GRK

Versatile infrastructure operator

Report of the Board of Directors and financial statements for 2023
Includes consolidated IFRS financial statements 31 December 2023
GRK Infra Plc

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 approximately 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 offers 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 Plc, the GRK Group includes country companies in each operating country: GRK Suomi Oy in Finland, GRK Eesti AS in Estonia and GRK Sverige AB in Sweden.

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 technology

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. In addition, the environmental technology business includes the bioproduct business, such as the production and sale of biochar.

Market situation and operating environment

Currently, weak economic growth is widespread in all of GRK's operating countries. According to the EU Commission's Autumn 2023 Economic Forecast, the euro area is facing a modest recovery and inflation, which marked the year, seems to be a thing of the past. Inflation will remain moderate in the forecast years 2024–2026.

In Sweden, GDP is estimated to contract by 0.2 per cent in 2024 and grow by 1.3 per cent in 2025. In Estonia, GDP is estimated to increase by 1.9 per cent in 2024 and by 2.7 per cent in 2025. (European Commission Autumn Forecast 2/23). The Finnish economy is in recession. According to the Bank of Finland's forecast, the GDP will contract by 0.2 per cent in 2024. After this, GDP growth will return to long-term average growth. Economic growth of 1.5 per cent is forecast for 2025 and of 1.3 per cent for 2026. (Source: Bank of Finland, forecast of the Finnish economy 12/23.)

The economic situation will also inevitably be reflected in the construction sector. In Finland, construction is decreasing sharply and growth is not expected until 2025 at the earliest. In civil engineering, the stagnation of the cost increase will not turn production to a growth track in the coming years. Civil engineering will decrease by –1.5% in 2024. (Source: Confederation of Finnish Construction Industries, economic cycle outlook 9/23). In Sweden, construction investments are expected to decrease by 5% in 2024. Public infrastructure construction in Sweden is declining, but private investments in energy construction are a glimmer of light. (Source: Byggföretagen, Konjukturrapport 2/2023). In the Norrbotten region, which is important to GRK, construction is expected to grow following significant investments. Infrastructure construction in Estonia is maintained by Rail Baltica projects and the electrification of the Estonian railway network.

Last year, approximately 67 per cent (85% in 2022) of GRK's invoicing consisted of public sector projects. In the past, the infrastructure construction market has been characterised by little exposure to short-term cyclical fluctuations, as infrastructure construction projects are often long-term, and a significant part of them consist of orders from cyclically more stable public operators. The increase in defence spending caused by Russia's war of aggression and the sustainability gap in public finances have had an impact on the demand for infrastructure projects. Confederation of Finnish Construction Industries RT has proposed the front-loaded implementation of the projects pursuant to the Government's investment programme and the plan of the Finnish Transport Infrastructure Agency. On the other hand, investments in large cities have remained at a high level, and several large tram projects are expected to start in the coming years. Private industrial and energy investments as well as defence and border security projects are 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	1–12/2023	1–12/2022	1–12/2021	1–12/2020	1–12/2019
Revenue (EUR million)	546.2	450.5	430.6	387.3	298.6
EBITDA (EUR million)	37.7	24.4	32.6	31.2	19.3
EBITDA %	6.9%	5.4%	7.6%	8.0%	6.5%
Adjusted EBITDA (EUR million)	38.0	26.3	34.0	32.4	9.5
Adjusted EBITDA %	7.0%	5.8%	7.9%	8.4%	6.5%
Operating profit (EUR million)	24.2	11.4	20.7	21.7	12.4
Operating profit margin, %	4.4%	2.5%	4.8%	5.6%	4.2%
Adjusted operating profit (EUR million)	24.9	13.7	22.6	22.9	12.7
Adjusted operating profit margin, %	4.6%	3.0%	5.3%	5.9%	4.2%
Profit for the financial period (EUR million)	20.1	7.0	15.7	18.6	8.9
Equity (EUR million)	88.9	77.0	78.2	65.1	50.6
Return on equity %	24.3%	9.0%	21.9%	32.1%	18.6%
Equity ratio, %	39.9%	41.9%	43.6%	43.4%	41.4%
Order backlog at the end of the year (EUR million)	568	381	382	405	482
Average number of personnel	1,012	946	888	741	572

Revenue

GRK Group's revenue is primarily comprised of contract revenue from civil engineering and road construction as well as rail business and paving and of environmental technology revenues.

The Group's revenue continued to increase significantly in 2023, increasing by approximately 21% to EUR 546.2 (450.5) million during the period under review.

Revenue developed favourably, especially in Sweden, where revenue increased by almost 146% to EUR 165.9 (67.5) million. In Sweden, the biggest contract in GRK's history contributed to the business volume. GRK is building earthworks and foundation reinforcement works for the H2 Green Steel factory project in northern Sweden. The contract worth approximately SEK 2 billion was signed during the period under review.

The development of revenues has been in line with the strategy, as GRK has sought growth especially in Sweden, in addition to which increasing sales to the private sector has been a strategic goal. In 2023, 33 (15) per cent of the Group's sales invoicing consisted of the private sector.

The most significant share of GRK's revenue continued to be in Finland, where revenue increased slightly to EUR 335.2 (329.7) million. Finland accounted for 61.4 per cent of GRK's revenue in 2023. In Finland, revenue increased particularly due to civil engineering, road construction and rail business. GRK managed to increase the revenue of civil engineering and road construction, even though the low level of government investments is visible in infrastructure construction, and there has been fierce price competition for large projects throughout the period. In rail business, revenue was positively affected by the "continuous business", that is, the maintenance of the tracks and safety equipment. GRK is responsible for track maintenance in Uusimaa and Southwest Finland and electric track and high-current system maintenance in Western Finland.

In Estonia, revenue decreased to EUR 42.1 (51.4) million. There has been a shift of the focus in revenue in Estonia, as in 2023, the revenue was increased by new rail construction projects, while in 2022, civil engineering and road construction projects contributed to revenue. The civil engineering and road construction projects that generated revenue in the comparison period have ended, such as the construction of the Võõbu-Mäo motorway and the Tartu bypass. In spring 2023, GRK was selected to carry out two major railway projects in Estonia. GRK was selected to implement the first significant step towards electrifying Estonia's railway lines in the Aegviidu-Tapa-Tartu trackway section in February. In April, Rail Baltic Estonia selected GRK to construct the new Ülemiste railway station area and its surrounding area in Tallinn for the upcoming passenger terminal. The new civil engineering and road construction projects are also related to the construction of Rail Baltica.

Operating profit

The Group's operating profit increased to EUR 24.2 (11.4) million and adjusted operating profit was EUR 24.9 (13.7) million.

Relative profitability improved significantly in terms of operating margin, 4.4% (2.5%). GRK has managed to improve its profitability in a difficult market environment. This is in line with the strategy objective, as GRK wants to ensure a healthy profitability across the board. The strategic target is an operating margin of more than 6% in 2026.

Another positive development is that all businesses have been able to improve their profitability. The good development is partly influenced by the exceptional reference year 2022, when sharp increases in the cost of raw materials burdened the profitability of several projects. In 2022, GRK had several fixed-price contracts in progress, which do not involve indices to eliminate the effects of cost changes. The increase in material prices particularly affected the first half of 2022, and the increase in prices particularly affected the project margins of Estonia's long-term projects and Finland's paving business.

Order backlog

The Group's order backlog stood at EUR 568.3 (381.0) million at the end of the year. In the difficult market situation, GRK has managed to strengthen its order backlog in all of its operating countries and businesses.

GRK has added several new projects to its order backlog during the review period. The most significant of these in terms of value is the agreement concluded between GRK Sverige AB and H2 Green Steel in January 2023, on the basis of which GRK will carry out the earthworks and foundation reinforcement works of a factory project. The value of this contract was approximately SEK 2 billion, which will be recognised in stages as subcontracts in the order backlog. In 2023, GRK received additional contracts from the customer worth approximately SEK 500 million.

In Estonia, two railway projects worth approximately EUR 110 million were added to the order backlog in 2023. Eesti Raudtee (Estonian Railways) selected GRK to electrify the Aegviidu–Tapa–Tartu railway line. During the project, GRK will be responsible for the implementation planning and construction of the electrified tracks and feed stations. Also included in the project is the maintenance contract, according to which GRK is responsible for the fault repair and maintenance of the electrified tracks for five years (2025–2030) after the construction, so the agreement provides work for several years.

In April, Rail Baltic Estonia selected GRK to construct the new Ülemiste railway station area and its surrounding area in Tallinn. The construction work will be done for the upcoming Rail Baltica railway and passenger terminal. Other construction work is also underway in Estonia for the future Rail Baltica railway. In autumn 2023, GRK was selected to carry out a significant transport project, in which a multi-level junction as well as several bridges crossing the railway tracks of Rail Baltica will be built in Kangru, near Tallinn.

In Finland, new contracts were added to the order backlog, especially towards the end of the year, when GRK received the first regional contract for the Espoo City Rail Link in December 2023, worth approximately EUR 100 million. In addition, late in the year, GRK won a project related to energy construction, when Fingrid agreed with GRK on construction work for a new 400 kV cable connection to the main grid. The connection responds to the growing electricity consumption in the Helsinki Metropolitan Area and promotes the green transition. The value of the agreement is approximately EUR 22 million.

Significant projects in 2023

H2 Green Steel, 5/2022–1/2025, Boden (Sweden)

GRK Infra AB carries out the foundation and earthworks of H2 Green Steel's new hydrogen and steel plant. The value of the contract exceeds SEK 2 billion, or close to EUR 200 million. 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 work. The actual contract was signed in January 2023, after the building permit had been granted. The project will continue until early 2025. This is the largest contract in GRK's history, in which piling, soil cutting and soil transfer, among other tasks, are carried out in the factory area. During 2023, GRK received additional contracts worth approximately SEK 500 million.

Umeå river bridge, 3/2019–2024, 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 summer 2024. The contract section includes the construction of a 530-metre road transport 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 contract is available in the section describing the risks and under legal proceedings.

Electrification and maintenance of railways, Estonia 2/2023–12/2024 (maintenance until 2030)

GRK is implementing electrification of the Aegvidu-Tapa-Tartu railway line in Estonia. The total value of the project is approximately EUR 79 million. In Estonia, the goal is to electrify most of the country's rail network by the end of 2028. Eesti Raudtee selected GRK Suomi Oy and GRK Eesti AS through competitive tendering to work on a project in which approximately 150 kilometres of the main tracks from Aegviidu to Tartu will be electrified. During the project, GRK will be responsible for the implementation planning and construction of the electrified tracks and feed stations. Also included in the project is the maintenance contract, according to which GRK is responsible for the fault repair and maintenance of the electrified tracks for five years (2025–2030) after the construction.

Rail Baltica, Ülemiste railway station area, Estonia, spring 2023–autumn 2026

Rail Baltic Estonia selected GRK to construct the new Ülemiste railway station area and its surrounding area in Tallinn. The construction work will be done for the upcoming Rail Baltica railway and passenger terminal. The value of the project is approximately EUR 27 million. Rail Baltic Estonia OÜ signed the project agreement with GRK on 29 March 2023. The goal of the project is to rebuild the existing railway infrastructure of the Ülemiste railway station area. The project also includes the construction of track systems, such as catenaries and aspects.

The Kalasatama–Pasila project, 5/2020–6/2024

GRK is involved in an urban development project to plan and build a 4.5 km tramway Helsinki. GRK and AFRY form the Karaatti alliance which will implement the northern part of the project from the northern part of Hermannin rantatie to Pasila and the tramway electricity supply stations. The value of the project is approximately EUR 100 million.

Maintenance, track maintenance in Uusimaa and Southwest Finland

An alliance comprising GRK Suomi 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 earliest. The maintenance contract covers the entire railway network of Uusimaa, and its value is approximately EUR 155 million. GRK started the maintenance of the southwest coast railway and safety equipment on 1 April 2022. The agreement expires in 2027. The value of the agreement is approximately EUR 55 million.

Aurajoki bridges, Turku, 9/2022–2025
GRK will carry out the renewal of the railway bridge crossing the Aurajoki river in Turku. The contract is part of the Finnish Transport Infrastructure Agency's more extensive Kupittaa–Turku railway project. The contract includes the demolition of the current Aurajoki river railway bridge and the construction of a new one, as well as the construction of the Nummi underpass crossing Helsinginkatu. The value of the agreement is almost EUR 26 million.

Saukonkanava and Saukonlaituri, Helsinki, 7/2023–11/2024
The contract located in Jätkäsaari, Helsinki, involves constructing the 3rd phase of the Saukonkanava canal and the Saukonlaituri pier. The contract includes the construction of streets, water supply, municipal technology, pier, canal and bridge structures. The value of the contract is approximately EUR 6 million.

Cash flow, financial position and major investments

In January–December, the Group's cash flows from operating activities amounted to EUR 76.0 (full-year 2022: 21.0) million, cash flows from investing activities to EUR –12.1 (–19.2) million and cash flows from financing activities to EUR –10.8 (–7.2) million. Cash and cash equivalents have increased by EUR 54.6 million since the turn of the previous year. In addition to the clearly improved result, compared to the previous year, increased efficiency of working capital contributed to the increase in cash and cash equivalents.

Cash and cash equivalents at the end of December were EUR 97.6 (31 December 2022: 43.0) 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 37.8 (38.2) million. The net debt amounted to EUR –63.7 (–7.2) million and the equity ratio was 39.9 (41.9) per cent, so the Group's solvency remained strong.

The net investments for 2023 were EUR 17.4 (21.8) million, to a significant extent relating to asphalting equipment, rail construction and environmental services business.

Strategy

GRK's Board confirmed the company's updated strategy in late 2023. The Group's updated strategy is for 2023–2026. There were no major changes to the previous strategy, but it was refined in many respects.

The strategy was updated mainly due to geopolitical changes and 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 2026, 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 ensuring 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. Growth will be pursued in operating countries and business operations where we have high profitability. In terms of countries, this means Sweden, and for businesses, the growth target particularly focuses on environmental technology.

GRK measures the success of its strategy by monitoring the Group's financial targets, which the company aims to achieve by the end of 2026:

- Revenue: over EUR 550 million
- Operating profit: over 6%
- Return on equity: over 25%
- Equity ratio: over 35%

Personnel

In 2023, the GRK Group had an average of 1,012 (946) employees. The number of personnel has increased in Finland and Sweden.

In January–December, the Group's personnel expenses amounted to EUR 92.3 (81.0) million, an increase of 14 per cent from the comparison year.

GRK Group	1–12/2023	1–12/2022	1–12/2021
Finland	854	819	792
Sweden	83	50	35
Estonia	76	76	61
Group total*	**1,012**	**946**	**888**

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

Business acquisitions and disposals

On 31 July 2023, GRK Suomi Oy concluded an asset deal with Fortum's Recycling and Waste business, whereby GRK sold its slag handling business to Fortum. No personnel were transferred in the transaction.

GRK had treated slag from waste incineration at a mobile treatment plant. As a result of the transaction, the plant was transferred to Fortum's ownership. At the same time, GRK and Fortum agreed to cooperate on the use of mineral fractions resulting from the processing of slag.

Research and development

GRK's strategic intent is to be the most versatile operator in the infrastructure sector in 2026. We are pursuing profitable growth. We want to be a forerunner 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 2023, our research activities focused especially on the development of environmental technology, because, in accordance with the strategy, we are seeking strong growth in the implementation of construction projects that enhance the security of energy supply and the circular economy.

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

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 investigated the potential raw material flows that enable continuous large-scale production power and high-quality products. The project was partly funded by Business Finland.

In 2023, the implementation of the project was particularly affected by fuel fluctuations in power plants in order to secure energy supply. These were taken into account when processing the ashes into new products. As a result of the project, GRK invested in its own ash processing plant in November 2023. This allows launching a new ash product suitable for fertiliser use on the market and expanding the range of low-carbon services. This project supports GRK's goals as a sustainable builder and will also allow us to increase our carbon handprint. The project ended in November 2023.

Biochar and pellet

GRK started the production of biochar in 2023. Biochar produced at the Utajärvi production plant has been delivered to GRK's construction sites in Finland and Sweden. To promote the use of biochar, instructions for use were drawn up for the product in 2023. In addition, the impact of biochar on plants was monitored at the Oravapuisto cycling lane construction site in Helsinki. Monitoring will continue in 2024, once plant growth starts have stabilised.

Biochar plant development has continued to play a strong role in launching and growing new business. GRK complemented the range of low-carbon services and products by investing in a pellet plant in 2023. The pellet plant will start production during 2024.

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 2023. 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. The tool's emission factors were updated in early 2023.

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, the calculations take into account all use in our own operations. In 2023, GRK used approximately 950,000 (900,000) litres of renewable fuels. Renewable fuels accounted for approximately 17 per cent of our total consumption. The use of LPG in paving remained at a good level in 2023. In 2023, GRK used a total of approximately 1.9 million kg of LPG, while the use in 2022 was approximately 2.2* million kg. With regard to purchased energy, it has been ensured that GRK mainly uses renewable energy (Scope 2).

GRK's carbon footprint was 16,332 (18,360) tonnes of CO_2 equivalent. Our carbon intensity, which takes into account the growth in revenue, was 29.9%, which is significantly lower than in 2022 (40.8%). The reduction of the carbon footprint was mainly due to the reduced use of LPG.

*The comparison figure for 2022 has been refined in connection with the calculations. The previously reported carbon footprint was 14,367 tonnes of CO_2 equivalent. The further specification of the benchmark figure is due to a correction of the volume of LPG use. Previously, the use of LPG was reported to be 1.1 million kg in 2022.

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 2023, GRK influenced its own carbon handprint through several products.

GRK's carbon handprint for 2023 was 4,400 tonnes of CO_2 equivalent (10,800 tonnes). We delivered a total of 1,700 tonnes of magnetic metals and 720 tonnes of precious metals, such as aluminium and copper, to the steel and metal industry for reuse. As a result of an asset deal, our waste incineration bottom slag processing operations ended in summer 2023. The change in our services had a negative impact on the amount of materials processed and, at the same time, on our carbon handprint.

The use of recycled materials remained at a good level at GRK in 2023. During 2023, GRK used a total of 486,000 (551,000) tonnes of recycled materials in its operations. Recycled materials include asphalt, concrete, ashes, slags and tyres. The use of reclaimed asphalt mixture in paving operations totalled 121,000 (105,000) tonnes in 2023, meaning that their use increased compared to 2022.

Social responsibility: Becoming a pioneer in sustainable construction

GRK has carried out long-term safety work for several years. One indicator is the accident frequency rate, which describes the number of accidents causing sick leave per one million hours worked.

The negative development of the accident frequency rate has continued. The Group's accident frequency rate was 13.1 (11.6). In 2023, GRK's personnel suffered a total of 24 (20) accidents resulting in sick leave. The accidents were mostly minor. Accidents leading to less than three days of sick leave accounted for 32 per cent and accidents leading to less than 10 days of sick leave for 40 per cent of the accidents.

For 2023, the goal was to have an accident frequency rate of less than 8, taking into account both in-house employees and the employees of and subcontractors, but the goal was not achieved.

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. The fact that the number of safety observations has been significantly increased can be considered to be a favourable trend. A total of 1,882 (1,257) were made in 2023, and the observations were good and of high quality.

Employee satisfaction

In 2023, GRK conducted the Työvire personnel survey with 703 respondents. The response rate was 70%. The pulse score was 3.9 out of 5, and the average varied between 3.3 and 4.2 out of 5 between different respondent groups. The pulse score remained at the same level as in 2022, but the response rate increased.

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 2023, GRK Group's overall satisfaction improved, with an eNPS of 29 (23). The median eNPS of companies is about 20, of the top quartile 40 and the top decile about 60.

A regular pulse survey will also be launched in 2024 to collect quarterly data on the development of what is considered relevant.

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.

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.

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 objectives.

Risk management is implemented at all operational levels in the whole GRK Group as part of the operating system, in accordance with good governance. Risk prevention and the identification of opportunities are part of everyday business management. The systematic risk management process includes active, proactive and protective measures that both protect against threats and identify opportunities.

Risks are classified into five risk areas within the GRK Group. Strategic risks are often related to external events and changes, societal changes, or changes in the operating environment, legislation, and market conditions that affect long-term plans and strategic objectives. Operational risks are related to the day-to-day operations of the organisation, especially on construction sites and 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.

The risks of damage are caused by unexpected and sudden events and may include accidents at work, accidents, anomalies, and damage to third parties. Compliance risks are related to compliance with legislation, government regulations, GRK's values and the principles of fair operations.

Key risks in 2023:

Risk	Risk management measures
Rapid expansion of operations	Developing the management system so that operations are less dependent on individuals.
Challenging market situation, dependence on public procurement	Development of the offering, development of tendering, active monitoring of the market.
Postponement of the delivery of the Umeå bridge site to spring 2024.	Project management, rush costs, negotiations with the client.
An internally observed quality deviation in a paving business project.	Development of project and quality management processes, the estimated costs of the quality deviation have been taken into account in warranty provisions in the financial statements, negotiations with the client.
Large railway and joint projects between the Finnish and Estonian companies	Project management, negotiations with the client.

Legal proceedings

In 2020, an accident took place at GRK Sverige AB's (former GRK Infra AB) 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. Due to the incident, GRK Infra AB initiated arbitration and demanded the subcontractor to compensate for the damage and delay penalties incurred in an arbitral tribunal. The subcontractor contested GRK Sverige AB's claims and presented its own counterclaims in the process. Furthermore, GRK Sverige AB submitted a claim to the District Court of Helsinki concerning the guarantee granted by the subcontractor's Finnish parent company. By application of GRK Sverige AB, the District Court of Helsinki issued an order of attachment seizing the guarantor's assets equal to the amount of the guarantee.

In April 2023, GRK Sverige AB and the subcontractor made a settlement by which the dispute concerning the accident at the Umeå bridge construction site was finally settled between the parties. In accordance with the settlement, all legal proceedings concerning the dispute have been cancelled.

GRK has been 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. On 10 February 2023, the Helsinki District Court dismissed the charges. The prosecutor has appealed against the decision to the Court of Appeal.

Management and auditors

Board

Kari Kauniskangas was elected as the Chair of the Board of Directors of GRK Infra Plc by the Annual General Meeting held on 28 March 2023. **Keijo Haavikko** was elected as Vice Chair. **Jukka Nikkanen**, **Tarja Pääkkönen**, **Esa Lager** and **Johanna Korhonen** will continue as Board members.

The members of the Audit Committee are Jukka Nikkanen (Chair), Esa Lager 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 Plc's management team on 31 December 2023:

- **Juha Toimela** (President and CEO of GRK Infra Plc and CEO of GRK Suomi Oy)
- **Keijo Haavikko** (Executive Vice President of GRK Infra Plc)
- **Mikko Nyhä** (Executive Vice President of GRK Suomi Oy, Business Director, Rail)
- **Johanna Korhonen** (HR Director)
- **Johanna Metsä-Tokila** (General Counsel)
- **Mika Mäenpää** (CEO, GRK Sverige AB)
- **Jaakko Mäkelä** (Business Director, Civil Engineering and Road Construction and Paving)
- **Markku Puolanne** (Chief Financial Officer)
- **Timo Pinomäki** (Chief Risk Officer)
- **Riina Rantsi** (Director, Business Development, Sustainability, Marketing and Communications)
- **Tiit Roben** (CEO, GRK Eesti AS)

The following changes occurred in the management team during the reporting period:

- **Markku Puolanne** was appointed as the Chief Financial Officer of GRK Infra Plc and a member of the management team. He assumed his position on 8 October 2023. Mikko Sillman, CFO and member of the management team, left the company on 30 September 2023.
- **Tiit Roben** was appointed as CEO of GRK Eesti AS. He assumed his position on 13 September 2023. Roben also became a Member of GRK Infra Oy's management team and a member of the Board of GRK Eesti AS. The former CEO of GRK Eesti AS, **Priit Paabo**, left the company on 29 August 2023.
- **Sami Immonen**, Director of Technical Services, left GRK Infra Plc's management team during the review period, but he will continue as a member of GRK Suomi Oy's management team.

Resolutions of the Annual General Meeting

Annual General Meeting

The Annual General Meeting of GRK Infra Plc was held in Vantaa on 28 March 2023.

The Annual General Meeting decided, in accordance with the Board's proposal, that a dividend of approximately EUR 6.4 million be distributed based on the 2022 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, Kari Kauniskangas was elected as Chair of the Board. Keijo Haavikko was elected as Vice Chair of the Board. The first meeting also elected the members and Chair of the Audit Committee: Jukka Nikkanen (Chair), Kari Kauniskangas and Esa Lager.

The Annual General Meeting also adopted the financial statements for 2022 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).

Share

Changes in the number of shares and share issues

At the beginning of the financial period, the company held a total of 1,193,376 own shares. The own shares held by the company were annulled on 12 April 2023.

Under the authorisation granted by the Annual General Meeting, on 6 June 2023, the company's Board of Directors decided on a directed share issue to key personnel of the company. A total of 742,897 new shares were subscribed for in the share issue. The new shares were entered in the Trade Register on 18 July 2023.

The number of shares on 31 December 2023 was 40,741,248.

Repurchase of own shares

During the financial year, the company acquired a total of 887,080 of its own shares from private shareholders. On 31 December 2023, the company held a total of 887,080 shares, which account for 2.2% of all company shares and votes.

Company shares

At the end of the review period, the company's share capital is EUR 80,000. The company has a total of 40,741,248 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 directed share issue are collateral. The amount of related party loan receivables at the end of the review period is EUR 566 thousand (31 December 2022: EUR 628 thousand).

Operating environment for 2024

The market situation continues to be difficult, as the economy continues to be in recession, inflation is decreasing slowly and interest rates are still at high levels. Interest rates are not expected to decrease until the second half of 2024. Public infrastructure construction is declining in Finland, Sweden and Estonia. In Finland, business opportunities are seen in the projects of large cities, the private sector, defence administration and border security. In Sweden, opportunities are provided by private sector construction projects, and in Estonia, investments related to Rail Baltica and the electrification of the Estonian rail network.

Estimate of probable future development

GRK estimates that its revenue and adjusted operating profit in 2024 will remain at the same level as in 2023 (revenue EUR 546.2 million and adjusted operating profit EUR 24.9 million in 2023).

Board of Directors' proposal for the distribution of profits

The company's distributable funds are EUR 82,748,836.89, of which the profit for the financial period is EUR 7,937,897.15.

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

A dividend of EUR 0.165 be shared for each share outstanding at the time of dividend payout totalling 39,854,168 shares, resulting in a total dividend of EUR 6,575,937.72.

The remaining distributable funds of EUR 76,172,899.17 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

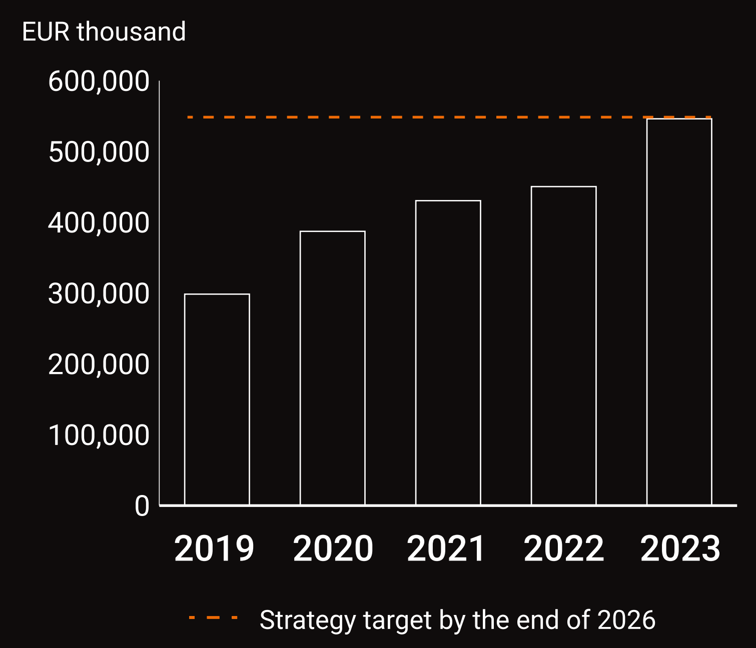
- GRK Infra Plc's Director and Board member Keijo Haavikko has decided to leave operational activities. However, he will continue as a member of the Board of GRK Infra Plc, GRK Suomi Oy and GRK Sverige AB and as the Chair of the Management Board of GRK Eesti AS. The decision was announced on 18 January 2024. Haavikko has been the Executive Vice President of GRK since 2021, and he has also been a member of GRK Infra Oy's and GRK Suomi Oy's management teams. Following the decision, Haavikko also gave up his management team positions. In January 2024, Anneliina Kupiainen, Director, GRK Sverige AB, was appointed to the GRK Group Management Team with responsibility for environmental technology.
- GRK was selected to carry out the improvement contract for highway 9 in Siilinjärvi, between Lotteinen and Jännevirta. During the contract, the road will be built over a distance of about four kilometres as a two-lane road in both directions, and a multi-level junction will also be constructed. GRK will also implement an aircraft emergency landing site on the highway. In total, the contract will be completed in the autumn of 2026. The developer of the EUR 32 million contract is the Finnish Transport Infrastructure Agency. The contract was signed on 19 January 2024.
- In March 2022, the Finnish Transport Infrastructure Agency selected the Hailuodon GAP consortium offer, in which GRK participates, as an alliance partner for the Hailuoto fixed road connection through competitive tendering. The lack of a legally valid water permit has delayed the implementation of Hailuoto's fixed connection for years. The Supreme Administrative Court rejected the appeal against the water permit in January 2024. According to the Finnish Transport Infrastructure Agency's press release, the implementation phase of the long-planned project may start in spring 2024. The total estimated cost of the project was approximately EUR 96 million in 2022.
- GRK was selected to implement electric line and high-current works for the Espoo City Rail Link. The value of the contract is slightly over EUR 10 million. The contract was signed with the Finnish Transport Infrastructure Agency on 15 February 2024. Construction works on the Espoo City Rail Link will begin in February with planning and preparatory work. The actual construction will start in April 2024. The project will run until the first half of 2028.

GRK in brief

Key figures and calculation formulas

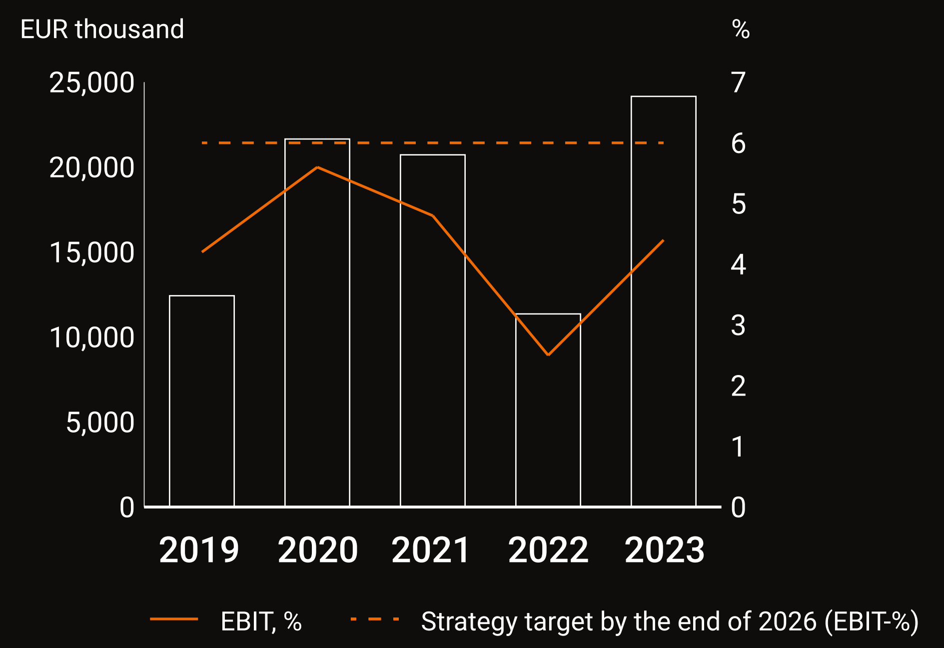
REVENUE

546



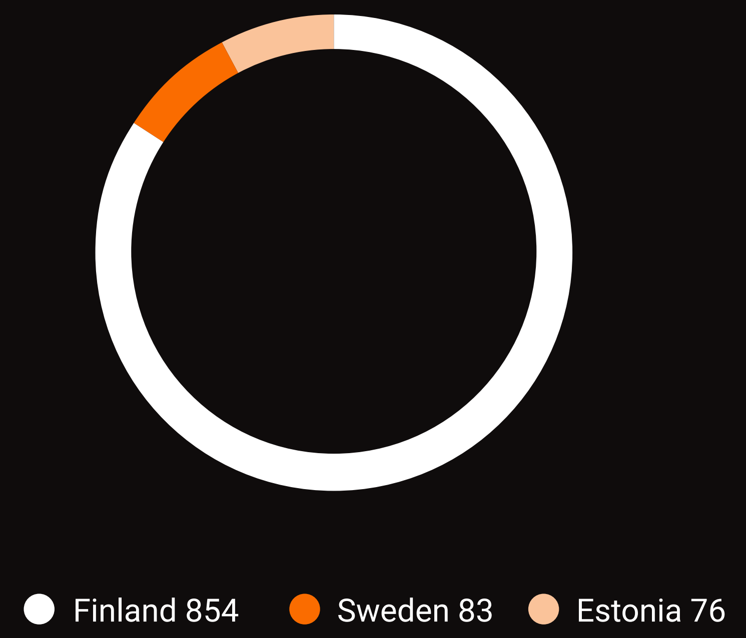
OPERATING PROFIT (EBIT)

24.2



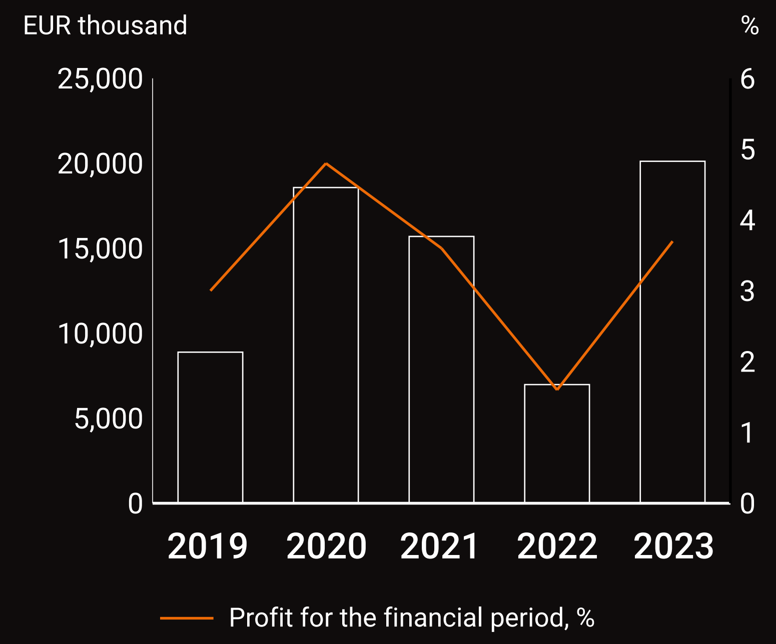
AVERAGE NUMBER OF PERSONNEL FOR THE COUNTRIES

1,012



PROFIT FOR THE FINANCIAL PERIOD

20.1

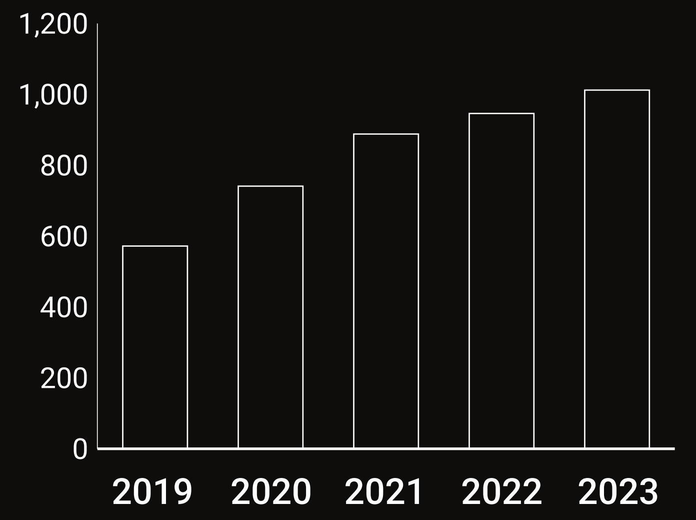


EQUITY RATIO, %

39.9%

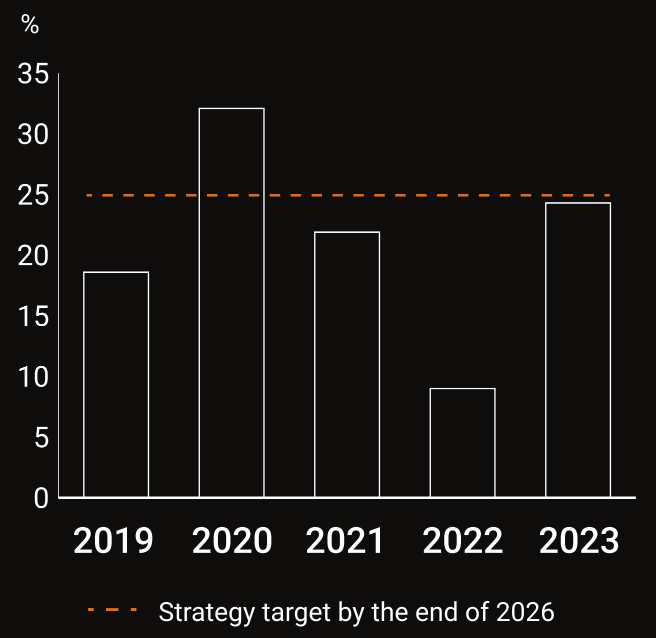
AVERAGE NUMBER OF PERSONNEL

1,012



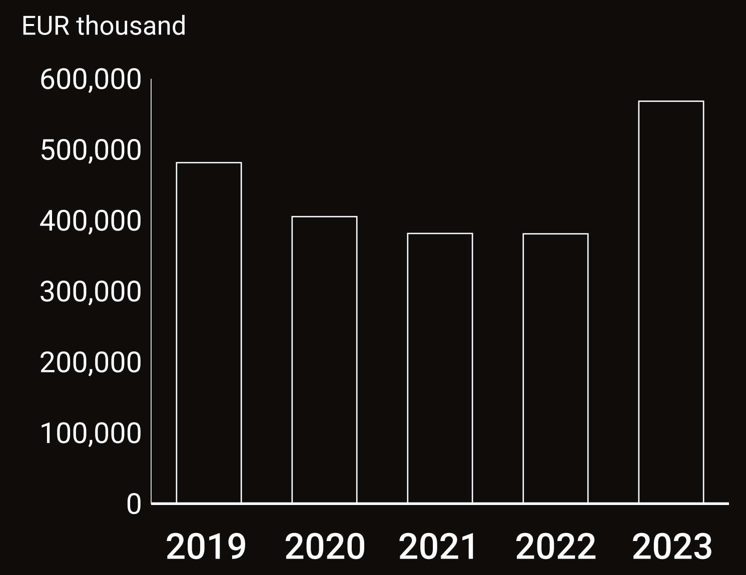
RETURN ON EQUITY, (ROE), %

24.3%



ORDER BACKLOG AT END OF THE PERIOD

568



Key figures

EUR thousand	2023	2022	2021	2020	2019
Revenue	546,187	450,459	430,586	387,259	298,596
Revenue change, %	21.3%	4.6%	11.2%	29.7%	–
EBITDA	37,693	24,403	32,599	31,169	19,298
EBITDA margin, %	6.9%	5.4%	7.6%	8.0%	6.5%
Adjusted EBITDA	38,048	26,285	33,961	32,402	19,510
Adjusted EBITDA margin, %	7.0%	5.8%	7.9%	8.4%	6.5%
Operating profit (EBIT)	24,162	11,364	20,724	21,654	12,434
Operating profit margin (EBIT %), %	4.4%	2.5%	4.8%	5.6%	4.2%
Adjusted operating profit (EBIT)	24,860	13,689	22,630	22,887	12,647
Adjusted operating profit (EBIT) margin, %	4.6%	3.0%	5.3%	5.9%	4.2%
Profit (loss) for the period	20,121	6,983	15,698	18,576	8,890
Profit (loss) for the period, % of revenue	3.7%	1.6%	3.6%	4.8%	3.0%
Basic earnings per share, EUR [1)]	0.50	0.18	0.39	0.47	0.29
Diluted earnings per share, EUR [1)]	0.50	0.18	0.39	0.47	0.29
Net debt	−63,668	−7,172	−16,739	−25,385	−3,252
Net debt/EBITDA	−1.7	−0.3	−0.5	−0.8	−0.2
Net working capital	−54,917	−6,037	−4,066	−16,649	2,051
Equity	88,852	77,040	78,181	65,056	50,632
Equity ratio %	39.9%	41.9%	43.6%	43.4%	41.4%
Return on capital employed, % (ROCE %)	20.0%	10.0%	20.0%	25.6%	17.3%
Return on equity (ROE), %	24.3%	9.0%	21.9%	32.1%	18.6%
Net investments	17,353	21,809	21,689	20,035	22,330
Operating free cash flow	61,477	−2,977	−5,206	29,787	−2,274
Order backlog at end of the period	568,318	381,017	381,559	405,336	481,566
Accident frequency rate	13.1	11.6	7.9	10.7	15.7
Sickness absence %	2.0%	2.9%	1.6%	1.4%	1.6%
Average number of personnel during the year	1,012	946	888	741	572

[1)] Earnings per share, basic and diluted, during the financial periods ending on 31 December 2021, 31 December 2020 and 31 December 2019 has been adjusted in order to take into account the effect of the free issuance of shares (split) that was decided in the company's Extraordinary General Meeting on 14 February 2022.

Calculation formulas for key figures

Key figure		Calculation formula
Change in revenue, %	=	$\frac{\text{Revenue – revenue for the comparison period}}{\text{Revenue for the comparison period}} \times 100$
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	=	$\frac{\text{EBITDA}}{\text{Revenue}} \times 100$
Adjusted EBITDA	=	Operating profit (loss) + depreciation, amortisation and impairment + items affecting comparability
Adjusted EBITDA margin	=	$\frac{\text{Adjusted EBITDA}}{\text{Revenue}} \times 100$
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	=	$\frac{\text{Operating profit (loss) (EBIT)}}{\text{Revenue}} \times 100$
Adjusted operating profit (adjusted EBIT)	=	Operating profit (loss) + items affecting comparability
Adjusted operating profit (adjusted EBIT) margin, %	=	$\frac{\text{Adjusted operating profit (adjusted EBIT)}}{\text{Revenue}} \times 100$
Profit (loss) for the period, % of revenue	=	$\frac{\text{Profit (loss) for the period}}{\text{Revenue}} \times 100$
Equity ratio, %	=	$\frac{\text{Total equity (including non-controlling interests)}}{\text{Balance sheet total – contract liabilities (advances received)}} \times 100$
Net debt[1)]	=	Borrowings + lease contract liabilities – loan receivables – cash and cash equivalents

Key figure		Calculation formula
Net debt/EBITDA	=	Borrowings + lease contract liabilities – loan receivables – cash and cash equivalents / Operating profit (loss) + depreciation, amortisation and impairment
Net working capital [2]	=	Long-term 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 2019–2021 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 2023	1 Jan–31 Dec 2022
Revenue	1	**546,187**	**450,459**
Other operating income	3	7,151	17,576
Materials and services	4	−395,734	−337,743
Employee benefit expenses	5	−92,281	−81,022
Depreciation, amortisation and impairment	6	−13,531	−13,040
Other operating expenses	7	−27,631	−24,868
Operating profit (loss)		**24,162**	**11,364**
Finance income		1,645	157
Finance expenses		−1,577	−1,566
Finance income and expenses	8	**68**	**−1,409**
Profit (loss) before income tax		**24,230**	**9,955**
Income taxes	9	−4,109	−2,972
Profit (loss) for the period		**20,121**	**6,983**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Translation differences		316	−91
Other comprehensive income for the period, net of tax		**316**	**−91**
Total comprehensive income for the period		**20,437**	**6,891**

EUR thousand	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Profit (loss) for the period attributable to:			
Owners of the parent		20,121	6,983
Profit (loss) for the period		**20,121**	**6,983**
Total comprehensive income attributable to			
Owners of the parent		20,437	6,891
Total comprehensive income for the period		**20,437**	**6,891**
Earnings per share for profit attributable to the owners of the parent company:			
Basic earnings per share, EUR	18	0.50	0.18
Diluted earnings per share, EUR	18	0.50	0.18

Notes are an integral part of these financial statements.

Consolidated balance sheet

EUR thousand	Note	31 Dec 2023	31 Dec 2022
ASSETS			
Non-current assets			
Property, plant and equipment	10	66,950	64,195
Right-of-use assets	11	11,888	10,834
Intangible assets	12	1,286	1,273
Receivables	15, 22	4,040	4,706
Deferred tax assets	9	1,809	1,143
Total non-current assets		**85,974**	**82,151**
Current assets			
Inventories	14	5,092	5,569
Trade receivables and other receivables	1, 15, 22	91,252	84,368
Cash and cash equivalents	16	97,636	43,020
Total current assets		**193,980**	**132,957**
Non-current assets held for sale	17	353	–
TOTAL ASSETS		**280,308**	**215,108**
EQUITY AND LIABILITIES			
Equity			
Share capital		80	80
Reserve for invested unrestricted equity		38,516	35,567
Translation differences		154	−162
Retained earnings		29,981	34,572
Profit (loss) for the period		20,121	6,983
Total equity attributable to owners of the parent company	18	**88,852**	**77,040**
Total equity	18	**88,852**	**77,040**

EUR thousand	Note	31 Dec 2023	31 Dec 2022
Liabilities			
Non-current liabilities			
Borrowings	19, 22	18,750	21,332
Lease liabilities	11, 22	8,060	7,092
Other liabilities	21	447	221
Deferred tax liabilities	9	2,186	1,540
Provisions	20	3,578	2,949
Total non-current liabilities		**33,021**	**33,135**
Current liabilities			
Borrowings	19, 22	7,184	6,170
Lease liabilities	11, 22	3,777	3,572
Contract liabilities	1	57,788	31,343
Trade payables and other payables	21	84,864	62,871
Provisions	20	4,821	977
Total current liabilities		**158,434**	**104,933**
Total liabilities		**191,456**	**138,068**
TOTAL EQUITY AND LIABILITIES		**280,308**	**215,108**

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 on 31 Dec 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 for the period		**-**	**-**	**–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 on 31 December 2022		**80**	**35,567**	**–162**	**41,555**	**77,040**	**-**	**77,040**
Profit (loss) for the period		-	-	-	20,121	20,121	-	20,121
Translation differences		-	-	316	-	316		316
Total comprehensive income for the period		**-**	**-**	**316**	**20,121**	**20,437**	**-**	**20,437**
Transactions with owners:								
Share issue	18	-	2,949	-	-	2,949	-	2,949
Dividends paid		-	-	-	–6,264	–6,264	-	–6,264
Redemption of own shares	18	-	-	-	–5,310	–5,310	-	–5,310
Total transactions with owners		**-**	**2,949**	**-**	**–11,574**	**–8,624**	**-**	**–8,624**
Equity on 31 December 2023		**80**	**38,516**	**154**	**50,102**	**88,852**	**-**	**88,852**

Notes are an integral part of these financial statements.

Consolidated statement of cash flows

EUR thousand	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Cash flows from operating activities			
Proceeds from customers	1	571,276	451,680
Payments to suppliers and employees	4, 5	−495,308	−447,589
Other income	3	4,457	19,341
Interest received	8	1,454	117
Paid interest and payments for other finance expenses	8	−1,500	−982
Income taxes paid	9	−4,348	−1,591
Net cash flow from operating activities		**76,032**	**20,976**
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets	10, 12	−13,765	−19,106
Acquisition of business	13	-	−1,500
Proceeds from sale of property, plant and equipment	10	3,103	749
Loans granted to shareholders/employees	15, 25	−1,797	-
Repayments of granted loans	15, 25	313	643
Interest received from loans	15, 25	66	7
Net cash flow from investing activities		**−12,080**	**−19,207**

EUR thousand	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Cash flows from financing activities			
Proceeds from issues of shares	18	2,949	-
Repurchase of own shares	5, 18, 25	−1,986	−208
Proceeds from borrowings	19, 22	4,853	11,292
Repayment of borrowings	19, 22	−6,422	−8,347
Repayments of lease liabilities	11	−3,892	−4,096
Dividends paid	18	−6,264	−5,818
Net cash flow from financing activities		**−10,761**	**−7,176**
Net increase/decrease (-) in cash and cash equivalents		**53,190**	**−5,407**
Cash and cash equivalents at the beginning of the financial year	17	43,020	48,456
Effects of exchange rate changes on cash and cash equivalents		1,426	−29
Cash and cash equivalents at end of year	17	**97,636**	**43,020**

Notes are an integral part of these financial statements.

Notes to the consolidated financial statements

Accounting principles

Basic information about the Group

GRK Infra Plc (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 Plc 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 railway track construction expertise. In civil engineering and road construction, environmental construction 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 2023 and 31 December 2022 and the consolidated balance sheet at 31 December 2023 and 31 December 2022 ("consolidated financial statements"). The Board of Directors of GRK Infra Plc approved the publication of these consolidated financial statements at its meeting on 29 February 2024. 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 from GRK Infra Plc, Jaakonkatu 2, FI-01620 Vantaa, Finland.

Accounting principles

The consolidated financial statements of the GRK Group have been prepared in accordance with the IFRS Accounting Standards as adopted by the European Union. The IAS and IFRS Accounting Standards and SIC and IFRIC interpretations in force on 31 December 2023 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 Accounting Standards. No new standards have been adopted during the period that would have a material effect on the consolidated financial statements and no known future changes in standards or interpretations are expected to have a material effect on the consolidated 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 presented 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
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 costs
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 2023	1 Jan–31 Dec 2022
GRK Infra Plc*	2,675	170,238
GRK Suomi Oy*	342,295	161,475
GRK Road Oy**	-	36,270
GRK Sverige AB	165,977	63,578
GRK Rail AB***	-	4,225
GRK Eesti AS	40,539	48,769
Eliminations	−5,299	−34,095
Total	**546,187**	**450,459**

* GRK Infra Plc'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

*** GRK Rail AB merged into GRK Infra AB on 16 January 2023 and GRK Infra AB was renamed as GRK Sverige AB. The new name came into effect on 28 March 2023.

Disaggregation of revenue by time of recognition as revenue

EUR thousand	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Recognised at a point in time	7,678	6,677
Recognised over time	538,509	443,782
Total	**546,187**	**450,459**

Breakdown of revenue by geographical area

EUR thousand	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Finland	335,192	329,663
Sweden	165,926	67,524
Estonia	42,123	51,370
Other	2,946	1,902
Total	**546,187**	**450,459**

Contract assets and liabilities

EUR thousand	31 Dec 2023	31 Dec 2022
Contract assets	26,645	24,169
Contract liabilities (advances received)	57,788	31,343

Contract assets are included in the balance sheet item Trade receivables and other receivables (Note 15. Trade receivables and other receivables). EUR 24,487 thousand of contract liabilities (advances received) was recognised as revenue during the reporting period (2022: EUR 13,262 thousand).

Transaction price allocated to remaining performance obligations in the contract portfolio

EUR thousand	31 Dec 2023	31 Dec 2022
Unrecognised transaction price	**568,318**	**381,017**
To be recognised within 12 months	389,760	270,032
To be recognised later	178,558	110,984

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 primarily comprises contract revenue from civil engineering and road construction as well as paving and rail construction (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.

Civil engineering and road construction and rail construction contracts typically include 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.

Civil engineering and road construction and rail construction contracts can also be executed by utilising a consortium or an alliance model. In consortia, 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 management 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 rail, civil engineering and road construction and paving work contracts are primarily satisfied over time, as the customer is considered to have control over the asset to which the service is provided. 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 performance obligations 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 as well as 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 materials 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 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 standalone entities listed in Note 1. Revenue. The management of the GRK Group has defined these four standalone entities (six in 2022 before restructuring) as the operating segments of GRK before the aggregation of the segments.

The management of the GRK Group has decided to aggregate the four (six in 2022) 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 67% (approximately 85% in 2022) concerned customers in the public sector and approximately 33% (approximately 15% in 2022) 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 financial statements of the standalone entities. A reconciliation of the reportable segment's operating profit with IFRS profit before tax and a reconciliation of the reportable segment's long-term assets with IFRS long-term assets is presented below.

Reconciliation

EUR thousand	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Reportable segment's operating profit (FAS)	**23,515**	**12,619**
Group eliminations	–518	–1,214
Finance income and costs, net	68	–1,409
GAAP differences	1,165	–42
Profit before tax (IFRS)	**24,230**	**9,955**

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.

Non-current assets of the reportable segment by country

EUR thousand	31 Dec 2023	31 Dec 2022
Finland	65,165	61,955
Sweden	1,153	814
Estonia	2,187	2,204
Total non-current assets	**68,504**	**64,973**

Reconciliation

EUR thousand	31 Dec 2023	31 Dec 2022
Non-current assets of the reportable segment (FAS)	**68,504**	**64,973**
Group eliminations	5,024	6,227
GAAP difference	6,597	5,101
Total non-current assets	**80,125**	**76,302**

* The comparison period 2022 has been adjusted. In the previous year, deferred tax assets and non-current financial assets were included in the segment's assets, which are no longer included.

Non-current assets do not include deferred tax assets or non-current financial assets. 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 FAS goodwill on consolidation and capitalisation of development expenses in IFRS-compliant reporting (Note 12. Intangible assets).

3. OTHER OPERATING INCOME

EUR thousand	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Insurance indemnities and damages received	3,753	16,300
Fuel tax refunds	411	445
Gains on sale of property, plant and equipment	1,991	259
Grants received	125	223
Rental income	69	63
Other	801	284
Total	**7,151**	**17,576**

Other operating income includes income other than revenue from the ordinary activities (i.e. from contracts with customers), such as gains on sale of property, plant and equipment, insurance indemnities and other compensation, 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 2023 financial period and the comparison period 2022 were comprised of insurance indemnities and damages received mainly in connection with the bridge accident in Umeå (see Note 23. Contingent liabilities and commitments). Proceeds from sale of property, plant and equipment in the financial year 2023 also include the gain on the sale of the slag business.

4. MATERIALS AND SERVICES

EUR thousand	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Purchases of materials and supplies	–150,018	–100,005
Change in material and supply inventory	766	–674
Change in work in progress	–853	487
Production for own use	376	204
External services	–246,005	–237,755
Total	**–395,734**	**–337,743**

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 2023	1 Jan–31 Dec 2022
Wages and salaries	–74,641	–64,770
Cash-settled share-based payments	–3	120
Pension costs - defined contribution plans	–11,635	–11,315
Other employee benefit expenses	–6,003	–5,056
Total	**–92,281**	**–81,022**

Average number of employees during the period	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
White-collar	482	452
Blue-collar	530	494
Total	**1,012**	**946**

Incentive schemes

Synthetic options

The personnel of the GRK Group has been granted synthetic options as part of the parent company GRK Infra Plc'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 2023 financial period (268,660 in 2022). The liability for the options granted to the personnel in the GRK Group's financial statements for 2023 is EUR 11 thousand (EUR 9 thousand in 2022).

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 and 2023. 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 valuation principles as of 2010. This valuation 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 valuation principle and terms and conditions. Therefore, no group has received additional benefits for subscribing for shares in relation to others in the private placements. 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 Plc.

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. A share redemption liability of EUR 5,190 thousand has been recognised in the financial statements for 2023 (EUR 1,866 thousand in 2022). In 2023, the parent company redeemed shares at an amount of EUR 121 thousand from persons who terminated their employment with the GRK Group (EUR 96 thousand in 2022) and at EUR 1,866 thousand from retired persons (EUR 112 thousand).

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 valuation 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.

Accounting policy

Short-term employee benefits

Short-term employee benefits, such as wages, bonuses, fringe benefits and annual holiday are recognised as expenses on an 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 finance 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.

6. DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR thousand	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Depreciation and amortisation according to plan		
Intangible assets	−185	−187
Property, plant and equipment	−9,022	−8,331
Right-of-use assets	−3,981	−4,077
Total	**−13,189**	**−12,596**
Impairment losses		
Goodwill	-	−307
Intangible assets	−342	-
Property, plant and equipment	-	−137
Total	−342	−444
Total depreciation, amortisation and impairment losses	**−13,531**	**−13,040**

The impairment of EUR 342 thousand of intangible assets recorded in the financial year 2023 is described in more detail in Note 17. Non-current assets held for sale.

The EUR 137 thousand impairment recognised in the financial year 2022 was mainly caused by the scrapping of old, decommissioned railway rolling 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 2023	1 Jan–31 Dec 2022
Vehicle expenses	–6,512	–4,496
Travel expenses	–7,662	–7,092
IT software and equipment expenses	–2,879	–2,842
Consulting, advisory and administrative services	–1,047	–2,430
Premises expenses	–1,875	–1,928
Other expenses	–7,655	–6,080
Total	**–27,631**	**–24,868**

The other operating expenses are characterised by the fact that they are related or linked to the overall operations of the Group companies rather than the construction services 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 2023	1 Jan–31 Dec 2022
PricewaterhouseCoopers		
Statutory audit	–123	–129
Tax advisory services	–19	–9
Other services	–38	–695
Total	**–180**	**–833**

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 2023	1 Jan–31 Dec 2022
Finance income		
Interest income from loan receivables	163	7
Other interest income	1,482	117
Exchange rate gains	-	33
Total	**1,645**	**157**
Finance expenses		
Interest expenses from borrowings	–863	–620
Interest expenses from lease liabilities	–257	–186
Exchange rate losses from financial liabilities	–55	–483
Other finance expenses	–402	–276
Total	**–1,577**	**–1,566**
Finance income and expenses total	**68**	**–1,409**

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

9. INCOME TAXES

The income tax expenses on the income statement are comprised of current income tax expenses, adjustments of taxes for previous financial periods and changes in deferred taxes.

EUR thousand	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Current tax on profit for the period	–4,164	–3,173
Adjustments for current tax of prior periods	34	93
Change in deferred tax assets	575	–142
Change in deferred tax liabilities	–554	249
Income tax expense	**–4,109**	**–2,972**

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

EUR thousand	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Profit before income tax	24,230	9,955
Tax calculated at Finnish tax rate 20%	–4,846	–1,991
Effect of other tax rates for foreign subsidiaries	139	–655
Effect of non-deductible expenses	–40	–198
Effect of non-taxable income	89	–1
Adjustments for deferred taxes of prior periods	488	-
Adjustments for current tax of prior periods	34	93
Other items	27	–221
Income tax expense	**–4,109**	**–2,972**

Deferred tax assets and liabilities

EUR thousand	1 January	Recognised through profit or loss	Exchange rate differences	31 December
2023				
Deferred tax assets				
Provisions	491	856	-	1,347
Postponed depreciation	-	380	-	380
Confirmed losses	739	–739	-	-
Other items	201	78	-	279
Total	**1,431**	**575**	**-**	**2,006**
Off-setting	–288			–197
Total	**1,143**	**575**	**-**	**1,809**
Deferred tax liabilities				
Accumulated depreciation differences	1,476	666	-	2,143
Financial liabilities	4	–4	-	-
Other items	348	–108	1	241
Total	**1,828**	**554**	**1**	**2,384**
Off-setting	–288	-	-	–197
Total	**1,540**	**554**	**1**	**2,186**

EUR thousand	1 January	Recognised through profit or loss	Exchange rate differences	31 December
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**

On 31 December 2022, the Group recognised deferred tax assets totalling EUR 739 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. The item was used during 2023. On the closing date on both 31 December 2023 and 31 December 2022, the Group did not have confirmed losses for which deferred tax assets had not been recognised.

Accounting policy

Income taxes

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 tax assets and deferred tax liabilities.

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 tax assets or deferred tax liabilities 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
2023					
Cost at 1 January	**722**	**4,825**	**71,898**	**13,939**	**91,383**
Additions	1,019	1,637	4,849	6,090	13,595
Disposals	-	-	−1,222	−66	−1,288
Reclassifications	-	-	6,950	−7,634	−685
Translation differences	-	-	8	−21	−13
Cost at 31 December	**1,740**	**6,462**	**82,482**	**12,308**	**102,993**
Accumulated depreciation and impairment at 1 January	**-**	**−1,245**	**−25,943**	**-**	**−27,188**
Depreciation	-	−512	−8,510	-	−9,022
Accumulated depreciation of disposals	-	-	170	-	170
Translation differences	-	-	−3	-	−3
Accumulated depreciation and impairment at 31 December		**−1,758**	**−34,285**	**-**	**−36,043**
Net book value at 1 January	**722**	**3,580**	**45,955**	**13,939**	**64,195**
Net book value at 31 December	**1,740**	**4,705**	**48,197**	**12,308**	**66,950**

EUR thousand	Land areas and connection fees	Buildings	Machinery and equipment	Advance payments and construction in progress	Total
2022					
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
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**

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 areas, 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 areas	Total
2023					
Cost at 1 January	**13,741**	**628**	**7,669**	**893**	**22,932**
Additions	3,841	14	1,876	212	5,943
Increase/decrease due to remeasurement	−1,059	−68	−133	334	−926
Translation differences	11	-	19	1	30
Cost at 31 December	**16,534**	**574**	**9,432**	**1,440**	**27,980**
Accumulated depreciation and impairment at 1 January	**−6,597**	**−425**	**−4,356**	**−720**	**−12,098**
Depreciation	−2,230	−59	−1,609	−83	−3,981
Translation differences	−5	-	−8	0	−12
Accumulated depreciation and impairment at 31 December	**−8,831**	**−484**	**−5,973**	**−803**	**−16,092**
Net book value at 1 January	**7,145**	**203**	**3,313**	**173**	**10,834**
Net book value at 31 December	**7,702**	**90**	**3,459**	**637**	**11,888**

EUR thousand	Buildings	Machinery and equipment	Vehicles	Land areas	Total
2022					
Cost at 1 January	**11,500**	**610**	**6,763**	**817**	**19,690**
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
Translation differences	−43	-	−46	−1	−90
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**
Accumulated depreciation of disposals	-	-	-	-	-
Accumulated depreciation of reclassifications	-	−2	−50	−161	−53
Depreciation	−2,366	−122	−1,429	0	−4,078
Translation differences	19	-	26	1	46
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	31 Dec 2023	31 Dec 2022
Lease liabilities		
Current	3,777	3,572
Non-current	8,060	7,092
Total	**11,836**	**10,664**

The cash flows due to leases 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 2023	1 Jan–31 Dec 2022
Depreciation of right-of-use assets [1]		
Buildings	–2,230	–2,366
Machinery and equipment	–59	–122
Vehicles	–1,609	–1,429
Land areas	–83	–161
Total depreciation of right-of-use assets	**–3,981**	**–4,078**
Interest expenses [2]	–257	–186
Expenses relating to short-term leases and leases of low value assets [3]	–9,232	–6,934
Amounts relating to leases included in the income statement total	**–13,471**	**–11,197**

[1] Included in Depreciation, amortisation and impairment on the income statement.
[2] Included in Finance expenses on the income statement.
[3] Included in Other operating expenses on the income statement insofar as they are related to the operations of the companies as a whole, such as temporary rental apartments, cars or business premises, and in Materials and services insofar as they are directly related to the Group's actual construction service activities, such as production machinery and equipment and construction site equipment.

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 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, in accordance with IAS 37, in the provisions described in Note 20. Provisions.

12. INTANGIBLE ASSETS

EUR thousand	Goodwill	Intangible rights	Capitalised development costs	Other intangible assets	Assets under development	Total
2023						
Acquisition cost at 1 January	**1,048**	**254**	**594**	**178**	**-**	**2,073**
Additions	-	126	58	14	-	198
Reclassifications	-	685	-	-	-	685
Reclassifications to non-current assets held for sale	-	−685	-	-	-	−685
Acquisition cost at 31 December	**1,048**	**379**	**653**	**192**	**-**	**2,271**
Accumulated amortisation and impairment at 1 January	**−307**	**−180**	**−223**	**−90**	**-**	**−799**
Amortisation		−33	−124	−28		−185
Impairment loss	-	−342	-	-	-	−342
Reclassifications to non-current assets held for sale	-	342	-	-	-	342
Accumulated amortisation and impairment at 31 December	**−307**	**−213**	**−347**	**−118**	**-**	**−984**
Net book value at 1 January	**741**	**74**	**371**	**88**	**-**	**1,273**
Net book value at 31 December	**741**	**167**	**306**	**73**	**-**	**1,286**

EUR thousand	Goodwill	Intangible rights	Capitalised development costs	Other intangible assets	Assets under development	Total
2022						
Acquisition cost at 1 January	**1,048**	**235**	**497**	**178**	**60**	**2,018**
Additions	-	18	37	-	-	55
Reclassifications	-	-	60	-	−60	0
Acquisition cost at 31 December	**1,048**	**254**	**594**	**178**	**-**	**2,073**
Accumulated amortisation and impairment at 1 January	**-**	**−133**	**−110**	**−62**	**-**	**−305**
Amortisation		−47	−113	−28	-	−187
Impairment loss	−307	-	-	-	-	−307
Accumulated amortisation and impairment at 31 December	**−307**	**−180**	**−223**	**−90**	**-**	**−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**	**-**	**1,273**

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 least 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 2023	31 Dec 2022
GRK Suomi Oy	741	741
Total	**741**	**741**

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.

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 2023	31 Dec 2022
Discount rate		
GRK Road Oy	-	9.13%
GRK Suomi Oy	10.55%	9.37%

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 2022: 2%), which is equal to the European Central Bank's medium-term inflation rate target.

Sensitivity analyses of impairment testing

Based on the impairment testing carried out, there is no need for recognising impairment losses on the goodwill of GRK Suomi Oy in the 2023 financial period. 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.

On the basis of the impairment testing carried out during the 2022 financial period, the Group has recognised an impairment loss of EUR 307 thousand on the goodwill of GRK Road Oy, after which there was 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.

13. BUSINESS COMBINATIONS

Acquisitions of business 2023

No acquisitions were made during the 2023 financial period.

Acquisitions of business 2022

No acquisitions were made during the 2022 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. 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. INVENTORIES

EUR thousand	31 Dec 2023	31 Dec 2022
Materials and supplies	4,956	4,190
Work in progress	137	1,379
Total	**5,092**	**5,569**

GRK recognised a cost of inventories of EUR –87 thousand as an adjustment to a cost item for the financial period (2022: EUR –187 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.

15. TRADE RECEIVABLES AND OTHER RECEIVABLES

EUR thousand	31 Dec 2023	31 Dec 2022
Non-current		
Contract guarantees held	15	2,240
Loan receivables	3,738	2,254
Other non-current receivables	287	212
Total	**4,040**	**4,706**
Current		
Trade receivables	53,542	52,607
Loan receivables	64	64
Other receivables	1,425	2,783
Contract assets	26,645	24,169
Fuel tax refund receivables	253	452
Current tax receivables	1,804	65
Other prepaid expenses and accrued income	7,520	4,227
Total	**91,252**	**84,368**

Ageing analysis of trade receivables

	31 Dec 2023	31 Dec 2022
Share of trade receivables not due or overdue for less than 30 days of all trade receivables (%)	99.4%	99.4%

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 historically been 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 2023 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 16. Cash and cash equivalents) and trade receivables and other receivables, which are measured at amortised cost by 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 trade receivables and contract assets, according to which credit losses are recognised for the entire period of validity of the trade receivables or contract assets 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.

16. 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.

17. NON-CURRENT ASSETS HELD FOR SALE

EUR thousand	31 Dec 2023	31 Dec 2022
Intangible assets	353	-
Total	**353**	**-**

The Group has taken part in the development of a scaffolding system associated with bridge construction, and the resulting development costs have been capitalised in prepayments and assets under development during prior financial periods. A decision was made in the 2023 financial period to sell the rights to an external party, which is why the asset has been classified as a non-current asset held for sale. The sale is expected to be completed within the next 12 months from the balance sheet date. In connection with the classification, the asset is valued at fair value, which corresponds to the expected selling price. An impairment loss of EUR 342 thousand has been recognised on the asset. The impairment loss is reported in Depreciation, amortisation and impairment on the income statement.

Accounting policy

Non-current assets are classified as held for sale if the amount corresponding to their carrying amounts is considered to be primarily recovered sale instead of being recovered through continuous use in business operations. The classification as held for sale requires that the sale is highly probable, the asset in its current condition is immediately available for sale under normal conditions, management is committed to the sale of the asset and the sale is expected to take place within one year of the classification. Before an asset or the assets and liabilities within a disposal group are classified as held for sale, their carrying amounts are determined in accordance with the IFRS Accounting Standards applicable to them. Starting from the date of classification, non-current assets held for sale are measured at the lower of carrying amount or fair value less costs to sell. Property, plant and equipment and intangible assets and intangible assets held for sale are no longer depreciated or amortised. Assets held for sale are presented separately from other items on the balance sheet.

18. NOTES CONCERNING EQUITY AND SHARES

EUR thousand	31 Dec 2023	31 Dec 2022
Share capital	80	80
Reserve for invested unrestricted equity	38,516	35,567
Translation differences	154	−162
Retained earnings	29,981	34,572
Profit (loss) for the period	20,121	6,983
Total equity attributable to owners of the parent company	**88,852**	**77,040**
Total equity	**88,852**	**77,040**

Shares and share capital

EUR thousand	Number of class A shares	Share capital	Reserve for invested unrestricted equity
31 December 2021 *	**39,787,705**	**35**	**26,863**
Share capital increase		45	−45
Directed share issue 2022 (exchange of shares)	1,404,022		8,750
31 December 2022	**41,191,727**	**80**	**35,567**
Annulment of own shares	−1,193,376		
Directed share issue 2023	742,897		2,949
31 December 2023	**40,741,248**	**80**	**38,516**

* 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). The number of shares for 31 December 2021 has been changed to correspond to the 2022 share split in the table.

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.

Under the authorisation granted by the Annual General Meeting, on 6 June 2023, the company's Board of Directors decided on a directed share issue to key personnel of the company. A total of 742,897 new shares were subscribed for in the share issue. The new shares were entered in the Trade Register on 18 July 2023.

The own shares held by the company at the beginning of the financial period were annulled during the financial period. During the financial year, the company acquired a total of 887,080 of its own shares from private shareholders. The company holds a total of 887,080 of its own shares on 31 December 2023, and their combined share of all of the shares and votes is 2.2% (31 December 2022: 1,193,376 shares/2.9%).

During the 2022 financial period, the Extraordinary General Meeting on 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 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 and the company received shares in subsidiaries as consideration in such a way that the company's holding in the subsidiaries increased to 100 per cent. The countervalue of the shares, EUR 8,750 thousand, was recognised in the reserve for invested equity. The shares were entered in the Trade Register on 15 June 2022. In connection with the exchange of shares, all non-controlling owners (the persons who owned the subsidiaries) became shareholders in the parent company and the non-controlling interests ceased to exist.

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 2023, GRK Infra Plc distributed EUR 6,264 thousand as dividend for the 2022 financial period (dividend distribution of EUR 5,608 thousand in 2022). The Group's subsidiaries distributed EUR 210 thousand as a dividend to the current private shareholders in 2022.

The Board of Directors proposes to the general meeting that a dividend of EUR 6,576 thousand be distributed to the shareholders, or EUR 0.165 per share. GRK Infra Plc's distributable funds on 31 December 2023 amount to EUR 82,749 thousand (31 December 2022: EUR 80,247 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 2023 and 2022 financial periods.

Basic earnings per share

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Profit for the financial period attributable to owners of the parent company (EUR thousand)	20,121	6,983
Average weighted number of shares during the financial period (thousand) *	40,278	39,493
Basic earnings per share, EUR	**0.50**	**0.18**

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

19. BORROWINGS

EUR thousand	31 Dec 2023	31 Dec 2022
Non-current borrowings		
Bank loans	3,007	4,821
Installment debt	15,743	16,511
Total non-current borrowings	**18,750**	**21,332**
Current borrowings		
Bank loans	1,814	1,814
Installment debt	5,370	4,356
Total current borrowings	**7,184**	**6,170**
Total	**25,934**	**27,502**

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.

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 projects	Landscaping provisions	Warranty provisions	Total
2023				
1 January	**2,653**	**645**	**628**	**3,926**
Additions	3,222	-	2,094	5,316
Used during the year	−566	−236	−44	−847
Translation differences	3	-	1	4
At 31 Dec	**5,311**	**409**	**2,679**	**8,399**
Current	2,757	38	2,027	4,821
Non-current	2,555	372	652	3,578
Total	**5,311**	**409**	**2,679**	**8,399**

EUR thousand	Onerous projects	Landscaping provisions	Warranty provisions	Total
2022				
1 January	**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	-	−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**

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 2023	31 Dec 2022
Non-current		
Accrued expenses	347	221
Other liabilities	100	-
Total	**447**	**221**
Current		
Trade payables	39,478	27,614
VAT liability	7,552	6,370
Other liabilities	7,703	4,220
Current tax liability	3,657	2,621
Accrued interest expenses	46	29
Accrued personnel expenses	24,006	18,809
Other accruals	2,424	3,209
Total	**84,864**	**62,871**

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.

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. Translation risks largely concern the Swedish business. Transaction risks are hedged in accordance with the treasury policy approved by the Board of Directors of the Group. Translation risks are not hedged. The Group's CFO monitors exchange rate risks and their hedging. 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 debt has a fixed rate.

The interest income from cash flows and interest expense paid on loans increases or decreases following changes in interest rates, which has an impact on profit or loss. Due to the Group's strong cash position and very moderate loan situation, the Group's management estimates that the Group is not exposed to a significant interest rate risk.

Credit risk

Credit risk is associated with cash and cash equivalents and trade receivables and other receivables, contract assets and loan receivables.

The Group's customer base is mainly comprised of public-sector customers. Customer credit ratings are reviewed in accordance with the Group's treasury policy. The Group's management regularly assesses the credit risk of customers based on credit ratings and historical credit losses. The group has not recognised significant credit losses during the reporting periods.

Loans have been granted to shareholders in connection with the collective investment scheme (see Notes 5. Employee benefit expenses and 15. 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 15. 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 include financial covenants relating to the Group's gearing, 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)	2023	2022
Cash and cash equivalents	97,636	43,020
Maximum amount of the bank overdraft granted	11,500	11,500
of which in use	-	-

The bank overdraft 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 at the balance sheet date value. The figures presented in the table are contractual undiscounted cash flows, and they include interest payments estimated at the interest rate level of the balance sheet date.

EUR thousand	2024	2025	2026	2027	2028	2029–	Contractual cash flows total	Net book value
31 December 2023								
Borrowings	7,887	8,710	4,784	3,446	1,926	784	27,537	25,934
Lease liabilities	4,089	3,232	2,372	1,278	685	1,013	12,671	11,836
Trade payables	39,478	-	-	-	-	-	39,478	39,478
Total	**51,455**	**11,942**	**7,156**	**4,724**	**2,611**	**1,797**	**79,685**	**77,248**

EUR thousand	2024	2025	2026	2027	2028	2029–	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
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**

Changes in financial liabilities

EUR thousand	Borrowings	Lease liabilities	Other financial liabilities	Total
Loans and other financial liabilities at 1 January 2023	27,502	10,664	-	38,166
Other additions	-	5,943	-	5,943
Cash flows from financing activities	–1,569	–3,892	-	–5,461
Changes in exchange rates and other changes	1	–880	-	–879
Loans and other financial liabilities at 31 December 2023	**25,934**	**11,836**	**-**	**37,770**

EUR thousand	Borrowings	Lease liabilities	Other financial liabilities	Total
Loans 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
Loans and other financial liabilities at 31 December 2022	**27,502**	**10,664**	**-**	**38,166**

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 the 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 39.9% on 31 December 2023 (41.9% on 31 December 2022) and net debt EUR –63,668 thousand (EUR –7,172 thousand).

23. CONTINGENT LIABILITIES AND COMMITMENTS

EUR thousand	31 Dec 2023	31 Dec 2022
Collaterals given		
Contract collaterals	102,793	83,608
Company mortgages	27,000	27,000
Real estate mortgages	-	150
Pledged assets		
For own commitments	-	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 2,295 thousand (31 December 2022: EUR 1,358 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 2023	31 Dec 2022
Investment commitments	6,560	6,646

The Group has no other commitments.

Legal proceedings and 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 2020, an accident took place at GRK Sverige AB's (former GRK Infra AB) 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. Due to the incident, GRK Infra AB initiated arbitration and demanded the subcontractor to compensate for the damage and delay penalties incurred in an arbitral tribunal. The subcontractor contested GRK Sverige AB's claims and presented its own counterclaims in the process. Furthermore, GRK Sverige AB submitted a claim to the District Court of Helsinki concerning the guarantee granted by the subcontractor's Finnish parent company. By application of GRK Sverige AB, the District Court of Helsinki issued an order of attachment seizing the guarantor's assets equal to the amount of the guarantee.

In April 2023, GRK Sverige AB and the subcontractor made a settlement by which the dispute concerning the accident at the Umeå bridge construction site was finally settled between the parties. In accordance with the settlement, all legal proceedings concerning the dispute have been cancelled.

Accounting policy

A contingent liability is a probable liability arising from past vents, 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 2023 (%)	Group's holding at 31 December 2022 (%)
GRK Sverige AB (formerly GRK Infra AB)	Sweden	100	100
GRK Eesti AS (formerly GRK Infra AS)	Estonia	100	100
GRK Suomi Oy (formerly GRK Rail Oy)	Finland	100	100
GRK Road Oy	Finland	-	100
GRK Rail AB	Sweden	-	100

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 Plc and three local subsidiaries in Finland, Sweden and Estonia. After the restructuring, GRK Infra Plc 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 Plc'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. 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 Plc, 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 2022

During the 2022 financial period, the Board of Directors of GRK Infra Plc 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 2023	31 Dec 2022
Key management personnel	18.9%	18.9%

The table below presents the wages and salaries paid to the key management personnel. 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 10 persons on average during the 2023 financial period (11.5 in 2022).

EUR thousand	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Members of the Board of Directors		
Wages, salaries and other short-term employee benefits	150	154
CEO		
Wages, salaries and other short-term employee benefits	353	410
Pension costs - defined contribution plans	62	73
Management team		
Wages, salaries and other short-term employee benefits	2,685	2,464
Pension costs - defined contribution plans	569	505
Total	**3,819**	**3,606**

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 table below presents the related party transactions of the GRK Group and outstanding balances.

Related party transactions

EUR thousand	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Key management personnel		
Interest income	13	9
Dividends paid	–1,209	–831
Share redemptions	–121	–96
New shares subscribed in directed share issue	143	8
Entities with significant influence		
Dividends paid	–1,105	–1,001
Other related party companies		
Consulting fees	–12	–144

Balances with related parties

EUR thousand	31 Dec 2023	31 Dec 2022
Key management personnel		
Loan receivables	566	628
Share redemption debt	2,774	-
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 (see 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. The terms and conditions of the loans granted are described in Note 15. 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 2023 financial period was 38,000 (300,000 in the 2022 financial period).

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.

26. EVENTS AFTER THE CLOSING DATE

GRK Infra Plc's Director and Board member **Keijo Haavikko** has decided to leave operational activities. However, he will continue as a member of the Board of GRK Infra Plc, GRK Suomi Oy and GRK Sverige AB and as the Chair of the Management Board of GRK Eesti AS. The decision was announced on 18 January 2024. Haavikko has been the Executive Vice President of GRK since 2021, and he has also been a member of GRK Infra Oy's and GRK Suomi Oy's management teams. Following the decision, Haavikko also gave up his management team positions. In January 2024, **Anneliina Kupiainen**, Director, GRK Sverige AB, was appointed to the GRK Group Management Team with responsibility for environmental technology.

GRK was selected to carry out the improvement contract for highway 9 in Siilinjärvi, between Lotteinen and Jännevirta. During the contract, the road will be built over a distance of about four kilometres as a two-lane road in both directions, and a multi-level junction will also be constructed. GRK will also implement an aircraft emergency landing site on the highway. In total, the contract will be completed in the autumn of 2026. The developer of the EUR 32 million contract is the Finnish Transport Infrastructure Agency. The contract was signed on 19 January 2024.

The Finnish Transport Infrastructure Agency selected through competitive tendering the Hailuodon GAP consortium offer, in which GRK participates, as an alliance partner for the Hailuoto fixed road connection. The lack of a legally valid water permit has delayed the implementation of Hailuoto's fixed connection for years. The Supreme Administrative Court rejected the appeal against the water permit in January 2024. According to the Finnish Transport Infrastructure Agency's press release, the implementation phase of the long-planned project may start in spring 2024. The total estimated cost of the project was approximately EUR 96 million in 2022.

GRK was selected to implement electric line and high-current works for the Espoo City Rail Link. The value of the contract is slightly over EUR 10 million. The contract was signed with the Finnish Transport Infrastructure Agency on 15 February 2024. Construction works on the Espoo City Rail Link will begin in February with planning and preparatory work. The actual construction will start in April 2024. The project will run until the first half of 2028.

Parent company income statement (FAS)

EUR	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
REVENUE	3.1	**2,675,347.62**	**171,349,133.48**
Increase (+) / decrease (-) in work in progress	3.2	0.00	−344,759.13
Other operating income	3.3	531,905.01	509,069.81
Materials and services	3.4	0.00	140,285,481.60
Personnel expenses	3.5	3,075,550.19	19,662,625.14
Depreciation, amortisation and impairment	3.6	0.00	2,141,933.38
Other operating expenses	3.7	1,438,945.65	8,495,144.72
OPERATING PROFIT (LOSS)		**−1,307,243.21**	**928,259.32**
Finance income and expenses total	3.9	2,801,501.27	9,845,138.49
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**1,494,258.06**	**10,773,397.81**
Appropriations	3.10	7,840,000.00	−1,197,867.01
Income taxes	3.11	−1,396,361.91	121,723.10
PROFIT FOR THE FINANCIAL PERIOD		**7,937,897.15**	**9,697,253.90**

Parent company balance sheet (FAS)

	Note	31 Dec 2023	31 Dec 2022
Assets			
NON-CURRENT ASSETS			
Investments	4.1.2	56,227,120.39	58,548,644.37
TOTAL NON-CURRENT ASSETS		**56,227,120.39**	**58,548,644.37**
CURRENT ASSETS			
Receivables			
Non-current receivables	4.2.1	8,725,853.62	9,515,206.83
Current receivables	4.2.1	11,236,917.30	14,995,380.36
Cash and cash equivalents		88,536,127.73	29,698,516.33
TOTAL CURRENT ASSETS		**108,498,898.65**	**54,209,103.52**
TOTAL ASSETS		**164,726,019.04**	**112,757,747.89**

	Note	31 Dec 2023	31 Dec 2022
Shareholders' equity and liabilities			
EQUITY			
Share capital	4.3.1	80,000.00	80,000.00
Reserve for invested unrestricted equity	4.3.2	38,516,390.79	35,567,089.70
Retained earnings	4.3.2	36,294,548.95	34,982,663.86
Profit for the financial period	4.3.2	7,937,897.15	9,697,253.90
TOTAL EQUITY		**82,828,836.89**	**80,327,007.46**
LIABILITIES			
Non-current			
Non-current liabilities	4.4.1	607,142.82	1,821,428.54
Current liabilities	4.4.2	81,290,039.33	30,609,311.89
TOTAL LIABILITIES		**81,897,182.15**	**32,430,740.43**
TOTAL EQUITY AND LIABILITIES		**164,726,019.04**	**112,757,747.89**

Parent company cash flow statement (FAS)

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Cash flow from operating activities		
Sales income	3,960,287.07	164,174,450.88
Other operating income	7,802.42	396,760.27
Operating expenses	−5,132,283.09	−169,360,682.71
Net cash from operating activities before financial items and taxes	**−1,164,193.60**	**−4,789,471.56**
Paid interest and payments for other finance expenses	−95,340.11	−152,390.35
Interest received from operations	1,452,074.60	66,731.07
Other operating financial items	7,471,954.58	3,362,409.44
Direct taxes paid	37,687.02	56,571
Cash flow from operating activities	**7,702,182.49**	**−1,456,150.53**
Cash flow from investing activities		
Investments in tangible and intangible assets	0.00	−4,379,363.21
Other investments	0.00	−2,500,000.00
Proceeds from sale of non-current assets	0.00	331,355.74
Loans granted	−1,797,003.00	0.00
Repayment of loan receivables	6,738,933.15	4,718,945.17
Increase/decrease in current investments	2,011,451.40	158,102.71
Interest received from loan receivables and other investments	475,763.71	503,837.43
Cash flow from investing activities	**7,429,145.26**	**−1,167,122.16**

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Cash flow from financing activities		
Share issue	2,949,301.09	0.00
Repurchase of own shares	−1,985,632.65	−208,416.26
Proceeds from long-term borrowings	0.00	802,641.73
Proceeds from current borrowings	50,356,637.10	7,472,043.99
Repayments of current borrowings	−1,214,285.72	−1,214,285.72
Group contributions received and paid	0.00	−2,200,000.00
Dividends paid and other distribution of profits	−6,399,736.16	−5,608,267.23
Cash flow from financing activities	**43,706,283.66**	**−956,283.49**
Cash and cash equivalents transferred in the business transfer	**0.00**	**−3,123,913.37**
Increase (+) / decrease (-) in cash and cash equivalents	**58,837,611.41**	**−6,703,469.55**
Cash and cash equivalents at the beginning of the financial year	29,698,516.33	36,401,985.88
Cash and cash equivalents at end of year	**88,536,127.74**	**29,698,516.33**

Notes to the parent company's financial statements

1. PARENT COMPANY ACCOUNTING POLICY

The financial statements of GRK Infra Plc have been prepared in accordance with the principles of Finnish accounting legislation. The financial statements were drafted for the period of 12 months from 1 January to 31 December 2023.

GRK Infra Plc is the parent company of the Group. The consolidated financial statements of GRK Infra Plc are available from GRK Infra Plc, Jaakonkatu 2, FI-01620 Vantaa, Finland.

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 amortised based on the use of 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)	Amortisation 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 is 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 backlog have been recognised as expenses in full.

3. NOTES TO THE INCOME STATEMENT

3.1 Breakdown of revenue	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Disaggregation of revenue by market area		
Geographical breakdown		
Finland	1,896,751.68	167,979,548.03
Estonia	198,609.47	565,601.80
Sweden	579,986.47	902,394.99
Other countries	0.00	1,901,588.66
	2,675,347.62	**171,349,133.48**
Revenue based on percentage of completion	0.00	159,150,035.87
Other revenue	2,675,347.62	12,199,097.61
Total revenue	**2,675,347.62**	**171,349,133.48**

3.2 Change in work in progress	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Increase (+) / decrease (-) in work in progress	0.00	–344,759.13

3.3 Other operating income	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Proceeds from sale of property, plant and equipment	0.00	112,309.54
Grants received	0.00	154,675.63
Other operating income	531,905.01	242,084.64
Total other operating income	**531,905.01**	**509,069.81**

3.4 Materials and services	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Materials and supplies		
Purchases during the financial year	0.00	29,669,556.74
Change in material and supply inventory	0.00	304,160.00
External services	0.00	110,311,764.86
Total materials and services	**0.00**	**140,285,481.60**

3.5 Personnel expenses and average number of personnel	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
During the financial period, the company's average number of personnel was		
White-collar	13	152
Blue-collar	0	72
Total	**13**	**224**
Personnel expenses		
Wages and salaries	2,559,565.36	15,729,610.68
Pension expenses	373,641.82	3,450,059.88
Other social security expenses	142,343.01	482,954.58
Total personnel expenses	**3,075,550.19**	**19,662,625.14**
Management wages and salaries		
Members of the Board of Directors and the CEO	1,463,184.22	1,034,944.22

3.6 Depreciation, amortisation and impairment	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Depreciation and amortisation according to plan	0.00	2,141,933.38
Total depreciation, amortisation and impairment losses	**0.00**	**2,141,933.38**

3.7 Other operating expenses	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Office rents and maintenance charges	8,600.01	797,969.51
Vehicle expenses	77,610.72	515,121.91
IT hardware and software expenses	534,225.23	1,321,329.62
Consulting, advisory and administrative services	494,886.98	1,927,056.79
Travel expenses	34,729.56	1,535,373.43
Other operating expenses	288,893.15	2,398,293.46
Total other operating expenses	**1,438,945.65**	**8,495,144.72**

3.8 Auditors' fees	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
PricewaterhouseCoopers		
Auditing	68,910.00	56,561.64
Tax advisory services	2,000.00	8,612.00
Other services	13,416.63	694,113.56
Total	**84,326.63**	**759,287.20**

3.9 Finance income and expenses	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Other interest and finance income		
From Group companies	2,391,245.15	10,515,527.18
From others	1,521,132.06	144,524.76
Total other interest and finance income	3,912,377.21	10,660,051.94
Interest expenses and other finance expenses		
To Group companies	982,176.45	80,262.96
To others	128,699.49	734,650.49
Total interest expenses and other finance expenses	1,110,875.94	814,913.45
Finance income and expenses total	**2,801,501.27**	**9,845,138.49**

3.10 Appropriations	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Difference (increase -/decrease +) in the difference between depreciation according to plan and depreciation in taxation	0.00	1,002,132.99
Group contributions given	0.00	−2,200,000.00
Group contributions received	7,840,000.00	0.00
Total appropriations	**7,840,000.00**	**−1,197,867.01**

3.11 Income taxes	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Income taxes on operations	−1,396,360.91	121,723.10

4. NOTES TO THE BALANCE SHEET

4.1 current assets

4.1.1 Intangible and tangible assets of the parent company

	Intangible assets		Property, plant and equipment			
2022	Intangible rights	Other capitalised long-term expenditure	Land areas	Buildings	Machinery and equipment	Total
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
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	−16,908.00	−440,770.42	0.00	−259,827.71	−5,592,963.73	−6,310,469.86
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
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 company

2023	Group companies		Receivables	
	Group companies	Other	Group companies	Total
Cost at 1 January 2023	56,030,585.31	197,785.08	2,321,523.98	58,549,894.37
Disposals	0.00	0.00	–2,321,523.98	–2,321,523.98
Cost at 31 December 2023	**56,030,585.31**	**197,785.08**	**0.00**	**56,228,370.39**
Accumulated impairment at 1 January 2023 *	–1,250.00	0.00	0.00	–1,250.00
Accumulated impairment at 31 December 2023 *	**–1,250.00**	**0.00**	**0.00**	**–1,250.00**
Book value 31 December 2023	**56,029,335.31**	**197,785.08**	**0.00**	**56,227,120.39**
Book value 31 December 2022	**56,029,355.31**	**197,785.08**	**2,312,523.98**	**58,548,644.37**

2022	Group companies		Receivables	
	Group companies	Other	Group companies	Total
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
Cost on 31 December 2022	**56,030,585.31**	**197,785.08**	**2,312,523.98**	**58,549,894.37**
Accumulated impairment at 1 January 2022 *	–1,250.00	0.00	0.00	–1,250.00
Accumulated impairment at 31 December 2022 *	**–1,250.00**	**0.00**	**0.00**	**–1,250.00**
Book value 31 December 2022	**56,029,355.31**	**197,785.08**	**2,312,523.98**	**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 Receivables	31 Dec 2023	31 Dec 2022
Non-current receivables		
Loan receivables from Group companies	5,054,402.73	7,377,233.07
Loan receivables from shareholders	3,671,450.89	2,137,973.76
Total non-current receivables	**8,725,853.62**	**9,515,206.83**
Current receivables		
Group contribution receivables	7,840,000.00	0.00
Other prepaid expenses and accrued income from Group companies	88.82	6,847,002.79
Loan receivables from Group companies	2,322,830.34	4,153,883.30
Trade receivables from Group companies	893,417.51	1,819,312.81
Group account receivables	0.00	2,011,451.40
Total current receivables from Group companies	**11,056,336.67**	**14,831,650.30**
Receivables from others		
Trade receivables	0.00	65,209.15
Prepaid expenses and accrued income	180,580.63	98,520.91
Total receivables from others	180,580.63	163,730.06
Total current receivables	**11,236,917.30**	**14,995,380.36**
Breakdown of prepaid expenses and accrued income:		
Accrued compulsory insurance premiums	14,926.64	0.00
Income taxes	1,109.56	65,152.23
Other prepaid expenses and accrued income	164,544.43	33,368.68
Total prepaid expenses and accrued income	**180,580.63**	**98,520.91**

4.3 Equity

4.3.1 Restricted equity	31 Dec 2022	31 Dec 2022
Share capital 1 January	80,000.00	34,646.70
Share capital fund increase	0.00	45,353.30
Share capital 31 December	80,000.00	80,000.00
Total restricted equity	**80,000.00**	**80,000.00**

4.3.2 Unrestricted equity	31 Dec 2023	31 Dec 2022
Reserve for invested unrestricted equity 1 January	35,567,089.70	26,862,538.61
Increase during the financial period from share issues	2,949,301.09	8,749,904.39
Distribution to share capital (fund increase)	0.00	−45,353.30
Reserve for invested unrestricted equity 31 December	**38,516,390.79**	**35,567,089.70**
Retained earnings 1 January	44,679,917.76	40,799,347.35
Dividend distribution	−6,399,736.16	−5,608,267.23
Redemption of own shares	−1,985,632.65	−208,416.26
Retained earnings 31 December	**36,294,548.95**	**34,982,663.86**
Profit for the financial period	**7,937,897.15**	**9,697,253.90**
Total unrestricted equity	**82,748,836.89**	**80,247,007.46**
Total equity	**82,828,836.89**	**80,327,007.46**

4.3.3 Distributable unrestricted equity	31 Dec 2023	31 Dec 2022
Retained earnings	36,294,548.95	34,982,663.86
Profit for the financial period	7,937,897.15	9,697,253.90
Reserve for invested unrestricted equity	38,516,390.79	35,567,089.70
Total distributable unrestricted equity	**82,748,836.89**	**80,247,007.46**

4.4 Liabilities

4.4.1 Non-current liabilities	31 Dec 2023	31 Dec 2022
Loans from financial institutions	607,142.82	1,821,428.54
Total non-current liabilities	**607,142.82**	**1,821,428.54**

4.4.2 Current liabilities	31 Dec 2023	31 Dec 2022
Loans from financial institutions	1,214,285.72	1,214,285.72
Trade payables to others	208,556.05	203,425.62
Trade payables to Group companies	7,079.03	6,936.00
Other current liabilities to Group companies (Group account liabilities)	77,606,345.53	28,088,672.54
Total liabilities to Group companies	**77,613,424.56**	**28,095,608.54**
Other liabilities	109,314.23	213,941.11
Accrued expenses	2,144,458.77	882,050.90
Total current liabilities	**81,290,039.33**	**30,609,311.89**
Breakdown of accruals:		
Accrued personnel expenses	1,256,438.26	843,789.21
Accrual of income taxes	845,902.67	0.00
Interest liabilities	42,117.84	27,843.62
Other accruals	0.00	10,418.07
Total accruals	**2,144,458.77**	**882,050.90**

5. OTHER NOTES

5.1 Notes concerning guarantees and commitments

5.1.1 Guarantees based on contract agreements issued by financial institutions and insurance companies for which a countersecurity has been pledged as collateral	31 Dec 2023	31 Dec 2022
Contract collaterals	69,000.00	3,500,000.00

5.1.2 Other collateral given for own commitments	31 Dec 2023	31 Dec 2022
Real estate mortgages	0.00	150,000.00
Company mortgages	17,000,000.00	17,000,000.00
Pledged shares, book value	0.00	197,785.08
Total	**17,000,00.00**	**17,347,785.08**

5.1.3 Collaterals for Group companies	31 Dec 2023	31 Dec 2022
Guarantees for subsidiaries' leasing and installment debt agreements	11,115,120.95	10,617,769.72
Guarantees based on subsidiaries' contract agreements for which a countersecurity has been pledges as collateral	102,724,251.32	80,107,698.69
Total	**111,949,874.89**	**90,725,468.41**
Total amount of the bank overdraft granted	10,000,000.00	10,000,000.00
of which in use	0.00	0.00

Synthetic options

The personnel of the GRK Group has been granted synthetic options as part of the parent company GRK Infra Plc'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 2023 financial period (268,660 in 2022). 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 2023, the off-balance sheet liability for the synthetic option plan is EUR 12,640 (31 December 2022: EUR 12,640).

Board of Directors’ proposal for the distribution of profit

The company’s distributable funds are EUR 82,748,836.89, of which the profit for the financial period is EUR 7,937,897.15.

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

- A dividend of EUR 0.165 be distributed for each share outstanding at the time of dividend payout, totalling 39,854,168 shares, or EUR 6,575,937.72
- The remaining distributable funds of EUR 76,172,899.17 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, 29 February 2024

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

A report on the audit performed has been issued today

Helsinki, 1 March 2024

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Launis
Authorised Public Accountant (KHT)

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 position, financial performance and cash flows in accordance with IFRS Accounting Standards 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 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, 2023. The financial statements comprise:

- the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, which include material accounting policy information and other explanatory information
- the parent company's balance sheet, income statement, cash flow statement 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 IFRS Accounting Standards 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.

Helsinki 1 March 2024
PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Launis
Authorised Public Accountant (KHT)

GRK Infra Oyj
Business ID 0533768-1
+358 10 321 4110
firstname.lastname@grk.fi
www.grk.fi