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Depreciation charge of right-of-use assets [1]		
Buildings	−2,366	−1,832
Machinery and equipment	−122	−125
Vehicles	−1,429	−1,445
Land areas	−161	−170
Total depreciation charge of right-of-use assets	**−4,078**	**−3,572**
Interest expenses [2]	−186	−192
Expenses relating to short-term leases and leases of low value assets [3]	−6,934	−6,752
Amounts relating to leases included in the income statement total	**−11,197**	**−10,516**

1) Included in Depreciation, amortisation and impairment on the statement of comprehensive income.
2) Included in Financial expenses on the statement of comprehensive income.
3) Included in Other operating expenses on the statement of comprehensive income.

The short-term leases and leases of low value assets include mainly construction site movables.

Accounting policy

The GRK Group assesses at contract inception whether the contract is or contains a lease. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. The GRK Group recognises a right-of-use asset and a corresponding lease liability at contract commencement for leases in which it is a lessee. The contract commencement date is the date on which the asset is available for use by the lessee.

The lease liability is measured at the present value of the expected future lease payments at the contract commencement. The payments included in the measurement of the lease liability include fixed payments, payments based on an index or a rate and the price of a purchase option if GRK Group is reasonably certain to exercise the option. Penalties for terminating the lease are included in the measurement of the lease liability only if the lease term reflects that the GRK Group exercising that option.

In accordance with IFRS 16, lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, the lessee's incremental borrowing rate is used, meaning the rate that the GRK Group would have to pay to borrow the funds required for acquiring an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

After the commencement of the lease, the lease liability is measured at amortised cost reduced by the lease payments made using the effective interest method. The lease liability is remeasured when the lease payments change due to, for example, index change, exercising of option included in the lease are reassessed or to reflect other lease modifications.

Right-of-use assets are measured at cost including the initial amount of the lease liability, any lease payments made before the commencement of the lease, initial direct costs and restoration costs. Right-of-use assets are usually depreciated using the straight-line method over the shorter of the asset's economic useful life and lease term. If the GRK Group is reasonably certain of exercising the purchase option and the amount of exercising the purchase option has been reflected in the lease liability measurement, the depreciation period of the right-of-use asset is its economic useful life.

The GRK Group applies the IFRS 16 exemptions not to recognise the short-term leases and leases of low value assets on the balance sheet. A short-term lease is a lease with a lease term of 12 months or less. Short-term leases and leases of low value assets are among other things IT hardware and construction site movables. Payments for these leases are recognised as expenses on a straight-line basis.

Key management judgement and estimates

Key estimates in determining the lease term

The determination of the lease term has a significant impact on the measurement of lease liabilities and right-of-use assets. The lease term is the non-cancellable period of the lease, including any periods covered by the extension or termination option if the GRK Group is reasonably certain of exercising the extension option or not exercising the termination option. The GRK Group takes into consideration all facts and circumstances that result in a financial incentive to exercise the extension option or not to exercise the termination option. The management reassesses the lease term when a significant event or change in circumstances occurs.

The GRK Group has leases valid until further notice and leases with an extension option, especially in relation to business premises and land areas. In determining the lease term the GRK Group considers major leasehold improvements made, costs relating to the termination of the lease and signing a new lease and the importance of the underlying asset to the operations of the GRK Group, considering the special nature of the asset, its location and the availability of suitable alternatives. The GRK Group treats project-specific right-of-use assets primarily as short-term leases. An exception to this are leases that substantially involve a fixed-term contract of over 12 months or if the estimated duration of the project is several years and the management considers the right-of-use asset in question to be important for the project.

Determining the incremental borrowing rate

In the GRK Group's leases, the interest rate implicit in the lease cannot be readily determined, and the GRK Group uses the incremental borrowing rate to discount the lease payments. The incremental borrowing rate has an impact on the measurement of lease liabilities. The GRK Group defines the incremental borrowing rate by considering the nature of the leased asset, the Group's risk factors and geographical operating environment of the leased asset, currency and contract term.

Estimating the landscaping provision

The GRK Group has estimated the amount of landscaping costs for leases that include a clause on landscaping. Landscaping costs are associated with obligations relating to the termination of environmental services agreements, such as closing down, covering, subsequently monitoring and maintaining the final disposal area or extraction area. Landscaping costs included in the value of the right-of-use assets are based on estimates, which cannot be known accurately in advance, and the amount is estimated based on the management's empirical knowledge of the costs of landscaping. The landscaping provision is included in the cost of the right-of-use asset and according to IAS 37 in provisions, which are described in Note 20 Provisions.

12. INTANGIBLE ASSETS

EUR thousand	Good-will	Intangible rights	Capitalised development costs	Other intangible assets	Prepayments and assets under development	Total
2022						
Acquisition cost at 1 January	1,048	235	497	178	60	2,018
Additions	0	18	37	0	0	55
Reclassifications	0	0	60	0	−60	0
Translation differences	0	0	0	0	0	0
Acquisition cost at 31 December	**1,048**	**254**	**594**	**178**	**0**	**2,073**
Accumulated amortisation and impairment at 1 January	0	−133	−110	−62	0	−305
Amortisation		−47	−113	−28		−187
Impairment loss	−307	0	0	0		−307
Accumulated amortisation and impairment at 31 December	**−307**	**−180**	**−223**	**−90**	**0**	**−799**
Net book value at 1 January	**1,048**	**103**	**387**	**115**	**60**	**1,713**
Net book value at 31 December	**741**	**74**	**371**	**88**	**0**	**1,273**

EUR thousand	Good-will	Intangible rights	Capitalised development costs	Other intangible assets	Prepayments and assets under development	Total
2021						
Acquisition cost at 1 January	1,048	221	-	177	449	1,894
Additions	-	13	48	-	60	121
Reclassifications	-	0	449	-	−449	0
Translation differences	-	2	0	1	0	3
Acquisition cost at 31 December	**1,048**	**235**	**497**	**178**	**60**	**2,018**
Accumulated amortisation and impairment at 1 January	-	−88	-	−35	-	−123
Amortisation	-	−43	−110	−28	-	−181
Translation differences	-	−2	-	1	-	−1
Accumulated amortisation and impairment at 31 December	**-**	**−133**	**−110**	**−62**	**-**	**−305**
Net book value at 1 January	**1,048**	**133**	**0**	**142**	**449**	**1,772**
Net book value at 31 December	**1,048**	**103**	**387**	**115**	**60**	**1,713**

The GRK Group's intangible rights and capitalised development expenses are mainly comprised of IT systems.

Accounting policy

Goodwill

The goodwill arising from the acquisition of business is included in intangible assets. The goodwill arising from business combinations is recognised at the amount by which the consideration transferred exceeds the fair value of the net assets acquired. Goodwill is not amortised, but it is tested for impairment annually or more frequently if events or changes in circumstances indicate any impairment. Any impairment loss on goodwill is immediately recognised through profit or loss. Previously recognised impairment losses on goodwill are not subsequently reversed.

Other intangible assets

GRK recognises intangible assets with finite economic useful lives on the balance sheet at acquisition cost less accumulated amortisation and any impairment. The economic useful life and amortisation method are regularly reviewed and at the latest at the end of each financial period or more frequently if events or changes in circumstances indicate any impairment of the intangible assets.

Research and development expenses that do not meet the criteria for capitalisation on the balance sheet are expensed as they are incurred. GRK Group capitalizes those development expenses, such as development-related external services, direct employee expenses and other material expenses that can be allocated, that GRK Group consider meeting the criteria for capitalisation. Capitalised development expenses are recognised in intangible assets and their amortisation commences when the development work has been completed and it begins to produce economic benefits.

Straight-line amortisation according to plan is calculated based on the probable estimated economic useful life. Estimated economic useful lives for the following intangible asset items:

Estimated economic useful life	
Intangible rights	5–10 years
Capitalised development costs	5 years
Other intangible assets	5–10 years

Intangible assets with finite economic useful lives are tested for impairment if there are indications of impairment.

Goodwill

The table below presents the allocation of goodwill to the cash-generating units of the GRK Group:

EUR thousand	31 Dec 2022	31 Dec 2021
GRK Road Oy*	-	307
GRK Suomi Oy	741	741
Total	**741**	**1,048**

*GRK Road Oy merged into GRK Suomi Oy on 31 December 2022

Goodwill is allocated to cash-generating units for impairment testing. It is allocated to those cash-generating units that are expected to benefit from the business combination that resulted in goodwill. The units or groups of units are defined at the lowest levels at which goodwill is monitored for management purposes, which corresponds with the company structure of the GRK Group. The goodwill of GRK Road Oy also provides comprehensive strategic benefit to infrastructure construction, but these benefits have not been considered when determining the cash flows used in impairment testing.

Testing for impairment

The recoverable amount of a cash-generating unit's business is based on calculations of value in use. The discount rate used in the calculations is defined using the weighted average cost of capital (WACC), which describes the overall cost of equity and debt, considering the time value of money and the specific risks associated with the business of the GRK Group. The discount rate is pre-tax. The forecast period is five years. Cash flows that extend beyond the forecast period have been calculated using the terminal value method.

	31 Dec 2022	31 Dec 2021
Discount rate		
GRK Road Oy	9.13%	6.27%
GRK Suomi Oy	9.37%	6.38%

The unit's recoverable amounts resulting from the value in use calculations are compared with the carrying amount of the goodwill and other assets allocated to the unit. An impairment loss is recognised if the carrying amount of the unit's combined assets exceeds its recoverable cash flows.

Key management judgement and estimates

Estimates and assumptions used in testing goodwill for impairment

The cash flow-based value in use is determined by calculating the discounted present value of forecasted cash flows, which is compared with the combined assets of the cash-generating unit. These calculations require using estimates and assumptions to a significant extent. The basis of the forecast cash flows are the long-term objectives for a specific period approved by the company's management and other justifiable estimates of the outlook of the industry and the cash-generating unit.

The key uncertainties in the value in use calculations are the discount rate and residual growth rate assumption. The risk-free interest rate, risk factor (beta) and equity market risk premium parameters used in determining the discount rate are based on market information. A residual growth rate of 2% has been used in calculating the terminal value of all cash-generating units (31 December 2021: 2%), which is equal to the European Central Bank's medium-term inflation rate target.

Sensitivity analyses of impairment testing

On the basis of the impairment testing carried out, the Group has recognised an impairment loss of EUR 307 thousand on the goodwill of GRK Road Oy, after which there will be no more goodwill concerning the entity on the consolidated balance sheet. In previous financial years, no impairment loss has been recognised on the goodwill of GRK Road Oy.

Based on the impairment testing carried out, there is no need for recognising impairment losses on the goodwill of GRK Suomi Oy. The cash-generating unit's recoverable amount exceeds the book value of its assets. Based on the management's estimate and sensitivity analyses prepared by the management, no reasonably possible change in the key assumptions would result in a situation in which the book value of a cash-generating unit would exceed its recoverable amount.

13. BUSINESS COMBINATIONS

Acquisitions of business 2022

No acquisitions were made during the 2022 financial period.

Acquisitions of business 2021

No acquisitions were made during the 2021 financial period.

Deferred consideration from a business combination

The purchase price of an acquisition made by the GRK Group in a financial period preceding the periods reported herein has been paid completely during the 2022 financial period. The unpaid part of the purchase price has been fixed and not conditional. The deferred consideration is divided into a current and a non-current part and reported in other liabilities (see Notes 19 Borrowings and 22 Financial risk management and financial assets and liabilities). In the cash flow statement, instalments of the deferred consideration are reported in Acquisition of business.

Key management judgement and estimates

With regard to property, plant and equipment in the acquisitions made in financial periods preceding the periods reported herein, comparisons have been made with the market prices of corresponding assets and the decrease in value due to the age of the acquired assets, wear and tear and other corresponding factors have been assessed. The acquired property, plant and equipment has been comprised of production machinery and equipment and vehicles.

14. ASSOCIATES

No associates were consolidated in the financial statements of the GRK Group for the 2022 and 2021 financial periods. The holding (33.3%) in the associate Viborock Oy was disposed in January 2021, and it did not have an impact on the profit of the GRK Group for the financial period concerned.

Accounting policy

Associates are companies over which the GRK Group has significant influence, but no control or joint control. Associates are consolidated in the consolidated financial statements using the equity method. If the GRK Group's share of the associate's losses exceeds the book value of the investment, the losses exceeding the book value are not consolidated unless GRK has committed itself to the fulfilment of the associates' obligations. The GRK Group's share of the profit for the period of associates is calculated in accordance with the Group's ownership interest and reported in the Group's income statement in Financial income and expenses.

15. INVENTORIES

EUR thousand	31 Dec 2022	31 Dec 2021
Materials and supplies	4,190	4,864
Work in progress	1,379	892
Total	**5,569**	**5,756**

GRK recognised EUR –187 thousand as an adjustment to cost of inventories for the financial period (2021: EUR 2,549 thousand). The expense includes changes in both material and supplies inventories and work in progress, and it is reported in Materials and services on the income statement.

Accounting policy

Inventories are measured at the lower of cost or net realisable value. Cost includes all costs of purchase, manufacture and other costs caused by bringing the inventories to their location and condition. Net realisable value is the estimated selling price in the course of ordinary business less the costs of completing the product and direct expenses of selling.

16. TRADE RECEIVABLES AND OTHER RECEIVABLES

EUR thousand	31 Dec 2022	31 Dec 2021
Non-current		
Contract payments held	2,240	2,240
Loan receivables	2,254	2,894
Other non-current receivables	212	169
Total	**4,706**	**5,303**
Current		
Trade receivables	52,607	47,558
Loan receivables	64	65
VAT receivables	0	798
Accrued costs from share issuance	0	150
Other receivables	2,783	545
Contract assets	24,169	22,457
Fuel tax refund receivables	452	524
Current tax receivables	65	136
Other prepaid expenses and accrued income	4,227	5,598
Total	**84,368**	**77,832**

Ageing analysis of trade receivables

	31 Dec 2022	31 Dec 2021
Share of trade receivables not due or overdue for less than 30 days of all trade receivables (%)	99.41%	99.80%

The management estimates that the book values of trade receivables, loan receivables and other receivables correspond to their fair value because they are short-term in nature or their interest rate essentially corresponds with the market interest rate.

The Group's customers are mainly from the public sector, such as municipalities, the state and municipality-owned entities. Therefore, the amount of credit losses has been historically very low. According to the view of the GRK Group's management and calculations supporting it, there are no material expected credit losses occurring in the business that would need to be estimated proactively in the 2022 financial statements. The credit risk of financial assets is described in Note 22 Financial risk management and financial assets and liabilities.

Loan receivables are comprised of loans to private shareholders and a loan granted to the buyer in connection with the sale of property, plant and equipment. Loans have been granted to some of the company's employees and officers in conjunction with collective investment schemes to finance a part of their subscription price for the company's shares. The terms and conditions of the loans are market-based, and the shares subscribed by these persons in the collective investment scheme are collateral. The collective investment schemes and associated loan receivables are described in more detail in Note 5 Employee benefit expenses.

Accounting policy

The Group's financial assets are comprised of cash and cash equivalents (see Note 17 Cash and cash equivalents) and trade receivables and other receivables, which are measured at amortised cost using the effective interest method. Financial assets at amortised cost are assets held to collect contract cash flows and the cash flows consist exclusively of the payment of principal and interest.

Loan receivables and other receivables are initially recognised at fair value. Trade receivables are initially recognised at the transaction price. Interest income is included in finance income.

Impairment of financial assets

Expected credit losses associated with financial assets are estimated proactively.

A simplified model is applied to measuring assets based on trade receivables and contracts with customers, according to which credit losses are recognised for the entire period of validity of the trade receivables or asset based on contracts with customers based on expected credit losses. The GRK Group has defined default percentages for trade receivables of different ages based on the age breakdown, taking into consideration the special characteristics and risks of the receivables. The amount of the expected credit loss is based on the management's best estimate of expected defaults. The credit loss model takes into account customers' previous payment behaviour and available future forecasts. According to an assessment made by the GRK Group, the expected credit losses of trade receivables and assets based on contracts with customers are insignificant.

The impairment of loan receivables is calculated based on the 12-month expected credit loss. If credit risk has increased significantly from the time of granting the loan, the credit loss is calculated based on the credit loss expected throughout the period of validity of the loan receivable. The debtor's financial difficulties, default of payments or payment being more than 30 days overdue is an indication that the credit risk of the financial asset is significantly increased. The impact of collateral is taken into consideration in the amount of the credit loss recognised as expected. The management of the GRK Group has estimated that the credit risk of loan receivables has not increased significantly and that the expected credit losses are insignificant.

Receivables are derecognised as final credit losses when no payment can be reasonably expected for them. Indications of not being able to reasonably expect payment include the debtor's inability to make an instalment schedule with the Group and the debtor's bankruptcy.

17. CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents consist of cash and on-demand bank deposits in solvent partner banks. Bank overdrafts are included in current liabilities.

18. NOTES CONCERNING EQUITY AND SHARES

EUR thousand	31 Dec 2022	31 Dec 2021
Share capital	80	35
Reserve for invested unrestricted equity	35,567	26,863
Translation differences	–162	–71
Retained earnings	34,572	33,921
Profit (loss) for the period	6,983	15,154
Total equity attributable to owners of the parent company	**77,040**	**75,901**
Non-controlling interests	0	2,280
Total equity	**77,040**	**78,181**

Shares and share capital

EUR thousand	Number of class A shares	Share capital	Reserve for invested unrestricted equity
31 December 2020 *	39,199,650	35	24,769
Directed share issue 2021	588,055		2,093
31 December 2021 *	39,787,705	35	26,863
Share capital increase		45	–45
Directed share issue 2022	1,404,022		8,750
31 December 2022	41,191,727	80	35,567

* The decision on a split of the shares 1:5 was made on 14 February 2022 (The shareholders of the company were issued four new shares for each existing share without consideration). In the table above, the number of shares for the comparison year 2021 has been changed to correspond to the 2022 share split.

GRK has one share class. All shares confer one vote at a general meeting and equal rights to dividend, the company's assets and voting at general meetings. All shares have been fully paid. The shares have no nominal value.

The company holds a total of 1,193,376 of its own shares, and their combined share of all of the shares and votes is 2.9% as at 31 December 2022 (31 December 2021: 162,000 shares / 2.0%).

During the financial period, the Extraordinary General Meeting of 14 February 2022 decided on a share split. According to the resolution, the shareholders of the company were issued four new shares for each existing share without consideration. At the same general meeting, it was also decided to increase the share capital to EUR 80 thousand as a fund increase.

During the 2022 financial period, the company's Board of Directors decided with the authorisation of the general meeting on a directed share issue to acquire all of the shares in the company's subsidiaries GRK Road Oy and GRK Rail Oy (currently GRK Suomi Oy) from private shareholders (exchange of shares). The share exchange was carried out on 2 June 2022, when the previous private shareholders of the subsidiaries subscribed for a total of 1,404,022 new company shares. The shares were entered in the Trade Register on 15 June 2022.

Reserve for invested unrestricted equity

The reserve for invested unrestricted equity includes other equity investments and share subscription price to the extent that it is not recognised in share capital according to a specific decision.

Translation differences

Translation differences are caused by the translation of the assets and liabilities of the GRK Group's foreign subsidiaries into the reporting currency of the consolidated financial statements. Exchange rate differences arising from net investments in foreign units are recognised in other comprehensive income in the consolidated financial statements.

Dividend

In 2022, GRK Infra Oyj distributed EUR 5,608 thousand as dividend for the 2021 financial period (dividend distribution of EUR 5,144 thousand in 2021). The Group's subsidiaries distributed EUR 210 thousand as dividend to the current private shareholders (dividend distribution of EUR 109 thousand in 2021). The Board of Directors proposes to the general meeting that dividend of EUR 6,400 thousand, or EUR 0.16 per share will be distributed to the shareholders. GRK Infra Oyj's distributable assets on 31 December 2022 amount to EUR 80,247 thousand (31 December 2021: EUR 67,662 thousand).

Earnings per share

Basic earnings per share are calculated by dividing the profit for the financial period attributable to owners of the parent company by the weighted average number of shares outstanding during the financial period.

Earnings per share adjusted for dilution are calculated by dividing the profit for the financial period attributable to owners of the parent company by the weighted average number of shares outstanding during the financial period plus the number of shares that would be issued if all potential diluting shares were exchanged for shares. There were no dilutive instruments in the 2022 and 2021 financial periods.

Basic earnings per share

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Profit for the financial period attributable to owners of the parent company (EUR thousand)	6,983	15,154
Average weighted number of shares during the financial period (thousand) *	39,493	38,897
Basic earnings per share, EUR	**0.18**	**0.39**

* Average weighted number of shares excluding own shares held by GRK Infra Oyj.

19. BORROWINGS

EUR thousand	31 Dec 2022	31 Dec 2021
Non-current borrowings		
Bank loans	4,821	6,636
Installment debts	16,511	10,808
Capital loans	0	337
Other non-current borrowings	0	1,011
Total non-current borrowings	**21,332**	**18,791**
Current borrowings		
Bank loans	1,814	1,814
Installment debts	4,356	1,954
Capital loans	0	75
Other current borrowings	0	336
Total current borrowings	**6,170**	**4,179**
Total	**27,502**	**22,971**

The carrying amounts of borrowings are considered to be a reasonable approximation of their fair values based on the fact that they were initially recognised at fair value measured based on market interest rate. Bank loans and installment debts are classified in fair value hierarchy level 2. Other non-current and current borrowings consist of interest-bearing loans granted by non-controlling interests. The fair values of capital and other loans are classified in fair value hierarchy level 3. Capital loans and other loans were repaid to the debtors during the 2022 financial period.

The levels of the hierarchy are as follows:
Level 1: The fair values of financial instruments subject to trading in an active market (such as publicly listed derivatives and shares) are based on the quoted prices at the end of the reporting period, and they are classified in level 1.
Level 2: If all of the significant inputs needed for measuring the fair value of the instruments are observable but the price is not directly quoted in an active market, the instruments are classified in level 2.
Level 3: If one or more significant inputs are not based on observable market data, the instrument is classified in level 3.

Terms and conditions of capital loans

The capital loans included in the GRK Group's liabilities have been capital loans referred to in chapter 12 of the Finnish Limited Liability Companies Act. The principal may be repaid only in so far as the sum total of the unrestricted equity and all of the capital loans of the company at the time of payment exceed the loss on the balance sheet to be adopted for the latest financial period or the loss on the balance sheet from more recent financial statements and so that the company's solvency is not compromised due to the return of capital. The same applies to interest paid on the loans.

The loans were withdrawn in 2018–2021. After the adoption of the financial statements, interest has been paid on the loans annually at the rate of 4% p.a., always on 30 June. The capital loans have been repaid in full to the debtors during the 2022 financial period.

Accounting policy

The withdrawn loans are initially recognised at fair value less transaction costs. Subsequently, the loans are measured at amortised cost. The difference between the amount raised (less transaction costs) and repaid amount is recognised in the income statement during the loan period using the effective interest method. Commissions paid for overdraft limits are recognised as loan-related transaction costs to the extent that using the limit in part or full is probable. In this case, the commission is capitalised until the loan is withdrawn. If there is no evidence that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The loans are derecognised when the contractual obligation has been fulfilled or revoked or it has expired. The difference between the carrying out of an amortised or transferred financial liability and consideration paid – which includes transferred non-cash assets or assumed liabilities – is recognised through profit or loss and reported in financial items.

Loans are classified as current if the Group does not have an unconditional right to defer the payment for a minimum of 12 months after the end of the reporting period.

20. PROVISIONS

EUR thousand	Onerous contracts	Landscaping provisions	Warranty provisions	Total
2022				
At 1 Jan	2,893	374	615	3,883
Additions	7,326	697	100	8,122
Used during the year	−7,520	−425	−30	−7,975
Unused provisions reversed			−12	−12
Translation differences	−46	0	−45	−92
At 31 Dec	**2,653**	**645**	**628**	**3,926**
Current	774	38	166	977
Non-current	1,879	608	462	2,949
Total	**2,653**	**645**	**628**	**3,926**

EUR thousand	Onerous contracts	Landscaping provisions	Warranty provisions	Total
2021				
At 1 Jan	210	374	30	614
Additions	2,795	-	591	3,387
Used during the year	−74	-	-	−74
Unused provisions reversed	−34	-	-	−34
Translation differences	−3	-	−6	−9
At 31 Dec	**2,893**	**374**	**615**	**3,883**
Current	2,310		12	2,322
Non-current	583	374	603	1,560
Total	**2,893**	**374**	**615**	**3,883**

Accounting policy

Provisions are recognised for legal claims, service-related warranties and the landscaping of sites when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle obligation and the amount of the obligation can be reliably estimated. No provisions are recognised for future operating losses.

The amount recognised as a provision is the present value of the expenses expected to be required to fulfil the obligation at the end of the reporting period according to the management's best estimate. The pre-tax interest rate reflecting the market view of the time value of money at the time of review and special risks pertaining to the obligation in question is used in calculating the present value. An increase in the provision due to the passing of time is recognised as an interest expense.

Onerous contracts

A provision is recognised for onerous contracts at full value when the estimated total expenditure required for completing the contract with customer exceed the future total income from the customer contract.

Landscaping provision

Landscaping provisions are associated with the landscaping obligations of environmental services, and they comprise future costs due to closing down, covering, subsequent monitoring and maintaining the final disposal area or extraction area. A landscaping provision is recognised pro rata to the actual use and total capacity under the environmental permit for sites with agreements involving such an obligation. Their expected useful life depends on the use of the final disposal of waste area or extraction site because landscaping is generally started after the end of its use or the expiry of the agreement.

Warranty provision

A warranty provision covers the repair expenses under a conventional warranty obligation after the completion of a contract.

Key management judgement and estimates

Management judgement is required when estimating whether a legal or constructive obligation has emerged due to which the outflow of resources to settle the obligation is probable. If a constructive obligation is considered to have emerged for the GRK Group, the management estimates its amount and timing. Regarding onerous contracts, the management applies judgement concerning the expected economic benefit from the contract and makes estimates of the amount of loss to be recognised. The estimate is made based on the best knowledge available at the time of recognition using the management's experience in comparable situations in the past, but updates to the estimate might still be necessary based on new information received at a later point. The management's estimate of landscaping costs is based on empirical data on the fulfilment of these obligations. The warranty provision is based on the management's estimate made based on the level of actual warranty expenses in previous financial periods.

21. TRADE PAYABLES AND OTHER PAYABLES

EUR thousand	31 Dec 2022	31 Dec 2021
Non-current		
Other financial liability	-	1,538
Accruals	221	268
Other liabilities	-	-
Total	**221**	**1,805**
Current		
Trade payables	27,614	23,255
Deferred consideration from a business combination	-	1,485
VAT liability	6,370	7,723
Other liabilities	4,220	2,652
Current tax liability	2,621	1,237
Accrued interest expenses	29	67
Accrued personnel expenses	18,809	17,236
Other accruals	3,209	5,592
Total	**62,871**	**59,248**

Other non-current liabilities have initially been recognised at fair value measured based on market interest rate. The carrying amounts of current trade payables and other payables are considered to correspond with their fair value due to their short maturity.

The last instalment of the deferred consideration in the financial statements for the comparison financial period 2021 was paid during the 2022 financial period. The unpaid part of the purchase price has been fixed and not conditional. In the cash flow statement, instalments of the deferred consideration are reported in Acquisition of business.

The other financial liability in the financial statements for the 2021 comparison financial period comprised a contingent liability arisen in connection with the redemption of a subsidiary's non-controlling shareholder's shares. From the point of view of the stand-alone company reporting, the liability is an equity instrument (in Swedish, aktieägartillskott), which according to the terms and conditions can be repaid to its original granter after the subsidiary in question has sufficient equity to repay it. The parent company had made a commitment to repay the debt to the former non-controlling shareholder when the subsidiary's equity allows it, as a result of which the item was reported as the parent company's financial liability in the consolidated financial statements. The financial liability was repaid in full to the debtors during the 2022 financial period.

Accounting policy

Trade payables and other financial liabilities included in the item are initially recognised at fair value, and subsequently they are measured at amortised cost using the effective interest method. Trade payables and other payables are classified as current liabilities if they mature within 12 months of the end of the reporting period.

22. FINANCIAL RISK MANAGEMENT AND FINANCIAL ASSETS AND LIABILITIES

The company's financial risk is comprised of market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk.

Financial risks are primarily managed by the Group's financial administration in accordance with the Board-approved treasury policy and the Group's risk management policy. The Group's financial administration identifies, assesses and hedges against financial risks in close collaboration with the Group's business units. The Board of Directors issues written guidelines on the principles of general risk management and the principles concerning certain areas, such as foreign currency risk, interest rate risk, credit risk, use of other financial instruments and investing surplus liquid assets.

Foreign currency risk

The Group is not exposed to significant foreign currency risk because transactions primarily take place in the functional currency of each standalone entity. Foreign currency risk is caused to a minor extent by the SEK-denominated other financial liability (see Note 21 Trade payables and other payables) and the Swedish subsidiaries' minor EUR-denominated intra-Group trade payables. Therefore, the Group's management does not actively manage exchange rate risk. The company's foreign exchange differences affecting profit or loss have been insignificant in the reported periods.

Interest rate risk

The Group's most significant interest rate risk is caused by floating-rate non-current loans that expose it to the cash flow interest rate risk. Approximately one-half of the Group's borrowings has a fixed rate. With the moderate amount of floating-rate loans, the interest rate risk is not considered significant and it is not hedged.

The interest income from cash flows and interest expense paid on borrowings increases or decreases following changes in interest rates, which has an impact on profit or loss. The Group's management estimates that the impact of changes in interest rates on profit for the period is insignificant for all reported periods.

Credit risk

Credit risk is associated with cash and cash equivalents and trade receivables and other receivables, receivables from contracts with customers and loan receivables.

The Groups' customer base is mainly comprised of public-sector customers. The Group's management regularly assesses the credit risk of customers based on historical credit losses. Credit risk is considered insignificant due to the public profile and high credit ratings of the customers.

Loans have been granted to shareholders in connection with the collective investment scheme (see Notes 5 Employee benefit expenses and 16 Trade receivables and other receivables) and in connection with the sale of property, plant and equipment to the buyer of the machine. The credit rating of the machine buyer was checked before granting the loan. The loans are secured, and the repayment of the loans has taken place in accordance with the instalment schedule, and the Group estimates that their credit risk is not significant. The fair value of the securities covers the majority of the nominal value of the loan receivables.

Cash and cash equivalents are invested in solvent Nordic banks, and their credit risk is not considered to be significant. The principles of recognising impairment on financial assets are described in Note 16 Trade receivables and other receivables.

Liquidity risk

The objective of the Group's liquidity risk management is to keep adequate cash and cash equivalents and maintain access to adequate financing to ensure that obligations can be fulfilled when they fall due and that finance costs remain low. The company's primary source of financing are the cash flows from its operating activities. Due to the seasonal nature of the Group's business operations, the finance department maintains flexibility in financing by using a group account, in addition to which the company has bank overdrafts. The management monitors rolling estimates of the Group's liquidity reserve (described below) on the basis of expected cash flows. The Group's liquidity position is good.

The GRK Group's loans from financial institutions are associated with Group company-specific financial covenants relating to net debt, EBITDA and equity ratio. The GRK Group reports the loan covenants to its lenders annually or semi-annually. The covenants have been fulfilled in the reported periods.

Financing arrangements

At the end of the reporting period, the Group had the following unused sources of financing:

Floating rate (EUR thousand)	2022	2021
Cash and cash equivalents	43,020	48,456
Maximum amount of the bank overdraft granted	11,500	11,500
of which in use	-	-

Of the bank overdrafts, the facility of EUR 10,000 thousand is binding and valid until 31 December 2023. The second limit of EUR 1,500 thousand is valid indefinitely and the bank can terminate it without notice.

Maturities of financial liabilities

The tables below present the Group's financial liabilities broken down into groups based on the remaining contractual maturity. The figures presented in the table are contractual undiscounted cash flows, and they include interest payments.

EUR thousand	2023	2024	2025	2026	2027	2028-	Contractual cash flows total	Net book value
31 December 2022								
Borrowings	6,548	6,270	7,191	3,828	2,859	1,868	28,563	27,502
Lease liabilities	3,702	3,093	1,997	1,060	536	580	10,968	10,664
Other financial liabilities	-	-	-	-	-	-	-	-
Trade payables	27,614	-	-	-	-	-	27,614	27,614
Total	**37,863**	**9,363**	**9,188**	**4,888**	**3,395**	**2,448**	**67,145**	**65,780**

EUR thousand	2022	2023	2024	2025	2026	2027-	Contractual cash flows total	Net book value
31 December 2021								
Borrowings	4,650	4,853	4,556	5,517	1,998	2,329	23,904	22,971
Lease liabilities	3,683	3,098	2,528	1,495	716	596	12,115	11,706
Other financial liabilities	1,500	1,645	-	-	-	-	3,145	3,023
Trade payables	23,255	-	-	-	-	-	23,255	23,255
Total	**33,088**	**9,596**	**7,084**	**7,013**	**2,714**	**2,924**	**62,419**	**60,954**

Changes in financial liabilities

EUR thousand	Borrowings	Lease liabilities	Other financial liabilities	Total
Borrowings and other financial liabilities at 1 January 2022	**22,971**	**11,706**	**3,023**	**37,700**
Other additions		3,432	-	3,432
Cash flows from financing activities	4,533	−4,096	−3,087	−2,650
Changes in exchange rates and other changes	−2	−377	64	−315
Borrowings and other financial liabilities at 31 December 2022	**27,502**	**10,664**	**0**	**38,166**

EUR thousand	Borrowings	Lease liabilities	Other financial liabilities	Total
Borrowings and other financial liabilities at 1 January 2021	**18,329**	**11,018**	**4,398**	**33,744**
Other additions	-	4,261	-	4,261
Cash flows from financing activities	4,656	−3,505	−1,500	−349
Changes in exchange rates and other changes	−13	−68	125	44
Borrowings and other financial liabilities at 31 December 2021	**22,971**	**11,706**	**3,023**	**37,700**

Capital management

The purpose of the Group's capital management is to:

- ensure the ability to continue operations as going concern in order to be able to provide income to the shareholders and benefits to other stakeholders, and
- maintain an optimum capital structure to lower the costs of capital.

In order to maintain or change the capital structure, the Group can change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell its assets to reduce its debt.

The Group manages the equity and loans as shown on the balance sheet as capital. The Group's management monitors capital based on equity ratio and net debt. The equity ratio was 41.9% on 31 December 2022 (43.6% on 31 December 2021).

23. CONTINGENT LIABILITIES AND COMMITMENTS

EUR thousand	31 Dec 2022	31 Dec 2021
Collaterals given		
Contract collaterals	83,608	86,445
Company mortgages	27,000	27,000
Real estate mortgages	150	150
Pledged assets		
For own commitments	198	198

The company mortgages and real estate mortgages function as general collateral for the Group's loans and bank overdraft.

On the closing date, the GRK Group has EUR 1,358 thousand (31 December 2021: EUR 325 thousand) of grants received for development work subject to a repayment condition.

Investment commitments

By the end of the reporting period, agreements had been made on the following significant investments. No liabilities have been recognised on the balance sheet for the agreements:

EUR thousand	31 Dec 2022	31 Dec 2021
Investment commitments	6,646	4,196

The Group has no other commitments.

Legal proceedings/disputes

The company and its subsidiaries have not in the reported periods been parties to an administrative procedure, court action or arbitration that could have or has had a significant impact on the financial position or profitability of the company and/or its subsidiaries, with the exception of the Umeå bridge accident described below, and the company is not aware of the threat of such proceedings pending.

Accident at the Umeå bridge site

In September 2020, an accident that took place at GRK Infra AB's Umeå construction site after the second phase of the bridge beam installation had commenced. During the installation phase, the bridge beam slid off its base so that it was damaged. The client of the project, the Swedish Transport Administration (Trafikverket) commenced an investigation of the accident together with a third party, the GRK Group and the insurance company. The report on the investigation assesses, among other things, the impact of the exceptionally low friction and brakes of the mounting base on the accident.

Due to the incident, GRK Infra AB has initiated arbitration and demands the subcontractor to compensate for the damage and delay penalties incurred in an arbitral tribunal. The counterparty has also issued its own counterclaim based on the work it had performed; however, in total, the claim was only a fraction of GRK's claims. GRK's final claims will be specified during the arbitration, taking into account the final damage repair costs. As a whole, insurance claims received are also taken into account. Furthermore, GRK Infra AB has submitted a claim to the District Court of Helsinki concerning the guarantee granted by the subcontractor's Finnish parent company. By application of GRK Infra AB, the District Court of Helsinki has already issued an order of attachment seizing EUR 7,760,000 of the guarantor's assets, equal to the amount of the guarantee. GRK has provided the execution authority with a guarantee of EUR 3,500,000 required for the procedural remedy.

The financial statements of the GRK Group do not include provisions relating to the court proceedings. No contingent asset was recognised in the 2022 financial statements because the proceedings on the dispute is in progress at the time of preparing the financial statements. According to the GRK Group's view, the prerequisites for recognising a contingent liability are also not met with regard to the counterclaim as the proceedings are in progress.

In March 2021, the insurance company decided to compensate for the part of the damage covered by the insurance. The insurance company has indemnified the costs incurred in accordance with the policy conditions. The insurance company has reserved the right to reassess its indemnity decision, including the recovery of the indemnities paid, should information deviating from what was known to the insurance company before making the decision subsequently emerge.

The impacts of the accident on the costs of the project have been taken into consideration according to the management's estimate in the total cost forecast and the estimated future losses incurred due to remedying the damage have been recognised in full with a negative impact on the result for the financial period on the closing date on both 31 December 2021 and 31 December 2022.

Accounting policy

A contingent liability is a probable liability arising from past events, the existence of which will only be confirmed once one or more uncertain future events not wholly within the control of the GRK Group occur. A contingent liability can also be an obligation whose existence is not probable or whose amount cannot be reliably determined. A contingent liability is not recognised as a liability on the balance sheet, but it is reported as an off-balance sheet commitment in the notes.

A contingent asset is a probable asset arising from past events, the existence of which will only be confirmed once one or more uncertain future events not wholly within the control of the GRK Group occur or do not occur. A contingent asset is not recognised on the balance sheet but reported in the notes.

Key management judgement and estimates

Whether the prerequisites for recognising a contingent liability are met is subject to management judgement. The estimate is made based on the best knowledge available at the time of recognition. If the prerequisites for recognising a contingent liability are met, the management estimates the amount of the liability.

Management judgement is involved in the estimate of the impact of the accident on the total costs of the project and estimate of the estimated future financial losses from remedying the loss.

24. SUBSIDIARIES

Subsidiary	Country of incorporation	Group's holding at 31 December 2022 (%)	Group's holding at 31 December 2021 (%)
GRK Infra AB	Sweden	100.00	100.00
GRK Eesti AS (formerly GRK Infra AS)	Estonia	100.00	100.00
GRK Suomi Oy (formerly GRK Rail Oy)	Finland	100.00	84.22
GRK Road Oy	Finland	100.00	91.30
GRK Rail AB	Sweden	100.00	84.22

The GRK Group simplified its corporate structure during 2022. The goal was to have a clearer organisational structure where the GRK Group consists of the parent company GRK Infra Oyj and three local subsidiaries in Finland, Sweden and Estonia. After the restructuring, GRK Infra Oyj will act as the Group's parent company with the Group's administration, while business operations will take place in the country companies.

The first phase on 2 June 2022 involved an exchange of shares with the private shareholders of GRK Rail Oy and GRK Road Oy, whereby the private shareholders became shareholders of the parent company and GRK Rail Oy and GRK Road Oy became wholly-owned subsidiaries of the parent company. In the second phase, the shares of GRK Rail Ab, wholly owned by GRK Rail Oy, were sold to GRK Infra AB on 6 September 2022. In the third phase, GRK Rail Oy was renamed as GRK Suomi Oy on 1 October 2022 and GRK Infra Oyj's construction-related operational business was transferred to GRK Suomi Oy in a business transfer. In the fourth phase, on 31 December 2022, GRK Road Oy merged into GRK Suomi Oy. After the end of the financial period in January 2023, the final phase of the restructuring was completed when GRK Rail AB merged into GRK Infra AB.

Accounting policy

In addition to the parent company GRK Infra Oyj, the consolidated financial statements include its subsidiaries over which the Group has control. Control emerges when the company is, through its ownership interest, exposed to variable returns or is entitled to variable returns and has the ability to affect those returns through its power over the company. Subsidiaries are consolidated in the consolidated financial statements in full as of the day on which the Group obtains control over them, and consolidation is ceased when control is lost.

All internal business transactions, receivables and payables, unrealised profits arising from internal transactions and internal distribution of profit between the Group companies are eliminated in the consolidated financial statements. Unrealised losses are eliminated unless the transaction indicates impairment of the disposed asset. Where necessary, the subsidiaries' financial statements have been adjusted to correspond to the accounting principles followed by the Group.

The share of subsidiaries' profits and equity attributable to non-controlling interests is reported as a separate item on the consolidated statement of income, statement of comprehensive income, statement of changes in equity and balance sheet.

Transactions with non-controlling interests

Transactions in 2021

In June 2021, the general meeting of shareholders of GRK Suomi Oy resolved on a share issue to the company's key employees to commit them to the company. The shares subscribed to in the share issue were registered in the Trade Register in October. After the share issue, GRK Infra Oyj's holding in GRK Suomi Oy decreased to 84.22% (previously 86.52%).

Transactions in 2022

During the 2022 financial period, the Board of Directors of GRK Infra Oyj decided on a directed share issue to acquire all of the shares in the company's subsidiaries GRK Road Oy and GRK Rail Oy (currently GRK Suomi Oy) from private shareholders (exchange of shares). The share exchange was carried out on 2 June 2022, when the previous private shareholders of the subsidiaries subscribed for a total of 1,404,022 new company shares. After the exchange of shares, the parent company's holding in the subsidiaries increased to 100 per cent.

25. RELATED PARTY TRANSACTIONS

The GRK Group's related parties include the parent company, subsidiaries, associates, shareholders or entities with significant influence in the company and the company's key management personnel, which includes the members of the Board of Directors of the parent company and members of the Group management team. Related parties also include the close family members of the persons mentioned above and entities over which the above-mentioned persons and their close family members have control or joint control. The structure of the Group is described in Note 24 Subsidiaries.

Keijo Haavikko, Finnish Industry Investment Ltd (TESI) and Ilmarinen Mutual Pension Insurance Company exercise significant influence over the GRK Group.

The table below presents the holdings of the key management personnel and members of the Board of Directors of the company's outstanding shares at the end of each reporting period. In addition, one of the members of key management personnel has synthetic options. The synthetic options are described in Note 5 Employee benefit expenses.

Holding	31 Dec 2022	31 Dec 2021
Key management personnel	18.9%	23.9%

The table below presents the wages and salaries paid to the key management personnel, including the CEO. In accordance with the decision of the general meeting of shareholders, members of the Board of Directors employed by the GRK Group are not paid separate fees for their Board membership. In addition to the CEO, the Management Team included 11.5 persons on average during the 2022 financial period (11.4 in 2021).

EUR thousand	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Members of the Board of Directors		
Wages, salaries and other short-term employee benefits	154	148
Chief Executive Officer*		
Wages, salaries and other short-term employee benefits	410	287
Pension costs - defined contribution plans	73	49
Benefits paid in connection with termination	-	-
Management team		
Wages, salaries and other short-term employee benefits	2,464	2,339
Pension costs - defined contribution plans	505	474
Benefits paid in connection with termination	-	-
Total	**3,606**	**3,296**

*Keijo Haavikko was the Chief Executive Officer until March 2021, Juha Toimela as of March 2021.

The general meeting of shareholders decides on the remuneration of the Board of Directors, whereas the Board of Directors decides on the wages and salaries and other terms of employment of the CEO and the management team. The period of notice specified in the employment contracts of the CEO and members of the management team is from one to four months. The CEO and certain individual members of the management team are, in certain situations, entitled to severance pay equal to their base salary for 3–6 months. The Chief Executive Officer and members of the management team employed by the GRK Group are included in the scope of the statutory pension system of each country, offering statutory pension cover based on the period of service and earnings.

The tables below present the related party transactions of the GRK Group and outstanding balances.

EUR thousand	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Key management personnel		
Purchases of goods and services	-	-
Interest income	9	2
Interest expenses	-	−5
Dividends paid	−831	−921
Share redemptions	−96	-
New shares subscribed in rights issue	-	748
New shares subscribed in directed share issue	8	-
Entities with significant influence		
Dividends paid	−1,001	−925
Other related party companies		
Sales of goods and services	-	602
Consulting fees	−144	−240

EUR thousand	31 Dec 2022	31 Dec 2021
Key management personnel		
Loan receivables	628	764
Capital loans and other loans	-	−22
Other related party companies		
Trade payables and other payables	−10	-

In addition to the transactions presented in the tables above, the statutory pension insurance of the GRK Group's Finnish companies (Note 5 Employee benefit expenses) is provided by Ilmarinen Mutual Pension Insurance Company. The Board of Directors approves consulting services performed by a related party acquired from related party companies. All related party transactions have been conducted on market terms.

The loans granted to key management personnel are related to the collective investment schemes, which are reported in Note 5 Employee benefit expenses, and the terms and conditions of the loans granted are described in Note 16 Trade receivables and other receivables. Transactions with key management shareholders including dividends, loan receivables granted in connection with the collective investment scheme and subscription of new shares and share redemptions were carried out under the same terms and conditions as transactions with other shareholders. The number of shares acquired from a key management person in the 2022 financial period was 300,000. One member of the key management had granted capital and other interest-bearing loans to a company belonging to the GRK Group under the same terms and conditions as other non-controlling shareholders during previous financial periods, but all of these loans have been repaid in full in the 2022 financial period. The terms and conditions of the capital loans and other borrowings are described in Note 19 Borrowings.

26. EVENTS AFTER THE CLOSING DATE

GRK announced on 3 January 2023 that the City of Vaasa had chosen the joint alliance group of GRK and Sitowise as the service provider for the city's cycling project. The cycling project will last until 2029, during which a high-quality route network of 50 kilometres of walking and cycling trails as well as other cycle paths and related services will be implemented in Vaasa. The total cost of the project will be determined during annual development phases, and the target is approximately EUR 30–50 million.

GRK announced on 8 February 2023 that it had received a giant project from Sweden. H2 Green Steel selected GRK Infra AB to carry out the foundation and earthworks of its new hydrogen and steel plant. The value of the contract exceeds SEK 2 billion, or close to EUR 200 million. The project will continue until early 2025.

Eesti Raudtee (Estonian Railways) has selected GRK to electrify the Aegviidu-Tapa-Tartu railway line. The total value of the project is approximately EUR 79 million. This is the first significant step towards electrifying Estonia's railway lines. The contract was signed in February 2023.

Parent company income statement (FAS)

EUR	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
REVENUE	3.1	**171,349,133.48**	**233,954,941.61**
Increase (+) / decrease (–) in work in progress	3.2	–344,759.13	303,749.38
Other operating income	3.3	509,069.81	478,669.02
Materials and services	3.4	140,285,481.60	183,861,934.10
Personnel expenses	3.5	19,662,625.14	29,100,072.26
Depreciation, amortisation and impairment	3.6, 4.1.1	2,141,933.38	2,542,737.25
Other operating expenses	3.7	8,495,144.72	9,410,477.49
OPERATING PROFIT (LOSS)		**928,259.32**	**9,822,138.91**
Finance income and expenses total	3.9	9,845,138.49	2,687,569.66
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**10,773,397.81**	**12,509,708.57**
Appropriations	3.10	–1,197,867.01	65,266.01
Income taxes	3.11	121,723.10	–2,319,688.29
PROFIT (LOSS) FOR THE FINANCIAL PERIOD		**9,697,253.90**	**10,255,286.29**

Parent company balance sheet (FAS)

	Note	31 Dec 2022	31 Dec 2021
Assets			
NON-CURRENT ASSETS			
Intangible assets	4.1.1	0.00	1,755,533.14
Property, plant and equipment	4.1.1	0.00	9,092,406.88
Investments	4.1.2	58,548,644.37	14,090,289.53
TOTAL NON-CURRENT ASSETS		**58,548,644.37**	**24,938,229.55**
CURRENT ASSETS			
Inventories	4.2.1	0.00	2,515,165.33
Receivables			
Non-current receivables	4.2.2	9,515,206.83	12,108,015.87
Current receivables	4.2.2	14,995,380.36	49,178,074.30
Cash and cash equivalents		29,698,516.33	36,401,985.88
TOTAL CURRENT ASSETS		54,209,103.52	100,203,241.38
TOTAL ASSETS		**112,757,747.89**	**125,141,470.93**

	Note	31 Dec 2022	31 Dec 2021
Shareholders' equity and liabilities			
EQUITY			
Share capital	4.3.1	80,000.00	34,646.70
Reserve for invested unrestricted equity	4.3.2	35,567,089.70	26,862,538.61
Retained earnings	4.3.2	34,982,663.86	30,544,061.06
Profit for the financial period	4.3.2	9,697,253.90	10,255,286.29
TOTAL EQUITY		**80,327,007.46**	**67,696,532.66**
APPROPRIATIONS	4.4	**0.00**	**1,002,132.99**
PROVISIONS	4.5	**0.00**	**1,804,000.71**
LIABILITIES			
Non-current			
Non-current liabilities	4.6.1	1,821,428.54	3,035,714.26
Current			
Current liabilities	4.6.2	30,609,311.89	51,603,090.31
TOTAL LIABILITIES		32,430,740.43	54,638,804.57
TOTAL EQUITY AND LIABILITIES		**112,757,747.89**	**125,141,470.93**

Parent company cash flow statement (FAS)

Cash flow from operating activities	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Proceeds from sales		164,174,450.88	217,381,355.10
Proceeds from other operating income		396,760.27	352,388.63
Payments for operating expenses		−169,360,682.71	−219,197,018.08
Cash flow from operating activities before financial items and taxes		−4,789,471.56	−1,463,274.35
Paid interest and payments for other financial expenses		−152,390.35	−164,646.30
Interest received from operations		66,731.07	−11,543.96
Other operating financial items		3,362,409.44	−718,670.73
Direct taxes paid		56,571	−2,815,949
Cash flow from operating activities		**−1,456,150.53**	**−5,174,083.86**
Cash flow from investing activities			
Investments in tangible and intangible assets		−4,379,363.21	−4,208,793.49
Other investments		−2,500,000.00	0.00
Proceeds from sale of non-current assets		331,355.74	165,943.54
Loans granted		0.00	−1,479,358.20
Repayment of loan receivables		4,718,945.17	2,288,183.80
Increase/decrease in current investments		158,102.71	−2,169,554.11
Dividends received from investments		0.00	702,270.00
Interest received from loan receivables and other investments		503,837.43	483,431.55
Cash flow from investing activities		**−1,167,122.16**	**−4,217,876.91**

Cash flow from operating activities	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Cash flow from financing activities			
Share issue		0.00	2,093,475.80
Repurchase of own shares		−208,416.26	−104,800.00
Return of invested unrestricted capital		0.00	0.00
Proceeds from long-term borrowings		802,641.73	0.00
Repayments of long-term borrowings		0.00	0.00
Proceeds from current borrowings		7,472,043.99	5,465,746.72
Repayments of current borrowings		−1,214,285.72	−1,214,285.72
Group contributions received and paid		−2,200,000.00	0.00
Dividends paid and other distribution of profits		−5,608,267.23	−5,154,933.10
Cash flow from financing activities		**−956,283.49**	**1,085,203.70**
Cash and cash equivalents transferred in the business transfer		−3,123,913.37	0.00
Increase (+) / decrease (−) in cash and cash equivalents		**−6,703,469.55**	**−8,306,757.07**
Cash and cash equivalents at the beginning of the financial year		36,401,985.88	44,708,742.94
Cash and cash equivalents at end of year		**29,698,516.33**	**36,401,985.88**

Notes to the parent company's financial statements 31 December 2022

1. PARENT COMPANY'S ACCOUNTING PRINCIPLES

The financial statements of GRK Infra Oyj have been prepared in accordance with the principles of Finnish Accounting Standards. The financial statements were drafted for the period of 12 months from 1 January to 31 December 2022.

GRK Infra Oyj is the parent company of the Group. The consolidated financial statements of GRK Infra Oyj are available from grk.fi.

2. MEASUREMENT AND ACCRUAL PRINCIPLES

2.1 Measurement of non-current assets

Depreciation and amortisation according to plan has been reduced from the cost of tangible and intangible assets recognised on the balance sheet. Cost includes the variable expenses incurred due to purchase and manufacture. Depreciation and amortisation according to plan has been calculated using the straight-line method based on the economic useful lives of the tangible and intangible assets with the exception of certain buildings, which are depreciated based on depreciation in taxation and other long-term expenditure in the circular economy business, which are depreciated based on the use of the areas.

The depreciation periods are as follows:

Intangible rights	5–10 years	straight-line depreciation
Goodwill	10 years	straight-line depreciation
Other long-term expenditure	4–10 years	straight-line depreciation
Other long-term expenditure (circular economy)		Depreciation of asset based on the use of areas
Tools and measuring equipment	3–5 years	straight-line depreciation
Passenger cars	4–5 years	straight-line depreciation
Lorries and vans	3–7 years	straight-line depreciation
Office machines and equipment	5 years	straight-line depreciation
Other production machinery and equipment	5–12 years	straight-line depreciation
Buildings and structures	5–25 years/7%	straight-line depreciation/ reducing balance method of depreciation

The acquisition costs of non-current assets with a probable useful life less than three years and small acquisitions are recognised as expenses in full for the financial period of the acquisition.

2.2 Inventories

Inventories are measured at the lower of cost or replacement cost or probable sales price.

2.3 Accrual of income

Long-term projects are recognised based on the percentage of completion. The percentage of completion is determined as the ratio of actual costs incurred to the estimated total costs of the project. The projected losses from onerous contracts included in the order book have been recognised as expenses in full.

3. NOTES TO THE INCOME STATEMENT

3.1 Breakdown of revenue

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Disaggregation of revenue by market area		
Geographical breakdown		
Finland	167,979,548.03	230,026,206.81
Estonia	565,601.80	156,944.89
Sweden	902,394.99	1,360,591.43
Other countries	1,901,588.66	2,411,198.48
	171,349,133.48	233,954,941.61
Revenue based on percentage of completion	159,150,035.87	221,591,864.50
Other revenue	12,199,097.61	12,363,077.11
Total revenue	**171,349,133.48**	**233,954,941.61**
Amount recognised as revenue from long-term projects based on the percentage of completion but not handed over to the customer during the financial period and previous financial periods	0.00	312,592,905.09
Amount not recognised as revenue from long-term projects recognised based on the percentage of completion	0.00	137,625,400.00
Order backlog, total	**0.00**	**137,625,400.00**

3.2 Change in work in progress

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Increase (+) / decrease (–) in work in progress	–344,759.13	303,749.38

3.3 Other operating income

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Proceeds from sale of property, plant and equipment	112,309.54	126,280.39
Grants received	154,675.63	218,280.39
Other operating income	242,084.64	134,108.24
Total other operating income	**509,069.81**	**478,669.02**

3.4 Materials and services

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Materials and supplies		
Purchases during the financial year	29,669,556.74	39,331,434.32
Change in material and supply inventory	304,160.00	–916,000.00
External services	110,311,764.86	145,446,499.78
Total materials and services	**140,285,481.60**	**183,861,934.10**

3.5 Personnel expenses and average number of personnel

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
During the financial period, the company's average number of personnel was		
White-collar	152	200
Blue-collar	72	106
Total	**224**	**306**
Personnel expenses		
Wages and salaries	15,729,610.68	23,909,214.49
Pension expenses	3,450,059.88	3,787,212.47
Other social security expenses	482,954.58	1,403,645.30
Total personnel expenses	**19,662,625.14**	**29,100,072.26**
Management wages and salaries		
Members of the Board of Directors and the CEO	1,034,944.22	900,039.25

3.6 Depreciation, amortisation and impairment

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Depreciation and amortisation according to plan	2,141,933.38	2,542,737.25
Total depreciation, amortisation and impairment losses	**2,141,933.38**	**2,542,737.25**

3.7 Other operating expenses

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Office rents and maintenance charges	797,969.51	1,007,037.67
Vehicle expenses	515,121.91	1,183,799.09
IT hardware and software expenses	1,321,329.62	1,235,681.92
Consulting, advisory and administrative services	1,927,056.79	959,162.16
Travel expenses	1,535,373.43	1,657,243.61
Other operating expenses	2,398,293.46	3,367,553.04
Total other operating expenses	**8,495,144.72**	**9,410,477.49**

3.8 Auditors' fees

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
PricewaterhouseCoopers		
Auditing	56,561.64	60,975.00
Tax advisory services	8,612.00	18,500.00
Other services	694,113.56	202,247.25
Total	**759,287.20**	**281,722.25**

3.9 Finance income and expenses

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Other interest and finance income		
From Group companies	10,515,527.18	1,168,446.77
From others	144,524.76	50,460.52
Total other interest and finance income	10,660,051.94	1,218,907.29
Impairment losses on non-current assets	0.00	−2,398,750.00
Interest expenses and other finance expenses		
To others	814,913.45	930,087.63
Total interest expenses and other finance expenses	814,913.45	930,087.63
Finance income and expenses total	**9,845,138.49**	**2,687,569.66**

3.10 Appropriations

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Difference (increase – / decrease +) between depreciation according to plan and depreciation in taxation	1,002,132.99	65,266.01
Group contributions given	2,200,000.00	
Total appropriations	**3,202,132.99**	**65,266.01**

3.11 Income taxes

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Income taxes on operations	**121,723.10**	**−2,319,688.29**

4. NOTES TO THE BALANCE SHEET

4.1 Non-current assets

4.1.1 Intangible and tangible assets of the parent company

	Intangible assets		Property, plant and equipment			
Parent company	**Intangible rights**	**Other long-term expenditure**	**Land**	**Buildings**	**Machinery and equipment**	**Total**
Acquisition cost at 1 January 2022	29,598.00	2,183,613.56	340,522.21	1,164,664.04	13,374,002.07	17,092,399.88
Additions	0.00	76,727.82	79,324.29	0.00	1,761,725.10	1,917,777.21
Disposals	−29,598.00	−2,260,341.38	−419,846.50	−1,164,664.04	−15,135,727.17	−19,010,177.09
Acquisition cost at 31 December 2022	0.00	0.00	0.00	0.00	0.00	0.00
Accumulated depreciation, amortisation and impairment at 1 January 2022						
Accumulated depreciation and amortisation of disposals	19,338.00	622,635.93	0.00	318,334.95	7,492,094.36	8,452,403.24
Depreciation and amortisation for the period	−2,430.00	−181,865.51	0.00	−58,507.24	−1,899,130.63	−2,141,933.38
Impairment	0.00	0.00	0.00	0.00	0.00	0.00
Accumulated depreciation and amortisation 31 December 2022	0.00	0.00	0.00	0.00	0.00	0.00
Book value 31 December 2022	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Book value 31 December 2021	**12,690.00**	**1,742,843.14**	**340,522.21**	**904,836.33**	**7,781,038.34**	**10,781,930.02**

4.1.2 Investments of the parent companyset

	Shares		Receivables	
Parent company	**Group companies**	**Other**	**Group companies**	**Total**
Acquisition cost at 1 January 2022	11,106,800.00	197,785.08	2,786,954.30	14,091,539.38
Additions	48,082,161.03	0.00	0.00	48,082,161.03
Disposals	−3,158,375.72	0.00	−465,430.32	−3,623,806.04
Impairment	0.00	0.00	0.00	0.00
Reclassifications	0.00	0.00	0.00	0.00
Acquisition cost at 31 December 2022	56,030,585.31	197,785.08	2,321,523.98	58,549,894.37
Accumulated impairment at 1 January 2022	−1,250.00	0.00	0.00	−1,250.00
Reversals of impairment losses	0.00	0.00	0.00	0.00
Impairment	0.00	0.00	0.00	0.00
Accumulated impairment at 31 December 2022	−1,250.00	0.00	0.00	−1,250.00
Book value 31 December 2022	**56,029,335.31**	**197,785.08**	**2,321,523.98**	**58,548,644.37**

* The shares in Infra Polar Oy have been written-down in full (EUR 1,250) because the company does not have and has not had any operations. The company has also been deregistered from the Trade Register.

4.2 Current assets

4.2.1 Inventories

	31 Dec 2022	31 Dec 2021
Materials and supplies	0.00	1,623,000.00
Work in progress	0.00	892,165.33
Total inventories	**0.00**	**2,515,165.33**

4.2.2 Receivables

	31 Dec 2022	31 Dec 2021
Non-current receivables		
Loan receivables from Group companies	7,377,233.07	9,238,524.95
Loan receivables from others	0.00	175,093.30
Other non-current receivables	2,137,973.76	2,694,397.62
Total non-current receivables	**9,515,206.83**	**12,108,015.87**
Current receivables		
Prepaid expenses and accrued income from Group companies	6,847,002.79	25,254.73
Loan receivables from Group companies	4,153,883.30	2,788,260.67
Trade receivables from Group companies	1,819,312.81	1,626,803.34
Group account receivables	2,011,451.40	2,169,554.11
Total current receivables from Group companies	14,831,650.30	6,609,872.85
Receivables from others		
Trade receivables	65,209.15	26,757,575.37
Loan receivables	0.00	64,135.00
Other receivables	0.00	312,516.48
Prepaid expenses and accrued income	98,520.91	15,433,974.60
Total receivables from others	163,730.06	42,568,201.45
Total current receivables	**14,995,380.36**	**49,178,074.30**
Breakdown of prepaid expenses and accrued income:		
Prepaid expenses and accrued income corresponding to income based on percentage of completion	0.00	14,257,109.14
Income taxes	65,152.23	136,260.23
Other prepaid expenses and accrued income	33,368.68	1,040,605.23
Total prepaid expenses and accrued income	**98,520.91**	**15,433,974.60**

4.3 Equity

4.3.1 Restricted equity

	31 Dec 2022	31 Dec 2021
Share capital 1 January	34,646.70	34,646.70
Share capital increase (increase from reserves)	45,353.30	0.00
Share capital 31 December	80,000.00	34,646.70
Total restricted equity	**80,000.00**	**34,646.70**

4.3.2 Unrestricted equity

	31 Dec 2022	31 Dec 2021
Reserve for invested unrestricted equity 1 January	26,862,538.61	24,769,062.81
Increase during the financial period from share issues	8,749,904.39	2,093,475.80
Transfer to share capital (increase from reserves)	−45,353.30	
Reserve for invested unrestricted equity 31 December	**35,567,089.70**	**26,862,538.61**
Retained earnings 1 January	40,799,347.35	35,803,794.16
Dividend distribution	−5,608,267.23	−5,154,933.10
Redemption of own shares	−208,416.26	−104,800.00
Retained earnings 31 December	**34,982,663.86**	**30,544,061.06**
Profit for the financial period	**9,697,253.90**	**10,255,286.29**
Total unrestricted equity	**80,247,007.46**	**67,661,885.96**
Total equity	**80,327,007.46**	**67,696,532.66**

4.3.3 Distributable unrestricted equity

	31 Dec 2022	31 Dec 2021
Retained earnings	34,982,663.86	30,544,061.06
Profit for the financial period	9,697,253.90	10,255,286.29
Portion of accumulated depreciation difference recognised in shareholders' equity		
Reserve for invested unrestricted equity	35,567,089.70	26,862,538.61
Total distributable unrestricted equity	**80,247,007.46**	**67,661,885.96**

4.4. Accumulated appropriations

	31 Dec 2022	31 Dec 2021
Depreciation difference	0.00	1,002,132.99

4.5 Provisions

	31 Dec 2022	31 Dec 2021
Other provisions	0.00	1,804,000.71

4.6 Liabilities

4.6.1 Non-current liabilities

	31 Dec 2022	31 Dec 2021
Loans from financial institutions	1,821,428.54	3,035,714.26
Total non-current liabilities	**1,821,428.54**	**3,035,714.26**

4.6.2 Current liabilities

	31 Dec 2022	31 Dec 2021
Loans from financial institutions	1,214,285.72	1,214,285.72
Advances received from clients of long-term projects	0.00	301,610,995.29
Advances received corresponding to income based on percentage of completion	0.00	−298,335,795.95
Total advances received	0.00	3,275,199.34
Trade payables to others	203,425.62	6,974,405.33
Trade payables to Group companies	6,936.00	1,172,504.44
Other current liabilities to Group companies (Group account liabilities)	28,088,672.54	20,862,092.34
Total liabilities to Group companies	28,095,608.54	22,034,596.78
Other liabilities	213,941.11	4,910,867.10
Accruals and deferred income	882,050.90	13,193,736.04
Total current liabilities	**30,609,311.89**	**51,603,090.31**
Breakdown of accruals and deferred income:		
Accrued personnel expenses	843,789.21	7,379,109.68
Accrual of income taxes	0.00	0.00
Interest liabilities	27,843.62	26,916.67
Other accruals	10,418.07	5,787,709.69
Total accruals and deferred income	**882,050.90**	**13,193,736.04**

5. OTHER NOTES

5.1. Notes concerning guarantees and commitments

5.1.1 From financial institutions and insurance companies guarantees based on subsidiaries' contract agreements for which a countersecurity has been pledged as collateral

	Parent company 31 Dec 2022	Parent company 31 Dec 2021
Contract collaterals	3,500,000.00	51,317,466.55

5.1.2 Other collateral given for own commitments

Real estate mortgages	150,000.00	150,000.00
Company mortgages	17,000,000.00	17,000,000.00
Pledged shares, book value	197,785.08	197,785.08
Deposits (rent deposits)	0.00	39,750.00
Total	**17,347,785.08**	**17,387,535.08**

5.1.3 Collaterals for Group companies

	31 Dec 2022	31 Dec 2021
Guarantees for subsidiaries' leasing and installment debt agreements	10,617,769.72	5,463,481.62
Guarantees based on subsidiaries' contract agreements for which a countersecurity has been pledges as collateral	80,107,698.69	35,127,907.24
Total	**90,725,468.41**	**40,591,388.86**
Total amount of the bank overdraft granted	10,000,000.00	10,000,000.00
of which in use	0.00	0.00

5.1.4 Total lease liabilities

	31 Dec 2022	31 Dec 2021
Payable during the next financial period	0.00	9,041.62
Payable later	0.00	0.00
Total	**0.00**	**9,041.62**

5.1.5 Lease liabilities for premises

	31 Dec 2022	31 Dec 2021
Payable during the next financial period	0.00	727,082.69
Payable later	0.00	2,278,068.20
Total	**0.00**	**3,005,150.89**

Synthetic options

The personnel of the GRK Group have been granted synthetic options as part of the parent company GRK Infra Oyj's share-based incentive schemes. The GRK Group has organised one synthetic option plan that covered a limited number of the company's employees in 2019. All subscribed options, totalling 422,180 options (84,436 options calculated using the numbers before the share split carried out during the 2022 financial period), were granted at the same time in 2019. The synthetic option plan has a fixed term expiring in 2024, and it grants the participants an opportunity to a cash-settled reward, the amount of which depends on the development of the company's share over a five-year period. The plan includes a market condition, and additionally service conditions. The reward will not be paid if the conditions are not met at the end of the plan. The options do not entitle their holder to subscribe for shares. The number of outstanding synthetic options was 268,660 at the end of the 2022 financial period (276,336 in 2021). In the company's financial statements (FAS), the synthetic option plan is treated as an off-balance sheet arrangement. Calculated using the value at the balance sheet date of 2022, the off-balance sheet liability for the synthetic option plan is EUR 12,640 (31 December 2021: EUR 271,468).

Board of Directors' proposal for the distribution of profit

The company's distributable funds are EUR 80,247,007.46, of which the profit for the financial period is EUR 9,697,253.90.

The Board proposes to the Annual General Meeting that the distributable funds be used as follows:

- Dividend of EUR 0.16 will be paid for each share outstanding at the time of dividend payout totalling 39,998,351 shares, resulting in a total dividend of EUR 6,399,736.16
- The remaining distributable funds of EUR 73,847,271.30 will be retained in equity.

The company's liquidity is good and the proposed distribution of profits will not compromise the company's liquidity.

Signatures to the financial statements and the report of the Board of Directors

Vantaa, 3 March 2023

GRK Infra Oyj

Kari Kauniskangas
Chairman of the Board

Keijo Haavikko
Member of the Board

Esa Lager
Member of the Board

Tarja Pääkkönen
Member of the Board

Johanna Korhonen
Member of the Board

Jukka Nikkanen
Member of the Board

Juha Toimela
Chief Executive Officer

Auditor's note

Our auditor's report has been issued today.

Tampere, 8 March 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Launis
Authorised Public Accountant

Auditor's Report

(Translation of the Finnish original)

To the Annual General Meeting of GRK Infra Oyj

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion

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

What we have audited

We have audited the financial statements of GRK Infra Oyj (business identity code 0533768-1) for the year ended 31 December, 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 policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

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

Independence

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.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director'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.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

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 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. 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, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Tampere 8 March 2023
PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Launis
Authorised Public Accountant (KHT)

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