DEN GROUP OY

FINANCIAL STATEMENTS AND REPORT OF THE BOARD OF DIRECTORS
31 DECEMBER 2019

Contents

Easiest way to make your dreams come true

DEN GROUP OY

DEN Group offers housing and multipurpose premise solutions to consumers, small businesses and investors. It is the leading company in the area of design, construction and maintenance of premises and brings together the top experts in homes, multifunctional premises and services in its field.

On the closing date, the group consists of the parent company DEN Group Oy and its operational arms Den Finland Oy and Den Sweden AB.

REPORT OF THE BOARD OF DIRECTORS 2019

1.1.–31.12.2019

In the year of streamlining of operations, revenue decreased, while EBITDA remained at the previous year’s level

During 2019, the group carried out major structural changes and focused on improving profitability and reducing the amount of working capital committed to operations. In 2019, DEN Group’s revenue decreased by 8.4% to EUR 178.0 million from the previous year’s EUR 194.4 million. EBITDA-% improved slightly, while the amount of EBITDA in euro remained almost at the previous year’s level. Cash flow from operating activities increased to EUR 23.5 million (EUR -14.7 million) in the financial year, mainly due to changes in working capital. Due to restructuring and reorganisation, the number of employees decreased by 17% and was 457 at the end of the financial year (12/2018: 548). As a result of the above measures, significant savings in fixed costs were achieved, and the full effect of these will be reflected in the 2020 financial year.

DEN Group manufactures homes under the Designtalo and Finnlamelli brands and Den Finland Oy and K-rauta’s co-brand Ainoakoti. It also offers multifunctional business and storage premises under the Talliosake and Talli brands. In addition, DEN Group offers building systems services (DEN Tekniikka), earthworks construction services (PohjanTeko), and earthworks and construction planning and engineering services (PohjanGeo).

Revenue

178,0

m. EUR

Operating cash flow

23,5

m. EUR

457

personnel

Forerunner in all its business areas

The Talliosake rental and property management services initiated in 2018 continued their positive development. The expansion of the service offering has also enabled the group to expand its services from turnkey home solutions to holiday homes and a range of premise solutions for businesses.

DEN Group also strives to be the forerunner in the future in all its business areas. The group also aims to improve Finnish society by offering new types of living and work-related solutions. The group's goal is to provide the best customer experience for all its customers and a good working environment for all its employees.

Main events during the financial period

In February, DEN Group initiated cooperation negotiations to improve its profitability and cost-effectiveness. The group sought ways to improve profitability in all its operations. The integration process of DEN Group, which was formed following the business acquisitions of 2017 and 2018, was completed, and the organisation was adjusted to better meet the group's business needs. Cooperation negotiations led to the termination of approximately 60 employment relationships with DEN Group.

In 2018, a framework agreement was signed with Taaleri Private Equity Funds Ltd on the establishment of the Taaleri Tallikiinteistöt fund. The fund's objective is to invest its funds in the Talliosake properties in Finland and Sweden. At the end of 2019, the ownership of the first Talliosake and Talli properties was transferred to the Taaleri fund in Finland and Sweden. In addition, preliminary agreements have been signed on several other properties, and several properties are expected to be transferred to the fund during 2020.

In November 2019, DEN Group started another round of cooperation negotiations, with the aim of adjusting the company's current operating and management structure. The negotiations led to the termination of around 10 employment relationships.

Group structure

CORPORATE STRUCTURE IN 2019:

DEN Group Oy

↓

Den Finland Oy

↓

Den Sweden Ab

The operational arms

Den Finland Oy and Den Sweden AB own or manage real estate companies, limited liability companies and leasehold cooperatives related to the developer contracting activities concerning the Talliosake and Talli properties.

Business operations

DEN Group operates in three business areas (Homes, Multifunctional Premises and Services), in which it is the leading company in selected segments.

DEN Group operates in three business areas (Homes, Multifunctional Premises and Services), in which it is the leading company in selected segments. The company has a diverse and extensive service portfolio. In construction projects, Den Finland Oy acts as the coordinator and the construction work takes place in collaboration with subcontractors and suppliers in the cooperation network on a customer-owned plot (Design–talo, Ainoakoti, Finnlamelli, House+Plot) or on a plot owned by a real estate company established by the company (Talliosake, Talli).

The timber-structure wall elements and log frames are manufactured at the company's own factory, while other required elements and construction performances are primarily sourced from suppliers and subcontractors. The delivery also includes the implementation of the building systems technology, which is carried out within the group.

Homes

DEN Group is the market leader in the move-in ready single-family homes in Finland.
Of the brands, Designtalo is the pioneer in the customised move-in ready single-family home segment. Designtalo and Ainoakoti homes are move-in ready or partially prefabricated timber-frame houses that are marketed, sold and constructed for consumer customers, as well as professional constructors and developers.

The company is also the world's leading developer of the laminated log technology, and markets, sells and manufactures move-in ready or partially prefabricated single-family log homes and holiday homes to consumer customers under its Finnlamelli brand. In addition, it delivers log-manufactured schools and day care and other buildings to public- and private-sector customers. In 2019, the market share of log house construction in the Finnish single-family home segment increased to nearly 20%.

Thus far, move-in ready deliveries have been under-represented in the log house construction sector. During 2019, the sale of Finnlamelli's move-in ready houses grew as planned, and the company is now the market leader in this segment. The integration of Finnlamelli into the group's strong move-in ready delivery process, which also involves implementing the building systems services within the group, was a justified decision. Outside Finland, the Finnlamelli vendor network is composed of long-term vendor relationships. The main markets of the Finnlamelli products are in Finland, Japan, Norway, Sweden and the Netherlands. In 2019, exports accounted for 19% of the total revenue from the Finnlamelli business.

At the beginning of 2019, the company established a new business area, House+Plot (Talo+Tontti), where the customer is sold a fully completed house (Designtalo or Finnlamelli) and the plot as a complete turnkey package.
The new business area aims to attract new customers from among builders but also among people switching homes.

Multifunctional Premises

DEN Group, with its Talliosake brand, is the market leader in its property market segment in Finland. The Talliosake business concerns developer contracting projects, where the group designs and constructs the sites on its own land and then sells or leases the completed premises to consumer customers, businesses and investors. The premises are used for storages, recreational spaces and other purposes, depending on the zoning and building regulations. Talliosake properties are also property investment objects. Talliosake has also invested heavily in the development of its rental, property management and service business. Talliosake is also a registered real estate agency, which can help investors to determine the correct rent level, find a suitable tenant for the premises and sign the lease on behalf of the investor.

Services

In the Services business area, Pohjan-Teko provides expert and earthworks construction services to customers within the DEN Group, as well as to external companies and the public sector. PohjanGeo is an engineering company specialising in design and consulting work related to geotechnical engineering, foundation engineering and storm water management. It offers its services for infrastructure construction, housing construction, industry and zoning needs.

With the earthworks services, DEN homes are available as complete turnkey deliveries. Customers have the option to source all design and construction services related to the construction of a single-family home from foundation construction to move-in ready from a single provider.

DEN Tekniikka provides building systems services, such as design, construction and HVAC services, to building companies. Its efficient implementation process guarantees a high-quality result to the customer.

The purpose of the operational organisation with diverse expertise is to be able control the entire supply chain of customer projects from sale and design to earthworks construction, manufacturing, worksite construction and HVAC technology, right to the end of the guarantee period. This means that the group can control all the stages of implementation of the customer project, with the support of its established business partners. Our operations are guided by our customer-oriented focus.

Financial development of DEN Group

		2019	2018	2017
Revenue	EUR 1,000	178 016	194 352	146 351
Revenue, change from previous year	%	-8,4 %	32,8 %	97,4 %
EBITDA	EUR 1,000	4 548	4 861	4 974
Operating profit	EUR 1,000	-28 934	865	2 134
Operating margin	%	-16,3 %	0,4 %	1,5 %
Profit for the period	EUR 1,000	-30 225	2 014	819
Profit for the period, % of revenue	%	-17,0 %	1,0 %	0,6 %
Return on equity (ROE)	%	-29,8 %	1,8 %	1,1 %
Return on capital employed (ROCE)	%	-19,2 %	0,5 %	2,8 %
Equity ratio	%	55,8 %	55,8 %	59,3 %
Net gearing	%	45,4 %	53,5 %	33,7 %
Net gearing excluding the company loans of real estate companies	%	25,6 %	26,6 %	15,8 %

Return on equity (ROE), (%) $$100 \times \frac{\text{Profit for the period}}{\text{Equity (average)}}$$

Return on capital employed (ROCE), (%) $$100 \times \frac{\text{Profit before taxes + Interest expenses and other financial expenses}}{\text{Balance sheet total – Non-interest-bearing liabilities (average)}}$$

Equity ratio (%) $$100 \times \frac{\text{Equity}}{\text{Balance sheet total–Advances received}}$$

Net gearing (%) $$100 \times \frac{\text{Interest-bearing liabilities–Cash and cash equivalents and interest-bearing liabilities}}{\text{Equity}}$$

In 2019, the group's revenue decreased (by 8.4%), amounting to EUR 178.0 million (194.4).

In 2019, EBITDA was EUR 4.6 million (4.9), or 2.6% (2.5) of revenue.

The group was formed following several business acquisitions completed in 2017 and 2018. The growth assumptions and profitability planned in the context of the acquisitions have not been realised as expected. Synergies have not been achieved either to the extent or within the time frame envisaged. An impairment loss of EUR 29.1 million was recognised as a result of an impairment test. The impairment recognised is presented in the income statement under the items of depreciation and impairment.

The abovementioned impairment loss also turned the consolidated operating result into a loss of EUR -28.9 million (0.9).

The operating result excluding impairment was EUR 0.2 million. The consolidated loss for the period was EUR -30.2 million (2.0).

The revenue of the Homes business area decreased by 6.3% compared with the previous year, amounting to EUR 113.2 million (120.8). The revenue of the Multifunctional Premises business area decreased during the year by 3.3%, totalling EUR 55.5 million (57.4).

A small proportion of the consolidated revenue was attributable to the sale of building systems services and prefabricated products to external customers. The rental and property management business grew strongly, but its share of total revenue is small.

Equity

86,3

m. EUR (116,5)

Equity ratio

55,8%

(55,8%)

Financial position and financing

The consolidated balance sheet total at the end of the financial period amounted to EUR 164.2 million (216.9). The total equity at the end of the financial period amounted to EUR 86.3 million (116.5). Equity ratio was 55.8% (55.8%). The amount of interest-bearing liabilities in the consolidated balance sheet totalled EUR 45.7 million (66.1). Net gearing was 45.4% (53.5%). The company loans of the group's real estate companies are recognised in interest-bearing liabilities and totalled EUR 17.1 million (31.4) at the end of the financial period.

The consolidated net financial expenses for the period were EUR -1.6 million (0.3).

At the end of the year, the group had access to a loan facility of EUR 17 million, divided into a credit line of EUR 10 million and a credit facility of EUR 7 million, earmarked for the purchase of plots for Talliosake premises. At the end of 2019, a total of EUR 3.6 million of the latter credit facility was committed, and EUR 0.1 million of the credit line was committed for guarantees.

The consolidated cash flow from operating activities was EUR 23.5 million (-14.7). Liquidity remained at a good level in the group throughout the period.

The Talliosake business concerns developer contracting projects, where the group designs and constructs the sites on its own land or on leased land and then sells or leases the completed premises to customers. This operating model has a significant impact on the group's balance sheet structure.

Personnel

The number of personnel employed in the group totalled on average 503 (2018: 536; 2017: 394). At the end of the financial period, the number of personnel was 457 (2018: 548; 2017: 469). Personnel expenses totalled EUR 31.1 million (2018: 30.9; 2017: 24.5). 63% of the personnel were salaried employees and 37% worked at factories and construction sites.

During the financial year, the company invested heavily in the development of the group's HR management and corporate culture and harmonised its existing HR management practices and developed new ones.

The group has invested heavily in consumer research.

Research and development

The group's R&D activities continued strongly. For example, the group studied and developed new options for the structural reinforcement of single-family homes and a waterproof floor element suitable for utility rooms. The Feel5D tool was customised for utilising previous model ranges and sketches in sales. For the construction segment, a documentation tool was developed to sign off various construction stages and document the progress using photographs. To facilitate occupational safety reporting, the Insta Audit tool was customised to enable the monitoring and reporting of accidents and incidents in the group, and to carry out occupational safety measurements (TT and TR measurements).

The group has acquired design rights to its safety scaffolding and platform solutions, technical space floor element, combined pillar footing/base plate solution, and supply air regulation system.

The group has invested heavily in consumer research to enhance its service brands and to differentiate them from each other and from the other brands in the industry.

The Designtalo and Finnlamelli model ranges were also developed during the financial period. In May, Designtalo launched the new Nordic range, which combines ease and safety of living. The aim is to better meet the consumers' changed needs (e.g. smaller apartments/homes, tightly built neighbourhoods, facades suitable for different environments).

The renewed model range also includes several solutions that make consumers' everyday lives easier, such as the keyless Designtalo homes.

In the spring of 2018, the group launched the non-settling Ryhti log frame for use in its Finnlamelli products. The purpose of the solution is to eliminate the settling of the frame, which is typical for log frames. The Ryhti log frame is used by default in all Finnlamelli move-in ready and turnkey deliveries in Finland. In the case of deliveries of single-family homes, the Ryhti log frame is available as a forward-fit element. The experiences gained of the new frame in 2018–2019 have been positive. In the future, the group will also deliver its non-settling Ryhti frames for the export markets, once it first establishes a network of certified Ryhti log frame installers in its distribution network.

In December 2019, as the first family home manufacturer in the Finnish market, Designtalo introduced a new single-family house solution that enables the homeowner to ensure the carbon neutrality of their home throughout its life cycle, from construction to demolition. The new ECO2 package is available for all Designtalo models. ECO2 homes are built using a special eco-structure. It is designed to save the environment as much as possible. Depending on the selected heating method, ECO2 homes have the potential to reduce carbon emissions by up to 25% during the life cycle of the building.

Environment

Matters related to climate, the environmental and energy play a key role in the construction of homes and multifunctional premises of the future. The group has made plans to monitor and measure its carbon footprint concerning its construction activities and use of premises. The group is participating in a joint project in the single-family home industry which is piloting the application of carbon footprint calculations. Energy-efficiency will be one of the key indicators that steer decision-making. The group keeps up with industry requirements and develops its operations accordingly.

The timber-framed move-in ready single-family homes and multifunctional premises constructed by Den Finland Oy absorb carbon and can be recycled at the end of their useful life. Waste recovery and recycling are taken into account in all key processes of the company. An efficient production process aims to eliminate surplus and waste as far as possible. The operating processes are actively developed to ensure that the operations and end-products of the company place a minimum burden on climate and the environment. Waste handling during construction is the responsibility of the customer. However, Den Finland Oy offers to its customers worksite waste handling services as an additional service via a cooperation partner. The company does not use any environmentally harmful substances, and its production processes do not place an unusual burden on the environment.

Finnlamelli log homes constructed by Den Finland Oy are considered healthy living environments, particularly due to the good indoor air quality in these homes. Log adjusts well to natural variation in moisture and temperature conditions, which is why the living conditions in log homes remain balanced throughout the year. The market share of log-manufactured single-family homes has increased for several consecutive years. According to the most recent survey carried out by the Building Information Foundation RTS, in 2018 already every fifth new single-family home in Finland is built from log. The company operates according to the principles of sustainable development. The majority of the timber and log used is certified wood. Wood by-products generated in connection with the log production process are used in the generation of heat for the company's own purposes, or sold as fuel to external operators.

Risks and uncertainties

The group identifies, assesses, manages and monitors its risks at business area and at group level. All major risks are classified into strategic, operational, liability, financial and environmental risks.

Risks related to the general economic development include, consumers' trust in their personal finances, trust of businesses, competitive situation in the markets, availability of mortgages and loans for real estate companies, development of interest rates for mortgages, and general unemployment rate. A significant share of the group's customers are private individuals, but the group has also extended its customer base to private businesses and real estate investors.

The group aims to manage changes in the market and consumer behaviour by monitoring the customer satisfaction and results of consumer surveys, as well as by offering a wide range of ser-vices expected by the group's different customer segments.

Other business environment risks inclu-de municipal planning policies, availabi-lity of plots, development of regulations concerning single-family homes, future living costs related to single-family ho-mes, and development of building regulations. The group aims to anti-cipate and manage these challenges by participating in the activities of the industry representative organisations and other industry associations and collaborating with the authorities. For example, Den Finland Oy is a member of the Finnish Association for Manu-facturers of Prefabricated Houses and the Log House Industry Association. The operational risk management ta-kes place via the company's carefully specified and controlled delivery chain, which covers all the company opera-tions, as well as the related ERP sys-tem. The group companies have prepa-red for operational risks by obtaining sufficient insurance for their operations.

Occupational safety and its quality are managed through guidelines, instruc-tions and surveillance concerning the incident frequency rate and other quali-ty indicators, as well as through trai-ning, ensuring the safety of the working environment and tools, and quality certificates and quality control. In futu-re, the emphasis in occupational safe-ty will be more on anticipation based on safety observations and corrective measures.

Data and information management plays a key role in the management of the group's risks. Data systems are criti-cal in terms of efficient internal surveil-lance, as several surveillance methods are based on information technology. ICT and data security risks are mana-ged, for example, by ICT process de-sign and user access management.

The most significant financial risks concern risks related to the availability of funding and balance sheet risks. The Talliosake business concerns developer contracting projects, and this operating model has a significant impact on the group's balance sheet structure. The group aims to manage its balance sheet risks by analysing the market situation of initiated projects and their locations and segments, by only initiating proje-cts with a sufficient sales or reservati-on rate, and by monitoring its balance sheet.

The group companies have significant amounts of loan financing, part of which is subject to a variable interest rate. Den Finland Oy has hedged some of its loan positions with interest rate swaps, aiming to prevent the impacts of interest rate fluctuations on the company's result and financial position.

The majority of the sale and purchase transactions are disclosed in euro. The group is exposed to a foreign exchange risk concerning the Swedish krona due to the Talli business in Sweden. As the business expands, this risk is also likely to increase.

An essential element of the operations of Den Finland Oy is the guarantees given to customers regarding the end-product. In addition, the ten-year liability for structural designs set out in the relevant building regulations also applies to the company's operations and end-products. In the case of the above, the liability of the company's is towards its customers. The group has prepared for guarantee and repair risks by booking a guarantee provision on the basis of the previous years' outturn data. The group also requires its suppliers and subcontractors to prepare for corresponding guarantee liabilities.

Investments and business acquisitions

In February 2018, Finnlamelli initiated a EUR 1.2 million investment project regarding the modernisation of the production line at its laminated log factory in Alajärvi. The investment was completed, and the production line was operational, in the summer of 2019. This investment increased the factory's production capacity by several dozen percentage points. The driving force behind the investment was the current market trends concerning sustainable development, ecological construction and healthy living. The purpose of the investment is to ensure the operational reliability and capacity of the production line, with future business growth in mind.

Governance

The group strives for open, transparent and responsible governance and management. We are committed to good governance by complying with existing legislation and our Articles of Association. The group also has approved ethical guidelines and other internal policies in place.

Members of the Board of Directors of DEN Group Oy:

1 January 2019–9 May 2019
Saku Sipola (Chair), Tuomo Raasio, Antti Karppinen, Ia Adlercreutz, Anu Tuomola and Kari Neilimo

9 May 2019–31 December 2019
Saku Sipola (Chair), Tuomo Raasio, Heikki Lahtinen, Jan Mattlin, Anu Tuomola and Kari Neilimo

The group strives for open, transparent and responsible governance and management.

Starting from 1 January 2020
Saku Sipola (Chair), Heikki Lahtinen, Jan Mattlin, Anu Tuomola and Kari Neilimo

The Board of Directors has established an audit committee and a nomination and remuneration committee to assist its work.

At the end of 2019, the Corporate Management Team comprised the following persons:
Jaakko Taivalkoski (CEO), Dennis Roikonen (CFO), Markus Alitalo (CBO, Talliosake), Jarmo Huhtala (CBO, Designtalo), Markku Uotinen (CBO, Finnlamelli).

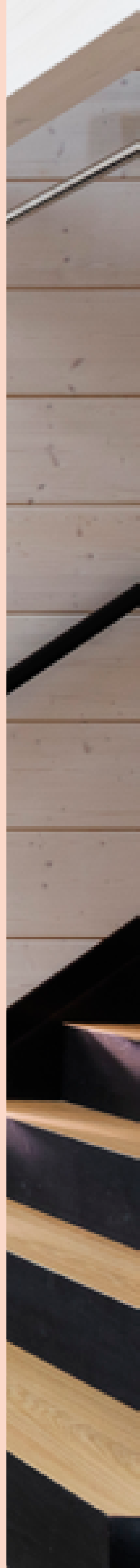
At the time of the signing of the financial statements, the Corporate Management Team comprised the following persons:
Pasi Tolppanen (CEO), Dennis Roikonen (CFO), Markus Alitalo (CBO, Talliosake), Jarmo Huhtala (CBO, Designtalo), Markku Uotinen (CBO, Finnlamelli).

The auditor was Deloitte Oy and the auditor-in-charge was APA Eero Lumme.

Company shares

At balance sheet date, the share capital totalled EUR 65,002,500.00. The number of shares was 18,032,210. The company has one share class and all shares have the same right to dividend and company assets. The trading on the company shares is restricted by the redemption clause and the acquisition of company shares by the consent clause set out in the Articles of Association.

The Annual General Meeting held on 7 June 2018 authorised the Board of Directors to decide on a share issue. The Board of Directors was authorised to issue at most 400,000 new company shares. The Annual General Meeting also authorised the Board of Directors to decide on the terms and conditions of the share issue. The authorisation was maintained by the Annual General Meeting held on 9 May 2019.



Events after the financial year and an estimate of the likely future developments

Pasi Tolppanen was appointed as the new CEO of the group, starting from 10 February 2020.

At the time of the signing of the financial statements, the coronavirus pandemic is rapidly spreading around the world. Stock markets have collapsed since the turn of the year, and economic forecasts have been lowered. Economic development is difficult to assess. According to some forecast scenarios, economic development will slow or decrease to some extent over the next few months and the next year. More pessimistic forecasts suggest that the economy may decline significantly in the coming months and year. The possible spread of the disease and prolonging of the epidemic could have a significant impact on business and the economy. The weakening of the economy, people's concerns about their personal finances and the sustainability of jobs will probably affect the company's business and finances at least during the current operating year.

On 17 March 2020, DEN Group initiated a cooperation procedure to improve its profitability and cost-efficiency. The negotiations are based on the uncertainty caused by the coronavirus and possible interruptions and cancellations in sales, design, orders, manufacturing, construction, HVAC installations and earthworks services. At most, the cooperation procedure may lead to temporary lay-offs of DEN Group employees for a period of at most 90 days.

At the time of the signing of the financial statements, the effects of the coronavirus on the operations of DEN Group have so far been limited. In future, the coronavirus may affect the group's operations – for example, by closing construction sites due to several cases of illness or mobility restrictions. The spread of the epidemic could reduce the demand for products – for example, due to the general uncertainty, increased unemployment and the reduced availability of financing.

The group management aims to prepare for all identifiable material risks by planning alternative measures to maintain operations. The nature of the business means the group can adjust its cost structure and working capital to possible strong changes in demand resulting from the coronavirus. Pandemic-related factors may have a significant impact on the company’s operations, but at this stage it is difficult to estimate the size and timing of the potential impact on the consolidated result and financial position of the group in the future.

The company’s management is actively monitoring the situation and assessing the impact of the above factors on the consolidated revenue and profit and loss, as well as on the valuation of assets in the balance sheet, especially items requiring management discretion such as goodwill, during the 2020 financial year. According to the company’s understanding, the company can secure sufficient financial resources and funding to ensure the continuity of its operations.

Boards of Directors' proposal for the distribution of profit

The parent company's loss for the year totalled EUR 29,107,252.79, and distributable funds amounted to EUR 6,493,541.21. The Board of Directors proposes to the Annual General Meeting that the profit for the period be transferred in full to the company's profit/loss account and that no dividend be distributed.

Helsinki, 31 March 2020,

DEN Group Oy
Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR 1,000	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Revenue	**1**	**178 016**	**194 352**
Other operating income	2	44	205
Changes in inventories of finished goods and work in progress		-10 038	17 765
Raw materials and consumables used		-66 581	-95 940
External services		-51 659	-60 945
Personnel expenses	5	-31 065	-30 908
Other operating expenses	3,6	-14 168	-19 668
EBITDA		**4 548**	**4 861**
Depreciation and amortisation	4	-33 482	-3 996
Operating profit		**-28 934**	**865**
Financial income		18	1 690
Financial expenses		-1 582	-1 393
Finance expenses (net)	**7**	**-1 564**	**297**
Profit/loss before taxes		**-30 498**	**1 163**
Income taxes	8	273	852
PROFIT FOR THE PERIOD		**-30 225**	**2 014**

EUR 1,000	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Earnings per share			
Basic earnings per share (EUR)		-1,68	0,11
Diluted earnings per share (EUR)		-1,68	0,11
Total income for the period is attributable to:			
Equity holders of the parent company		-30 225	2 014
Other comprehensive income			
Items that may later be recognised in profit and loss			
Translation difference		3	1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**-30 222**	**2 015**
Total income for the period is attributable to:			
Equity holders of the parent company		-30 222	2 015

CONSOLIDATED BALANCE SHEET (IFRS)

EUR 1,000	Note	31.12.2019	31.12.2018
ASSETS			
Non-current assets			
Goodwill	10	87 911	117 028
Intangible assets	10	6 316	7 745
Property, plant and equipment	11	7 133	7 164
Other receivables		88	125
Deferred tax assets	12	2 156	2 074
Total non-current assets		**103 603**	**134 135**
Current assets			
Inventories	13	44 667	59 965
Trade receivables	14	7 576	13 364
Loans	14	0	3
Other receivables	14	606	2 128
Advances and accrued income	14	954	2 103
Income tax receivables	14	302	602
Cash and cash equivalents	15	6 498	3 679
Total current assets		**60 603**	**81 845**
Non-current assets held for sale	27	0	945
TOTAL ASSETS		**164 207**	**216 926**

EUR 1,000	Note	31.12.2019	31.12.2018
EQUITY AND LIABILITIES			
Capital attributable to equity holders of the parent company			
Share capital	16	65 003	65 003
Invested non-restricted equity reserve	16	34 151	34 151
Translation difference	16	4	1
Retained earnings	16	-12 854	17 371
Total capital attributable to equity holders of the parent company		**86 303**	**116 525**
Total equity		86 303	116 525
Non-current liabilities			
Deferred tax liabilities	12	1 224	1 480
Provisions	17	1 050	1 231
Financial liabilities	18	16 711	19 203
Other non-current liabilities	19	4 675	6 094
Total non-current liabilities		**23 660**	**28 008**
Current liabilities			
Trade payables	19	6 731	7 688
Other current liabilities	19	5 298	10 682
Advances	19	9 574	7 955
Income tax liabilities	19	0	203
Provisions	17	880	734
Financial liabilities	18	23 169	38 914
Accrued liabilities	19	8 591	6 218
Total current liabilities		**54 243**	**72 393**
Total liabilities		**77 904**	**100 401**
TOTAL EQUITY AND LIABILITIES		**164 207**	**216 926**

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

EUR 1,000	2019	2018
Cash flow from operating activities		
Profit for the period	-30 225	2 014
Adjustments:		
Depreciation and amortisation	33 482	3 996
Fair value allocation of inventories	0	3 086
Other adjustments	246	1 367
Financial income and expenses	1 564	-297
Proceeds/losses from sale of property, plant and equipment and intangible assets	-1	-4
Taxes	-273	-852
Cash flow before changes in working capital	**4 793**	**9 310**
Changes in working capital:		
Change in trade and other receivables	8 461	3 890
Change in inventories	13 313	-21 855
Change in trade and other payables	-1 555	-2 041
Changes in working capital	**20 219**	**-20 006**
Interest paid	-1 610	-1 162
Interest received	18	35
Taxes paid	33	-2 889
	-1 559	-4 016
Net cash from operating activities	**23 453**	**-14 712**

EUR 1,000	2019	2018
Cash flow from investment activities		
Payment for acquisition of subsidiaries and businesses, net of cash acquired	0	-2 362
Investments in intangible assets and in property, plant and equipment	-1 305	-2 628
Proceeds from sale of property, plant and equipment and intangible assets	1	4
Net cash from investment activities	**-1 304**	**-4 986**
Cash flows from financing activities		
Loans drawn	420	5 976
Loans repaid	-4 293	-5 604
Change in real estate company loans	-14 372	11 328
Finance lease payments	-1 085	-979
Share issue	0	1 400
Net cash from financing activities	**-19 330**	**12 121**
Change in cash and cash equivalents	**2 819**	**-7 577**
Cash and cash equivalents at the beginning of the financial period	3 679	11 256
Cash and cash equivalents at the end of the financial period	**6 498**	**3 679**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1,000	Share capital	Invested non-restricted equity reserve	Translation difference	Retained earnings	Total
Equity on 1 Jan 2018	**65 003**	**31 951**	**0**	**15 356**	**112 310**
Comprehensive income for the period	0	0	1	2 014	2 015
Total comprehensive income	**0**	**0**	**1**	**2 014**	**2 015**
Transactions with equity holders					
Share issue	0	2 200	0	0	2 200
Transactions with equity holders, total	**0**	**2 200**	**0**	**0**	**2 200**
Equity on 31 Dec 2018	**65 003**	**34 151**	**1**	**17 371**	**116 525**
Equity on 1 Jan 2019	**65 003**	**34 151**	**1**	**17 371**	**116 525**
Comprehensive income for the period	0	0	3	-30 225	-30 222
Total comprehensive income	**0**	**0**	**3**	**-30 225**	**-30 222**
Transactions with equity holders					
Share issue	0		0	0	0
Transactions with equity holders, total	**0**	**0**	**0**	**0**	**0**
Equity on 31 Dec 2019	**65 003**	**34 151**	**4**	**-12 854**	**86 303**

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

DEN Group basic information

DEN Group offers housing and multi-purpose premise solutions to consumer customers. It is the leading company in the area of design, construction and maintenance of premises and brings together the top experts in multifunctional premises, homes and services in its field. The parent company DEN Group Oy is domiciled in Helsinki. The registered address is Pakkalankuja 7, FI-01510 Vantaa, FINLAND. The business operations of the parent company are organised among its subsidiaries.

Copies of the consolidated financial statements are available from the parent company headquarters at Pakkalankuja 7, FI-01510 Vantaa, FINLAND.

The Board of Directors of DEN Group Oy adopted the consolidated financial statements on 31 March 2020. Pursuant to the Finnish Limited Liability Companies Act, shareholders have a possibility to approve or reject the financial statements in a general meeting of shareholders to be held after the publication of the financial statements. The general meeting of shareholders also has a possibility to make a decision on amending the financial statements.

Accounting principles for the financial statements

Basis for preparation

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and by applying the IAS and IFRS standards and their SIC and IFRIC interpretations that were in force on 31 December 2019. International Financial Reporting Standards refer to the standards (and their interpretations) approved for application in the EU in accordance with the procedures in the EU regulation (EC) No 1606/2002 and embodied in the Finnish Accounting

Act and provisions issued thereunder. The notes to the consolidated financial statements also comply with the Finnish accounting and corporate legislation that complement the IFRS regulations.

Unless otherwise indicated, the financial information in the consolidated financial statements is presented in thousands of euros.

Since the transition date of 1 January 2016, the group has also started to apply the new IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases standards in advance of the mandatory date of application.

Since 1 January 2018, the group started to retrospectively apply the standard IFRS 9 Financial Instruments. In accordance with the transitional provisions, comparative figures have not been restated and they comply with the group's previous accounting principles for the financial statements. The adoption of the standard did not impact the shareholders' equity of 1 January 2018.

The group has not adopted any new standards since 1 January 2019.

Principles of consolidation

Subsidiaries

The consolidated financial statements cover the parent company DEN Group Oy and all the subsidiaries in which the parent company directly or indirectly holds more than 50% of the voting rights or in which the group otherwise has control. The criteria for control are fulfilled when the group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Any acquired subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, liabilities incurred to the former owners of the acquired business, and equity interests issued by the group.

It also comprises the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date.

The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the subject if the acquisition is remeasured to fair value on the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration is recognised at acquisition-date fair value. Pursuant to IFRS 9, any subsequent adjustments to the fair value of contingent consideration considered an asset or liability should be recognised in profit or loss, or in other comprehensive income. Where contingent consideration is classified as equity, it retains its carrying amount, and when the consideration is later paid, the payment is recognised in equity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Property, plant and equipment

These asset values are based on original acquisition cost less accumulated depreciation and possible impairment losses.

Depreciation is calculated using the straight-line method and is based on the estimated useful life of the asset. Land is not depreciated. Estimated useful lives for various assets are:

Buildings	**20 years**
Structures	**5–10 years**
Machinery and equipment	**3–10 years**
Furniture and fittings	**3–8 years**
IT equipment	**3–5 years**
Vehicles	**3–8 years**
Other assets	**3–10 years**

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if necessary, in connection with each financial statement to reflect changes in the expectation of economic benefit. Gains and losses on disposals of property, plant or equipment are included in other operating income or expenses.

Goodwill and other intangible assets

Goodwill

In business combinations, the excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill.

All acquisitions made prior to 1 January 2016 were recognised in accordance with the previously applied accounting standard.

Goodwill is not subject to amortisation but it is tested for impairment annually and whenever there is any indication that it may be impaired. For this purpose, goodwill is allocated to cash-generating units. Goodwill is recognised at acquisition cost less accumulated impairment losses. Impairment costs are expensed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intangible assets

An intangible asset is initially recognised at acquisition cost when the cost of the asset can be measured reliably and it is probable that the future economic benefits that are attributable to the asset will flow to the group.

Intangible assets with a known or estimated finite useful life are expensed in the income statement on a straight-line basis over their useful life. Intangible assets that have an indefinite useful life are not amortised but are tested for impairment annually.

Other intangible assets acquired in connection with a business acquisition are recognised separately from goodwill, provided that they fulfil the definition of an asset: they must be identifiable or arise from contractual or other legal rights. Intangible assets recognised in connection with business acquisitions include the value of trademarks, customer agreements and associated customer relationships, prohibition of competition agreements, and the value of acquired technology and industry-related process competence.

Acquired computer software and licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The acquisition cost is amortised on a straight-line basis over the estimated useful life. Computer maintenance costs are expensed as they are incurred. In IT projects classified as strategic, own work is capitalised in the balance sheet insofar as the capitalisation criteria are met in respect of cost monitoring, etc.

Amortisation begins when the IT project is ready for use.

Research expenditure is expensed in the income statement. Expenditure arising from the design of new or more advanced products is capitalised as intangible assets in the balance sheet as from the date when the product is technically feasible, can be used commercially, and is expected to yield future financial benefits. Capitalised development expenditure is amortised over the useful life. Amortisation begins when the asset is ready for use. Incomplete assets are tested annually for impairment. Development expenses that are not expected to yield financial benefits are expensed in the income statement. In the financial periods under review, the group's research and development expenditure has not met capitalisation criteria.

Estimated useful lives for various assets are:

Customer relationships	**3-5 years**
IT software	**3-5 years**
Brands	**5-10 years**
Other intangible assets	**3-10 years**

Impairment of property, plant and equipment, and intangible assets

On each closing date, the group evaluates whether there are indications of impairment in any asset item. If impairment is indicated, the recoverable amount of said asset is estimated. In addition, the recoverable amount is assessed annually regardless of whether impairment is indicated. Goodwill is also tested for impairment whenever there is any indication that the value of a unit may be impaired. The need for impairment is examined at the cash-generating unit level, i.e. at the lowest unit level which is mainly independent of other units and whose cash flows are separate and highly independent from the cash flows of other, corresponding, units.

The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Value in use is the estimated discounted future net cash flows expected to be derived from the cash-generating unit. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset items. Where the carrying amount of an asset exceeds its recoverable amount, the asset is recognised as an expense. An impairment loss on a cash-generating unit is initially allocated to the goodwill allocated to the cash-generating unit and thereafter equally to other asset items of the unit. In connection with entry of the impairment loss, the useful life of the depreciated assets is reassessed. Impairment loss of other assets than goodwill is reversed in the case that a change has occurred in the estimates used in measuring the recoverable amount of the asset. However, impairment losses are not reversed beyond the carrying amount of the asset exclusive of impairment losses. Impairment losses on goodwill are never reversed.

Non-current assets held for sale
Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell. The depreciation of these assets will be discontinued at the time of reclassification.

Inventories

Inventories are composed of sites under construction, completed sites intended for sale, and raw materials and supplies used in the operations. The acquisition cost of these comprises the value of the plot and other raw materials, borrowing costs, planning costs, direct costs of labour, and other direct and indirect costs relating to the construction projects. Any leased plots related to construction projects intended for sale are also recognised in inventories.

Inventories are valued at the lower of acquisition cost and expected net realisable value. The acquisition cost of materials and supplies is determined using the weighted average price method. The acquisition cost of work in progress and shares in completed real estate companies comprises the value of the plot and other raw materials, planning costs, direct costs of labour, other direct costs, and the appropriate portion of the variable general costs of manufacture and fixed overhead. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

In estimating the net realisable value of shares in completed real estate companies, the available market information and the level of the yield on the properties are taken into account. In assessing the net realisable value of plots of land, their intended use is taken into account. In the valuation of plots of land used for construction, the completed products in which they will be included are taken into consideration.

The carrying amount of plots of land is decreased only when the completed products are expected to be sold at a price lower than the acquisition cost. The net realisable value of other plots of land is based on the market price of the land.

Financial assets

The group classifies its financial assets into the following categories: financial assets measured at amortised cost and financial assets measured at fair value in profit or loss. On the closing date, the group had no financial assets measured at fair value in other comprehensive income. The classification is carried out on the original acquisition date on the basis of the objective of the group's business model and contractual cash flows of the investment. Transaction costs have been included in the original carrying amount. Purchases and sales of financial assets are recognised on the trade date, i.e. the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Financial assets measured at amortised cost
Financial assets measured at amortised cost are non-derivative financial assets held for collection of contractual cash flows, where such cash flows represent solely payments of principal and interest. This category also includes on-balance sheet trade receivables and other receivables. Their valuation is based on the amortised cost using the effective interest method. These are included in the balance sheet according to their nature in current or, if they mature in more than 12 months, in non-current assets.

In accordance with IFRS 9, the group's impairment model for financial assets is based on expected credit losses, where the customer's credit risk is taken into account. The group will apply the simplified approach permitted by the standard whereby expected credit losses from trade receivables and are recognised based on historical information with adjustment concerning expectations of the future.

Financial assets measured at fair value in profit or loss
Financial assets measured at fair value in profit and loss are financial assets or derivatives held for trade that do not meet the criteria for hedge accounting according to IFRS 9. The group recognises in this category interest rate

derivatives associated with business operations and financing. The group does not apply hedge accounting. Derivatives are originally measured at fair value when the group becomes a contractual party to an agreement and are subsequently measured at fair value. The group used interest rate derivatives to hedge against changes in market interest rates, and changes in the fair value of interest rate derivatives are entered in financial income or expenses in the financial period in which they were incurred. Derivatives are non-current assets when their maturity is more than 12 months and current assets when the remaining maturity is less than 12 months. Derivatives may also be liabilities; their accounting principles are specified below under 'Financial liabilities'.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Items included in cash and cash equivalents have original maturities of three months or less. Financial assets belong to 'Financial assets measured at amortised cost'.

Financial liabilities

Financial liabilities measured at amortised cost using the effective interest method are initially recognised at their fair value. Transaction costs arising in connection with taking out the loan have been included in the original carrying amount. Financial liabilities may be current or non-current. Financial liabilities are subsequently carried at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities are recognised as expenses over the period of the facility to which it relates. Financial liabilities are classified as current liabilities, unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial liabilities also include developer contracting-related company loans taken out by the group's real estate companies.

Financial liabilities measured at fair value
In this category, the group recognises interest rate derivatives associated with business operations and financing to which IFRS 9-compliant hedge accounting is not applied. Derivatives are originally measured at fair value when the group becomes a contractual party to an agreement and are subsequently measured at fair value. The group used interest rate derivatives to hed-

ge against changes in market interest rates, and changes in the fair value of interest rate derivatives are entered in financial income or expenses in the financial period in which they were incurred. Derivatives are non-current liabilities when their maturity is more than 12 months and current liabilities when the remaining maturity is less than 12 months.

Capitalisation of borrowing costs

Borrowing costs directly arising as a result of the acquisition, construction or manufacturing of a qualifying asset are capitalised as part of the acquisition cost of the asset in question. A qualifying asset is one that takes a substantial time to complete for its intended purpose. Capitalisation commences when the company first incurs expenditures for a qualifying asset giving rise to borrowing costs, and when it undertakes activities that are necessary for preparation of the asset for its intended use or for sale. Capitalisation ceases when all activities necessary to complete the asset for its intended use or sale have been carried out.

In own real estate development projects, borrowing costs are capitalised during the construction stage and recorded as project cost upon delivery.

Provisions

Provisions are recorded when the group has a legal or constructive obligation on the basis of a prior event, the materialisation of the payment obligation is probable, and the size of the obligation can be reliably estimated. The group's provisions are mostly guarantee provisions based on estimated supplementary work expenses of completed contracts. The amount of a guarantee provision is estimated on the basis of experience of the materialisation of such guarantee expenses. If guarantee provisions materialise in an amount greater than estimated, the portion in excess is recorded as expense at the same time. If the provision is deemed excessive after the end of the guarantee period, the provision is released through profit or loss.

Ten-year liabilities in developer contracting projects are presented as provisions to the extent their realisation is deemed probable and the amount of liability arising from them can be estimated reliably.

Provision is made for onerous contracts when the amount of anticipated expenditure required by the agreement to fulfil the obligations exceeds the benefits that may be derived from it.

A contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence is only confirmed by one or more uncertain future events not wholly within the control of the group or when there is an obligation that is not recognised as a liability or provision because it is not probable that on outflow of resources will be required or the amount of the obligation cannot be reliably estimated. Contingent liabilities are not recognised, but disclosed in the notes to the financial statements. On the closing date, the group had no contingent liabilities.

Leases

DEN Group as lessee

In the case of assets in which the lessee holds the right of control throughout the lease term, the group recognises in the balance sheet the right-of-use asset in question and a corresponding liability, except for short-term leases and leases of low-value assets. Right-of-use assets are initially measured at cost on the start date of the lease agreement. Subsequently, these assets are depreciated over the lease term and they are measured at cost less any impairment losses, adjusted for possible remeasurement of the lease liability. Any leased plots related to construction projects intended for sale are recognised in inventories in the balance sheet. The corresponding lease liabilities are recognised in liabilities.

Lease liabilities are measured at the present value of the finance lease payments that are not yet paid on the measurement date. Lease payments are discounted using the lessee's incremental borrowing rate, because the interest rate implicit in the lease cannot typically be readily determined. Over the lease term, the amount of the lease liability changes based on the interest accrued on the lease liability, lease payments and possible remeasurements of the lease liability.

Any payments associated with short-term leases and leases of low-value assets are expensed using the straight-line method. 'Short-term lease' refers to leases with a lease term of 12 months or less. 'Low-value assets' mainly refer to items such as IT equipment and furniture and fixtures.

Leases that do not specifically identify an asset or that do not convey to the lessee the right to control the use of the underlying asset are classified as service agreements, which are not recognised in the balance sheet.

DEN Group as lessor

Leases where the group is a lessor are classified into operating leases and finance leases. Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature. The group does not have any finance leases where it acts as a lessor.

Revenue recognition

General principles
The typical duration of the group's customer projects is under one year. Receivables related to customer contracts typically mature during the same or the subsequent financial period. The group applies the expedient in accordance with paragraph 121 IFRS 15 and generally does not separately disclose the transaction price for any remaining performance obligations.

Any advances from customers concerning customer contracts are recognised as a liability insofar as they concern a performance obligation to be fulfilled in the future. The liability is derecognised and the revenue is recognised once the performance obligation associated with the liability is satisfied.

Items that are recognised as revenue after fulfilling the related performance obligation but that have not yet been charged to the customer are disclosed as project revenue.

Advances and project revenues mainly relate to turnkey home deliveries and construction projects. Advances are charged according to the project completion stage.

Move-in ready home deliveries and construction and earthworks construction projects
Customer contracts concerning move-in ready home deliveries and construction and earthworks construction projects typically involve several performance obligations. Revenues related to these performance obligations are recognised once the performance obligation is satisfied and the agreed goods or services are delivered to the customer, i.e. once the right of control to the underlying asset is transferred to the customer. Typically, the performance obligation is satisfied, and customer payments are made around the same time.

Turnkey home deliveries
Customer contracts concerning turnkey home deliveries typically involve one to three performance obligations. Revenues related to these performance obligations are recognised once the performance obligation is satisfied and the agreed goods or services are delivered to the customer, i.e. once the right of control to the underlying asset is transferred to the customer. Typically, the performance obligation is satisfied, and

customer payments are made around the same time.

Own real estate development projects (developer contracting projects)
In the case of own real estate development projects, in which the customer does not have a contractual right to influence the key features of the real estate under construction, revenues are recognised once the project is completed, i.e. once the right to control the real estate is transferred to the buyer. In the case of premises sold during construction, the right of control is considered to transfer to the buyer once the construction is completed, while in the case of the sale of completed premises, the right of control is transferred on the transaction date.

For own real estate development projects, the revenues recognised and disclosed include free-of-debt transaction prices of completed and delivered real estates, as well as revenues from any additional or modification work performed for the buyer, recognised upon delivery.

Other construction services
Customer contracts concerning other construction services involve only one performance obligation. The related revenue is recognised once the right of control to the products are transferred to the customer in accordance with the terms of delivery.

Recognition of interest and dividends
Interest income is recognised on a time-proportion basis using the effective interest method. Dividend income is recognised when the right to dividend has materialised.

EBITDA and operating profit

IAS 1 Presentation of Financial Statements does not provide definitions for EBITDA or operating profit. The group defines these as follows: EBITDA refers to the net amount of revenue plus other operating income, less changes in inventories of finished goods and work in progress, raw materials and consumables used, external services, personnel expenses and other operating expenses.

Operating profit refers to the net amount of EBITDA less depreciation and any impairment losses and related reversals.

All other income statement items than those referred to above are disclosed under operating profit.

Employee benefits

Pension liabilities

Group companies have pension plans. The plans are classified as either defined benefit plans or defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all the pension benefits. All arrangements that do not meet these criteria are defined benefit plans. Payments made to the defined contribution plans are recognised in profit and loss in the period in which they were incurred. All of the group's pension plans are defined contribution plans.

Related party transactions

The group's related parties include group companies, members of the Board of Directors and the group's top managements, as well as entities on which related parties have influence through ownership or management. Transactions with related parties are disclosed in Note 25.

Income taxes

Tax expenses in the income statement comprise taxes on the taxable income for the financial period and deferred tax liabilities. Taxes are entered in the income statement except when they are associated with other items of the consolidated income statement or items recognised under shareholders' equity. Taxes on the taxable income for the financial period are calculated on the taxable income on the basis of the tax rate stipulated for each country by the balance sheet date. Taxes are adjusted for the taxes of previous financial periods, if applicable. The management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The tax provisions entered in such situations are based on evaluations by the management.

Deferred taxes are calculated on all temporary differences between the carrying amount and taxable value. No deferred taxes are calculated on goodwill impairment that is not deductible in taxation and no deferred taxes are recognised on the undistributed profits of subsidiaries to the extent that the difference is unlikely to be discharged in the foreseeable future. Deferred taxes have been calculated using the statutory tax rates or the tax rates whose confirmed content has been announced by the closing date. Deferred tax assets have been recognised to the extent that it is probable that taxable income against which the temporary difference can be applied will materialise in the future. The most significant temporary differences arise from developer contracting projects (differences between the income from shares sold prior to the completion of the project and taxable income of the project), recognition timing differences from Talliosake construction projects, provisions deductible at a later date, measurement at fair value in connection with acquisitions, and unused taxable losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Equity

The amount of dividends or capital returns proposed by the Board of Directors for distribution is not deducted from the distributable equity until the Annual General Meeting's approval.

The group does not have any non-controlling shareholders.

Segment-based reporting

The group's core business is Multifunctional Premises, Homes and Services. The chief operational decision-maker, who is responsible for allocating resources and assessing performance of the group, is the company's CEO. The group's operations are managed and monitored as a single entity, and therefore the group has only one operating segment.

Accounting principles requiring management discretion and the main uncertainty factors relating to estimates

In the preparation of financial statements, the group management must make estimates and assumptions relating to the future and exercise judgment in the application of the accounting policies. These estimates and decisions have an effect on the amounts of assets, liabilities, income and expenses and contingent liabilities recorded for the reporting period. The estimates and assumptions are based on historical experience and other justifiable assumptions deemed reasonable in the conditions where items entered in the financial statements have been estimated.

The most significant estimates on the closing date and assumptions about the future relate to inventories, provisions, business acquisitions and impairment testing. The following presents the critical accounting estimates and judgements included in the financial statements.

Inventories
The group assess the valuing of inventory and possible decrease in value on its best estimate on a regular basis. The value of finished, unsold sites included in inventories is the lower of their acquisition cost and the probable selling price. When estimating the probable selling price, the management takes into account the market situation and possible demand for the site. Inventories are itemised in Note 13.

Provisions
Provisions mainly consist of guarantee provisions typical for the industry. The amount is estimated on the basis of experience of the materialisation of such guarantee expenses. Provisions are itemised in Note 17.

Business acquisitions
Assets acquired and liabilities assumed in business combinations are recognised at the fair values in accordance with IFRS 3. Where possible, the management uses the available market values when determining the fair values. If this is not possible, the measurement is carried out on the basis of the historical revenue related to the underlying asset. The value of intangible assets, in particular, is determined based on discounted cash flows and requires the management to make estimations of the future cash flows. These estimations are based on the management's best estimate, but there is a possibility that the actual values deviate from the values applied. Business acquisitions are itemised in Note 26.

Goodwill impairment testing
Goodwill is tested for impairment annually. Recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The cash flows in value-in-use calculations are based on the management's best estimate of profit and market development. Estimates used in goodwill testing are disclosed in Note 10.

New and revised standards and interpretations

New and revised IFRS standards and interpretations not yet applied
No standards, interpretations or revisions issued but not yet effective are expected to have a material impact on the consolidated financial statements.

Segment information

The group's core business is Multifunctional Premises, Homes and Services. The group's operations are managed and monitored as a single entity. The group's chief operational decision-maker is the CEO, supported by the management team and the Board of Directors. The CEO is responsible for assessing the profitability, financial position and development of the group as a whole. Due to application of the management model with on chief operational decision-maker, the group only has one operating segment, i.e. Multifunctional Premises, Homes and Services.

The group discloses its revenue by business area.

Homes

Homes covers all the brands and businesses of the group related to a variety of housing services and products. The brands related to housing include Ainoa-koti, Designtalo and Finnlamelli, which each have their unique service and product ranges. The revenue recognition of Homes is described in the following sections of the revenue recognition principles: 'Move-in ready home deliveries and construction and earthworks construction projects' and 'Turnkey home deliveries'.

Multifunctional Premises

Currently, the group offers its multifunctional premises to consumers, investors and businesses under the brands Talliosake® (talliosake.fi) and Talli (talli.com). The premises are used for storages, recreational spaces and other purposes, depending on the zoning and building regulations. The revenue recognition of Multifunctional Premises is described in the section 'Own real estate development projects (developer contracting projects)' of the revenue recognition principles.

Services

Services includes all the group's planning and building services that are sold outside products and services sold under the group brands and offered to external customers such as developers or building companies. These include, for example, services provided by PohjanTeko, PohjanGeo and DEN Tekniikka to external customers. The revenue recognition of Services is described in the following sections of the revenue recognition principles: 'Move-in ready home deliveries and construction and earthworks construction projects' and 'Other construction services'.

1. Revenue

EUR 1,000	2019	2018
Homes	113 240	120 816
Multifunctional Premises	55 531	57 416
Services	9 245	16 120
Total	**178 016**	**194 352**

The group's material assets and liabilities resulting from or relating to customer contracts include trade receivables, incomplete projects, advances received and project revenues. Asset items that had not yet been recognised in revenue on the balance sheet closing date will be mostly recognised during the following financial period.

On 31 December 2019, trade receivables amounted to EUR 7.6 million (EUR 13.4 million on 31 December 2018).

On 31 December 2019, the value of incomplete customer projects in inventories totalled EUR 1.8 million (EUR 2.8 million on 31 December 2018).

On 31 December 2019, the value of advances received related to customer contracts totalled EUR 8.1 million (EUR 7.7 million on 31 December 2018).

On 31 December 2019, the value of project revenues not yet invoiced totalled EUR 0.0 million (EUR 0.3 million on 31 December 2018).

Geographical information

In terms of geographical information, the revenues are disclosed based on the location of the customers.

EUR 1,000	2019	2018
Finland	165 807	183 277
EU	7 905	5 883
Outside the EU	4 304	5 192
Group totalt	**178 016**	**194 352**

Main customers

The group's revenues come from a large pool of customers, and no single customer represents a material proportion of the group's revenues.

2. Other operating income

EUR 1,000	2019	2018
Proceeds from sale of property, plant and equipment and intangible assets	1	4
Compensations received	40	45
Other income	3	156
Total	**44**	**205**

3. Other operating expenses

Other operating expenses

EUR 1,000	2019	2018
Rental expenses	-282	-213
Voluntary indirect personnel expenses	-1 922	-2 587
Premises expenses	-1 118	-1 089
Machinery and equipment expenses	-2 540	-2 951
Travel expenses	-1 830	-2 162
Representation expenses	-22	-16
Marketing expenses	-2 175	-3 883
Research and development expenses	-33	-58
Administrative expenses	-2 940	-4 406
Other operating expenses	-1 306	-2 303
Total	**-14 168**	**-19 668**

Auditors' fees

EUR 1,000	2019	2018
Audit fees	-166	-499
Activities in accordance with chapter 1, section 1, subsection 2 of the Finnish Accounting Act	0	-15
Tax consultancy services	-26	-12
Other services	-36	-37
Total	**-228**	**-563**

4. Depreciation and amortisation

EUR 1,000	2019	2018
Intangible assets		
Intangible assets	-1 856	-1 605
Goodwill impairment	-29 117	0
Property, plant and equipment		
Buildings and structures	0	-8
Buildings, right-of-use assets	-911	-803
Machinery and equipment	-1 311	-1 361
Machinery and equipment, right-of-use assets	-287	-219
Depreciation and amortisation total	**-33 482**	**-3 996**

5. Employee benefit expenses

Personnel expenses

EUR 1,000	2019	2018
Salaries	-25 752	-25 298
Pensions, defined contribution schemes	-4 521	-4 516
Other personnel expenses	-792	-1 094
Total	**-31 065**	**-30 908**

Number of personnel

Average number of personnel during the financial period	2019	2018
Salaried employees	317	292
Non-salaried employees	186	244
Total	**503**	**536**

Number of personnel on the closing date	2019	2018
Salaried employees	288	307
Non-salaried employees	169	241
Total	**457**	**548**

6. Research expenses

The group's research expenses totalled EUR 33,000 (EUR 58,000 in 2018). The majority of the research expenses result from building systems services development projects and are recognised in other operating expenses.

7. Financial income and expenses

EUR 1,000	2019	2018
Financial income		
Adjustment to additional consideration	0	1 654
Other financial income	18	36
Total	**18**	**1 690**
Financial expenses		
Interest expenses	-863	-936
Interest expenses, leases	-176	-128
Other financial expenses	-543	-329
Total	**-1 582**	**-1 393**
Total financial income and expenses	**-1 564**	**297**

8. Income taxes

EUR 1,000	2019	2018
Taxes on the taxable income for the financial period	-64	-822
Change in deferred tax assets	82	-294
Change in deferred tax liability	255	1 968
Total	**273**	**852**

The income taxes in the consolidated income statement differ from the corporate income tax rate of 20.0% applied to Finnish companies as follows:

EUR 1,000	2019	2018
Profit before taxes	-30 498	1 163
Income taxes at the tax rate in Finland (20.0%)	-6 100	233
Tax-exempt income	0	-151
Non-deductible expenses	2	21
Non-deductible impairment	5 823	0
Use of previously unrecognised losses in taxation	0	-904
Other items	1	-50
Total	**-273**	**-852**

The effective tax rate in 2019 was 0.9% and in 2018 -73.3%. In 2019, the effective tax rate was materially impacted by a non-deductible goodwill impairment.

9. Earnings per share

	Undiluted		Diluted	
	2019	**2018**	**2019**	**2018**
Profit for the period attributable to equity holders of the parent company, EUR 1,000	-30 225	2 014	-30 225	2 014
Average number of shares during the financial period	18 032 210	18 029 622	18 032 210	18 029 622
Earnings per share, EUR	-1,68	0,11	-1,68	0,11

Shares do not have a nominal value.

10. Intangible assets

Intangible assets

2019 EUR 1,000	Goodwill	Brands	Customer relationships	Intangible assets	Total
Acquisition cost 1 Jan	117 028	7 598	790	2 616	128 032
Increases	0	0	0	428	428
Acquisition cost 31 Dec	**117 028**	**7 598**	**790**	**3 044**	**128 460**
Accumulated depreciation 1 Jan	0	-1 942	-198	-1 120	-3 260
Depreciation	0	-1 168	-198	-490	-1 856
Impairment costs	-29 117	0	0	0	-29 117
Accumulated depreciation 31 Dec	**-29 117**	**-3 110**	**-396**	**-1 610**	**-34 233**
Carrying value 1 Jan	117 028	5 656	592	1 496	124 772
Carrying value 31 Dec	**87 911**	**4 488**	**394**	**1 434**	**94 227**

2018 EUR 1,000	Goodwill	Brands	Customer relationships	Intangible assets	Total
Acquisition cost 1 Jan	114 126	7 598	0	1 476	123 200
Increases	2 902	0	790	1 140	4 832
Acquisition cost 31 Dec	**117 028**	**7 598**	**790**	**2 616**	**128 032**
Accumulated depreciation 1 Jan	0	-774	0	-880	-1 654
Depreciation	0	-1 168	-198	-240	-1 606
Accumulated depreciation 31 Dec	**0**	**-1 942**	**-198**	**-1 120**	**-3 260**
Carrying value 1 Jan	114 126	6 824	0	596	121 546
Carrying value 31 Dec	**117 028**	**5 656**	**592**	**1 496**	**124 772**

Allocation of goodwill

Consolidated goodwill is allocated to the group of cash-generating units, Multifunctional Premises, Homes and Services.

EUR 1,000	2019	2018
Multifunctional Premises, Homes and Services	87 911	117 028
Total goodwill	**87 911**	**117 028**

Impairment testing

Goodwill is allocated to the group of cash-generating units, Multifunctional Premises, Homes and Services For the purposes of impairment testing, recoverable amounts have been determined based on value-in-use calculations. Cash flow forecasts are based on forecasts accepted by the management, covering the time span of five years. Cash flows after the forecast period accepted by the management have been extrapolated at a constant growth factor of 1.5% in the relevant units, based on the estimate of the future inflation level. Key assumptions used in value-in-use calculation were the following:

Budgeted operating profit - Determined based on the management's estimate of the development of expenses and the actual average operating profit level.

Budgeted net sales - Determined based on the development of the revenue in previous years and the management's estimate of future market development.

Discount rate - Determined with weighted average cost of capital (WACC), which describes the total cost of equity and borrowed capital, taking into account special risks related to asset items. The discount rate is determined before taxes.

	2019	2018
Multifunctional Premises, Homes and Services		
Discount rate	10,5 %	11,3 %

The group was formed following several business acquisitions completed in 2017 and 2018. The growth assumptions and profitability planned in the context of the acquisitions have not been realised as expected. Synergies have not been achieved either to the extent or within the time frame envisaged. An impairment loss of EUR 29.1 million was recognised as a result of an impairment test. The impairment recognised is presented in the income statement under the items of depreciation and impairment.

Sensitivity analysis

The sensitivity analysis performed in connection with the impairment testing was carried out based on the assumption that the growth rate of the cash flows during and after the forecast period will decrease. There is no buffer between the balance sheet value and the value determined on the basis of testing, and any unfavourable change in key parameters may therefore cause an impairment loss to be recognised.

11. Property, plant and equipment

Property, plant and equipment

2019

EUR 1,000	Buildings and structures	Machinery and equipment	Incomplete acquisitions	Total
Acquisition cost 1 Jan	4 138	8 867	490	13 496
Increases	1 425	1 589	1 614	4 628
Decreases	0	-46	-2 104	-2 150
Acquisition cost 31 Dec	**5 564**	**10 410**	**0**	**15 974**
Accumulated depreciation and impairment 1 Jan	-1 373	-4 959	0	-6 332
Depreciation	-911	-1 598	0	-2 509
Accumulated depreciation and impairment 31 Dec	**-2 284**	**-6 557**	**0**	**-8 841**
Carrying value 1 Jan	2 765	3 908	490	7 164
Carrying value 31 Dec	**3 280**	**3 853**	**0**	**7 133**

2018

EUR 1,000	Buildings and structures	Machinery and equipment	Incomplete acquisitions	Total
Acquisition cost 1 Jan	3 800	7 028	405	11 234
Increases	345	1 839	273	2 457
Decreases	-7	0	-188	-195
Acquisition cost 31 Dec	**4 138**	**8 867**	**490**	**13 496**
Accumulated depreciation and impairment 1 Jan	-562	-3 379	0	-3 941
Depreciation	-811	-1 580	0	-2 391
Accumulated depreciation and impairment 31 Dec	**-1 373**	**-4 959**	**0**	**-6 332**
Carrying value 1 Jan	3 238	3 649	405	7 293
Carrying value 31 Dec	**2 765**	**3 908**	**490**	**7 164**

Leases

Property, plant and equipment include leases as follows:

2019

EUR 1,000	Buildings and structures	Machinery and equipment	Total
Acquisition cost 1 Jan	4 108	727	4 835
Increases	1 425	222	1 647
Decreases	0	-40	-40
Acquisition cost 31 Dec	**5 533**	**909**	**6 442**
Accumulated depreciation and impairment 1 Jan	-1 342	-317	-1 659
Depreciation	-911	-287	-1 198
Accumulated depreciation and impairment 31 Dec	**-2 253**	**-604**	**-2 857**
Carrying value 1 Jan	2 766	411	3 177
Carrying value 31 Dec	**3 280**	**306**	**3 586**

EUR 1,000	Buildings and structures	Machinery and equipment	Total
Acquisition cost 1 Jan	3 763	290	4 053
Increases	345	437	782
Decreases	0	0	0
Acquisition cost 31 Dec	**4 108**	**727**	**4 835**
Accumulated depreciation and impairment 1 Jan	-539	-98	-637
Depreciation	-803	-219	-1 022
Accumulated depreciation and impairment 31 Dec	**-1 342**	**-317**	**-1 659**
Carrying value 1 Jan	3 224	193	3 417
Carrying value 31 Dec	**2 766**	**411**	**3 177**

2018

*Right-of-use assets are included in property, plant and equipment, which are itemised in Note 11. The right-of-use assets comprise office and production facilities and vehicles. The most significant leases concern the Nivala and Alajärvi factory properties, and the Vantaa premises.

Lease liabilities (EUR 1,000)**	2019	2018
Short-term	1 135	1 927
Long-term (maturity 1 to 5 years)	2 845	2 923
Long-term (maturity over 5 years)	1 830	3 089
Total	**5 810**	**7 939**

**Lease liabilities are included in other liabilities, which are itemised in Note 19.

In addition to the above, the group also has other short-term leases and leases of low-value assets, which have not been capitalised in the balance sheet and which are of insignificant value. For all the leases, the group's lease payments in 2019 totalled EUR 1,924,000 (EUR 1,757,000 in 2018).

12. Deferred tax assets and liabilities

Deferred tax assets and liabilities, net

EUR 1,000	2019	2018
Deferred tax assets	2 156	2 074
Deferred tax liabilities	-1 224	-1 480
Deferred taxes (net)	**932**	**594**

Changes entered in deferred taxes (EUR 1,000)	2019	2018
Deferred tax assets, net on 1 Jan	594	-922
Business acquisitions	0	-157
Changes entered in the income statement	338	1 673
Changes entered in the consolidated income statement	0	0
Deferred taxes, net on 31 Dec	**932**	**594**

Change in deferred tax assets and liabilities for the period before the offset

2019

EUR 1,000	1 Jan	Increases	Entered in the consolidated income statement	31 Dec
Deferred tax assets				
Business acquisitions	304	0	-37	267
Provisions	219	0	-52	167
Tax losses carried forward	0	0	393	393
Recognition timing differences	1 474	0	-461	1 013
Interest on related-party loans	36	0	253	289
Other items	41	0	-14	27
Total	**2 074**	**0**	**82**	**2 156**

Deferred tax liabilities				
Business acquisitions	1 277	0	-273	1 004
Inventories	203	0	17	220
Total	**1 480**	**0**	**-256**	**1 224**

Interest expenses unrecognised due to interest deduction limitations have been recognised in full, since it is probable that the underlying taxable income will materialise in the future.

2018

EUR 1,000	1 Jan	Increases	Entered in the consolidated income statement	31 Dec
Deferred tax assets				
Business acquisitions	659	0	-355	304
Provisions	220	0	-1	219
Tax losses carried forward	112	0	-112	0
Recognition timing differences	754	0	720	1 474
Interest on related-party loans	596	0	-560	36
Other items	27	0	14	41
Total	**2 368**	**0**	**-294**	**2 074**

Deferred tax liabilities				
Business acquisitions	2 020	157	-900	1 277
Accumulated depreciation differences	8	0	-8	0
Recognition timing differences	1 187	0	-1 187	0
Inventories	75	0	128	203
Total	**3 290**	**157**	**-1 967**	**1 480**

13. Inventories

EUR 1,000	2019	2018
Raw materials and consumables used	3 367	4 114
Work in progress	18 587	13 411
Right-of-use assets, inventories, plots	2 086	4 690
Land	3 628	3 598
Inventory shares	16 824	33 858
Advances	0	65
Other inventories	175	229
Inventories total	**44 667**	**59 965**

14. Trade receivables and other receivables

EUR 1,000	2019	2018
Trade receivables	7 576	13 364
Loans	0	3
Tax receivables determined based on the taxable income for the financial period	302	602
Other receivables	606	2 128
Project revenues	0	339
Accrued income	954	1 764
Total	**9 438**	**18 200**

Analysis of trade receivables	2019	2018
Not past due	**3 905**	**7 101**
Due in		
Less than 30 days	2 035	3 498
30-60 days	351	906
61-90 days	99	846
Over 90 days	1 186	1 013
Total	**7 576**	**13 364**

The group will apply the simplified approach to trade receivables whereby expected credit losses are recognised based on historical information with adjustment concerning expectations of the future. The amount of expected credit losses on the closing date of 31 December 2019 totalled EUR 0.3 million (0.2). The credit risk is discussed in Note 22.

15. Cash and cash equivalents

EUR 1,000	2019	2018
	Carrying value	Carrying value
Cash and cash equivalents and bank accounts	6 498	3 679
Total	**6 498**	**3 679**

The carrying value of cash and cash equivalents equals their fair value.

16. Notes concerning equity

	2019	2018
Number of shares 1 Jan	18 032 210	17 804 464
Number of shares 31 Dec	18 032 210	18 032 210
Share capital (EUR 1,000) 1 Jan	65 003	65 003
Share capital (EUR 1,000) 31 Dec	65 003	65 003

At balance sheet date, the share capital totalled EUR 65,002,500.00. The number of shares was 18,032,210. The company has one share class and all shares have the same right to dividend and company assets. The trading on the company shares is restricted by the redemption clause set out in the Articles of Association.

The Annual General Meeting held on 7 June 2018 authorised the Board of Directors to decide on a share issue. The Board of Directors was authorised to issue at most 400,000 new company shares. The Annual General Meeting also authorised the Board of Directors to decide on the terms and conditions of the share issue. The authorisation was maintained by the Annual General Meeting held on 9 May 2019.

At the meeting of the Board of Directors in January 2018, the Board decided to issue new company shares via a directed share issue under the authorisation provided by the extraordinary General Meeting of 18 October 2017. The directed share issue concerned the acquisition of PT PohjanTeko Oy. The group issued a total of 129,402 new company shares. The subscription price was EUR 9.66 per share and was determined on the basis of independent negotiations held between the subscribers and the company, as well as on the fair value of the shares. The subscription price was booked in full in the invested non-restricted equity reserve. In the same meeting, the Board also decided on a share issue for the purpose of an exchange of shares. The company had negotiated with the owners of PohjanGeo Oy an arrangement by which the group subsidiary Den Finland Oy (known as Podeta Oy at the time) first acquires all the shares of PohjanGeo Oy through an exchange of shares, and then the former owners of PohjanGeo Oy exchange their shares in Den Finland Oy into shares in DEN Group Oy through an exchange of shares. To implement this arrangement, the Board decided to waive the shareholders' priority right to subscribe new company shares and issue the new shares via a directed share issue. The group issued a total of 82,816 new company shares. The subscription price was EUR 9.66 per share and was determined on the basis of independent negotiations held between the subscribers and the company, as well as on the fair value of the shares. The subscription price was booked in full in the invested non-restricted equity reserve.

At the meeting of the Board of Directors in March 2018, the Board decided to issue new company shares via a directed share issue under the authorisation provided by the extraordinary General Meeting of 18 October 2017. The directed share issue was implemented to enhance the commitment of the key personnel to the group and the group's business operations. The group issued a total of 15,528 new company shares. The subscription price was EUR 9.66 per share and was determined on the basis of independent negotiations held between the subscribers and the company, as well as on the fair value of the shares. The subscription price was booked in full in the invested non-restricted equity reserve.

17. Provisions

EUR 1,000	2019	2018
Provisions 1 Jan	1 965	1 098
Increases	1 109	1 219
Decreases	-1 144	-352
Provisions 31 Dec	**1 930**	**1 965**

The group's provisions are mostly guarantee provisions based on estimated supplementary work expenses of completed contracts. The guarantee provisions are based on experience from previous years. Provisions are recorded as an expense in the item in which they are expected to materialise.

18. Financial liabilities

EUR 1,000	2019	2018
Non-current financial liabilities		
Loans from financial institutions	16 711	19 203
Total	**16 711**	**19 203**
Current financial liabilities		
Loans from financial institutions	6 103	7 476
Company loans of real estate companies	17 066	31 438
Total	**23 169**	**38 914**
Financial liabilities total	**39 880**	**58 117**

The table contains all other financial liabilities, except the trade payables and other liabilities specified in Note 19.

Financial liabilities are primarily variable-rate market loans, whose carrying value corresponds to their fair value.

19. Trade payables and other liabilities

EUR 1,000	2019	2018
Non-current liabilities		
Liabilities of derivative instruments	13	58
Lease liabilities	4 675	6 012
Other liabilities	0	24
Total	**4 688**	**6 094**

Current liabilities		
Trade payables	6 731	7 688
Other liabilities		
Lease liabilities	1 135	1 927
Value-added tax and tax withholding liabilities	3 736	5 736
Other liabilities	427	3 019
Advances		
Advances from customers	9 574	7 955
Income tax liabilities		
Income tax liabilities	0	203
Accrued liabilities		
Accrued employee benefit-related liabilities	6 467	5 491
Other accrued liabilities	2 124	727
Total	**30 194**	**32 746**

20. Nominal values and fair values of derivative instruments

Nominal values

EUR 1,000	2019	2018
Interest rate derivatives, hedge accounting not applied		
Interest rate swaps	7 600	9 200
Interest rate derivatives total	**7 600**	**9 200**

EUR 1,000	2019		2018	
	Negative fair value	Net value	Negative fair value	Net value
Interest rate swaps				
Hedge accounting applied	0	0	0	0
Hedge accounting not applied	13	-13	58	-58
Total	**13**	**-13**	**58**	**-58**

The purpose of the interest rate derivatives is to hedge against interest rate risks related to financial liabilities. The derivatives will mature in 2020. Interest rate derivatives are recognised at their fair value based on quoted prices in active markets and are classified at level 2 in the fair value measurement hierarchy.

21. Classification of financial assets and liabilities

Financial assets and liabilities are measured as described in the accounting principles. This means that financial assets and liabilities are measured at amortised cost, while derivatives are recognised at their fair value. Since the adoption of IFRS 9, financial assets previously classified as loans and receivables have been classified as amortised cost. Their measurement method has remained unchanged.

22. Financial risk management

The objective of the group's financial risk management is to minimise the uncertainty which the changes in financial markets cause to the group's financial performance.

The group's principal capital resources consist of cash flow from ordinary business operations and project-based debt financing. In addition, the group has loan facilities available. At the end of the 2019 financial period, the group's cash and cash equivalents totalled EUR 6.498 million (EUR 3.679 million at the end of 2018).

Foreign exchange risk

The majority of the sale and purchase transactions are disclosed in euro. The group is exposed to a foreign exchange risk concerning the Swedish krona due to the Talli business in Sweden. As the business expands, this risk is also likely to increase.

Interest rate risk

The group's risks related to changes in market interest rates is small, and at the end of 2019, 39% of the company loans of the group's real estate companies were hedged by converting them to fixed-rate loans using interest rate swaps (42% at the end of 2018). The interest rate hedging is taken into account in the table below.

EUR 1,000	2019		2018	
Sensitivity analysis for variable-rate loans				
Change, %	1 %	3 %	1 %	3 %
Impact on profit/ loss after taxes	-123	-369	-141	-424

Credit risk

Credit risk is managed, for example, through checking the customers' credit information and by only offering the customers regular payment terms. Payment terms applied in the group range based on the business area.

Liquidity risk

The liquidity risk in managed through adequate planning and monitoring of financing. To secure immediate liquidity, the group has an available loan facility of EUR 10 million (EUR 10 million in 2018) and a credit facility of EUR 7 million (EUR 12 million) earmarked for the purchase of plots. At the end 2019, a total of EUR 0.1 million of the loan facility was committed for guarantees (EUR 0.3 million). At the end 2019, a total of EUR 3.6 million of the credit facility for the purchase of plots was committed (EUR 5.0 million).

Analysis of debt maturity 2019 (EUR 1,000)	31 Dec 2019	less than 1 year	1-5 years	over 5 years
Financial liabilities	39 880	23 169	16 711	0
Trade payables and other liabilities	10 894	10 894	0	0

Analysis of debt maturity 2018 (EUR 1,000)	31 Dec 2018	less than 1 year	1-5 years	over 5 years
Financial liabilities	58 117	38 914	19 203	0
Trade payables and other liabilities	16 442	16 442	0	0

The maturities of lease liabilities are presented in Note 11.

Management of capital

The objective of the group's capital management is to support business operations through an optimal capital structure and to increase shareholder value with the objective of achieving the best possible return. The group's secured loans involve covenants. The terms and conditions in force on the closing date relate, among other things, to the group's EBITDA. Breaching these covenants may increase financial expenses or even lead to the cancellation of loans. During the financial periods under review, the covenants have not been breached.

EUR 1,000	2019	2018
Net liabilities		
Interest-bearing liabilities	45 690	66 056
Cash and cash equivalents and interest-bearing receivables	6 498	3 679
	39 192	62 377

Total equity	86 303	116 525
Gearing	52,9 %	56,7 %
Net gearing	45,4 %	53,5 %
Net gearing excluding the company loans of real estate companies	25,6 %	26,6 %

Interest-bearing liabilities include loans from financial institutions, company loans of real estate companies, loans to shareholders and lease liabilities. Derivative liabilities are excluded from interest-bearing liabilities (2019: EUR 0.01 million; 2018: EUR 0.1 million).

Calculation of key figures:

Debt-to-equity ratio (%) $100 \times \dfrac{\text{Interest-bearing debt}}{\text{Own equity}}$

Net gearing (%) $100 \times \dfrac{\text{Interest-bearing debt - money and interest-bearing liabilities}}{\text{Own equity}}$

Net liabilities	Assets	Liabilities		Total
EUR 1,000	Cash and cash equivalents	Current loans	Non-current loans	
Net liabilities 31 Dec 2017	**11 256**	**24 754**	**24 367**	**37 865**
Cash flows	-7 577	14 904	-2 461	20 020
Lease liabilities	0	1 182	3 310	4 492
Other changes without cash flow	0	0	0	0
Net liabilities 31 Dec 2018	**3 679**	**40 840**	**25 216**	**62 377**
Cash flows	2 819	-15 744	-2 492	-21 055
Lease liabilities	0	-792	-1 338	-2 130
Other changes without cash flow	0	0	0	0
Net liabilities 31 Dec 2019	**6 498**	**24 304**	**21 386**	**39 192**

The amounts related to lease liabilities are presented on a net basis. In 2019, the liabilities decreased by EUR 1,085,000, determined using the cash flow method (EUR 979,000 in 2018).

23. Guarantees and liabilities

EUR 1,000	2019	2018
Loans covered by pledges on assets		
Loans from financial institutions	22 814	26 678
Total	**22 814**	**26 678**
Guarantees		
Enterprise mortgages	254 100	253 600
Property mortgages	4 387	4 387
Pledges	180	285
Absolute guarantees	10 453	46 011
Total	**269 120**	**304 283**
Contract guarantees		
Production guarantees	53	462
Warranty guarantees	601	492
Payment guarantees	158	164
Total	**812**	**1 119**

The company has pledged shares in subsidiaries and enterprise mortgages as security for loans from financial institutions. Contract guarantees relate to ongoing or completed construction projects. The group has given absolute guarantees relating to the loans of its real estate companies. The guarantees lapse once the site is completed and over 50% of the premises are sold.

The group has a loan facility of EUR 17 million, which is divided into a credit line of EUR 10 million and a credit facility of EUR 7 million earmarked for the purchase of plots for Talliosake premises. At the end of 2019, a total of EUR 3.6 million was committed of the latter credit facility and EUR 0.1 million of the credit line was committed for guarantees.

24. Subsidiaries

Excluding the real estate companies included in inventories.

Nimi	Domicile	Nature of business	Parent company holding (%)	Group holding (%)
Shares in subsidiaries held by the parent company				
Den Finland Oy	Helsinki	Construction	100 %	100 %
Shares in subsidiaries held by Den Finland Oy				
Den Sweden AB	Stockholm, Sweden	Construction	100 %	100 %

During the 2018 financial year, the group simplified its structure by merging Finnlamelli Oy, PT PohjanTeko Oy, PohjanGeo Oy and Atana Oy into Den Finland Oy. Of the companies above, PT PohjanTeko Oy and PohjanGeo Oy were acquired in January 2018. The mergers did not affect the consolidated financial information.

25. Related party transactions

The group's related parties include group companies and members of the Board of Directors and the group's management team, including the CEO. Related parties also include parties who exercise significant influence over the parent company.

Transactions with related parties

EUR 1,000	Sales 2019	Sales 2018	Purchases 2019	Purchases 2018
Key personnel and their controlled entities	104	599	89	30
Total	**104**	**599**	**89**	**30**

EUR 1,000	Receivables 2019	Receivables 2018	Liabilities 2019	Liabilities 2018
Key personnel and their controlled entities	0	0	0	0
Entities*	0	0	0	0
Total	**0**	**0**	**0**	**0**

*Entities with control or significant influence over the parent company.

The related party transactions related to sales concern the sale of homes and real estates. The transactions related to purchases mainly concern the development of the group's brand strategy and lease of premises. Related party transactions are quoted at market prices.

Management employee benefits

EUR 1,000	2019	2018
Management employee benefits		
Salaries and other short-term employee benefits	1 259	1 721
Share-based payments	0	0
Total	**1 259**	**1 721**

Salaries and remuneration		
Members of the Board of Directors	127	132
Total	**127**	**132**

'Salaries' also includes the salaries of the members of the management team for the duration of their membership. During the financial year, the number of the management team members has ranged between five and eight members.

26. Acquired businesses

Acquisition of PT PohjanTeko Oy and PohjanGeo Oy

On 19 January 2018, DEN Group Oy acquired the entire share capital of PT Pohjanteko Oy and PohjanGeo Oy. PT Pohjanteko Oy provides expert and earthworks construction services to customer within the DEN Group, as well as to external companies and the public sector. PohjanGeo Oy is an engineering company specialised in design and consulting work related to geotechnical engineering, foundation engineering and storm water management. It offers its services for infrastructure construction, housing construction, industry and zoning needs. Following these acquisitions, the group is able to offer turnkey home deliveries to customers who want to source all design and construction services related to the construction of a single-family home from foundation construction to move-in ready from a single provider. By expanding its product and service offering, the group aims to meet the emerging needs of its customers.

The purchase price was EUR 3.024 million. The purchase price was mainly settled with cash from the group's cash reserves and partly through an exchange of shares. In the directed share issue, a total of 212,218 new company shares were issued and directed to the shareholders of PT PohjanTeko Oy and PohjanGeo Oy. Of these, 82,816 shares were settled through an exchange of shares and 129,402 shares through capital reinvestment. The subscription price was EUR 9.66 per share and was determined on the basis of independent negotiations held between the subscribers and the company, as well as on the fair value of the shares.

In 2018, the acquired businesses achieved a total of EUR 13.2 million in revenues since the date of acquisition.

The goodwill generated from the acquisition results from the synergies related to the acquired business and from the new businesses area in the group. Direct costs from the acquisition, which are recorded in profit and loss under other operating expenses, totalled approximately EUR 100,000.

The business acquisitions are treated as a single acquisition in the consolidated financial statements.

Acquired assets	
Customer relationships	790
Other intangible assets	10
Property, plant and equipment	467
Inventories	92
Non-current receivables	94
Current receivables	2 656

Cash in bank and in hand	138
Total assets	**4 247**

Acquired liabilities	
Deferred tax liabilities	158
Non-current financial liabilities	828
Current financial liabilities	252
Current liabilities	2 887
Total liabilities	**4 125**
Net assets	122
Goodwill	
Consideration transferred	3 024
Identifiable net assets of the acquired business	122
Goodwill	2 902
Purchase price paid in cash	2 500
Total acquisition cost	**2 500**
Cash and cash equivalents of the acquired company	138
Effect on cash flow in acquisition	**2 362**

27. Non-current assets held for sale

In June 2017, DEN Group Oy decided to place Koy Sampo-Katrilli and the Peuhu manor venue for sale. Since the decision, these assets were classified under non-current assets held for sale.

The shares in Koy Sampo-Katrilli were sold in January 2018 at the price of EUR 250,000, which was also the estimated fair value of the shares in question.

Non-current assets held for sale in 2019 have been reclassified according to their original nature at a reduced value.

EUR 1,000	2019	2018
Real estates	0	945
Total assets	**0**	**945**
Trade payables and other liabilities	0	0
Total liabilities	**0**	**0**
Net assets	**0**	**945**

28. Events after the period under review

Pasi Tolppanen was appointed as the new CEO of the group, starting from 10 February 2020.

At the time of the signing of the financial statements, the coronavirus pandemic is rapidly spreading around the world. Stock markets have collapsed since the turn of the year, and economic forecasts have been lowered.

Economic development is difficult to assess, and the alternative projections range from a slowdown to a significant contraction in economic growth. The spread of the disease will have an impact on business and the economy. People's concerns about their personal finances and the sustainability of jobs will likely affect the company's business and finances at least during the current operating year.

On 17 March 2020, DEN Group initiated a cooperation procedure to improve its profitability and cost-efficiency. The negotiations are based on the uncertainty caused by the coronavirus and on possible interruptions and cancellations in sales, design, orders, manufacturing, construction, HVAC installations and earthworks services. At most, the cooperation procedure may lead to temporary lay-offs of DEN Group employees for a period of at most 90 days.

At the time of the signing of the financial statements, the effects of the coronavirus on the operations of DEN Group have so far been limited. In future, the coronavirus may affect the group's operations – for example, by closing construction sites due to several cases of illness or mobility restrictions, and by reducing the demand for products – for example, due to the general uncertainty, increased unemployment and reduced availability of financing. The group management aims to prepare for all identifiable material risks by planning alternative measures to maintain operations. The nature of the business means the group can adjust its cost structure and working capital to possible strong changes in demand resulting from the coronavirus.

Pandemic-related factors may have a significant impact on the company, but at this stage it is difficult to estimate the size and timing of the potential impact on the consolidated result and financial position of the group in the future. The management actively monitors the situation and assesses the impact of the above factors on the consolidate revenue and profit and loss, as well as on the valuation of assets in the balance sheet, especially items requiring management discretion such as goodwill, during the 2020 financial year. According to the company's understanding, the company can secure sufficient financial resources and funding to ensure the continuity of its operations.

FINANCIAL STATEMENTS, PARENT COMPANY

Income statement, parent company (FAS)

EUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Revenue	867 143,11	1 381 850,87
Personnel expenses		
Salaries and remuneration	-402 004,52	-284 687,50
Indirect personnel expenses		
Pensions	-41 847,12	-27 276,97
Other personnel expenses	-1 559,32	-3 841,52
Other operating expenses	-395 717,60	-1 024 580,90
Operating profit	**26 014,55**	**41 463,98**
Financial income and expenses		
Other interest income and financial income		
From group companies	806 169,46	922 706,01
Interest expenses and other financial expenses		
Impairment of investments under non-current assets	-29 117 000,00	0,00
To group companies	0,00	0,00
To others	0,00	-69,26
Total financial income and expenses	**-28 310 830,54**	**922 636,75**
Profit/loss before appropriations and taxes	**-28 284 815,99**	**964 100,73**
Appropriations (group contributions)	-820 000,00	0,00
Income taxes	-2 436,80	-196 234,58
Profit/loss for the period	**-29 107 252,79**	**767 866,15**

Balance sheet, parent company, (FAS)

EUR	31.12.2019	31.12.2018
ASSETS		
Non-current assets		
Investments		
Shares in group companies	71 897 018,15	80 828 775,39
Pysyvät vastaavat yhteensä	**71 897 018,15**	**80 828 775,39**
Current assets		
Non-current receivables		
Receivables from group companies	0,00	18 603 910,40
Current receivables		
Receivables from group companies	188 053,93	882 109,90
Other receivables	406 026,23	368 841,34
Cash and cash equivalents	0,00	0,00
Total current assets	**594 080,16**	**19 854 861,64**
TOTAL EQUITY AND LIABILITIES	**72 491 098,31**	**100 683 637,03**

EUR	31.12.2019	31.12.2018
EQUITY AND LIABILITIES		
Equity		
Share capital	65 002 500,00	65 002 500,00
Invested non-restricted equity reserve	34 150 771,76	34 150 771,76
Retained earnings	1 450 022,24	682 156,09
Profit/loss for the period	-29 107 252,79	767 866,15
Total equity	**71 496 041,21**	**100 603 294,00**
Liabilities		
Current liabilities		
Trade payables	1 936,88	11 545,62
Liabilities to group companies	820 000,00	0,00
Other liabilities	56 769,29	16 861,48
Accrued liabilities	116 350,93	51 935,93
Total current liabilities	**995 057,10**	**80 343,03**
Total liabilities	**995 057,10**	**80 343,03**
TOTAL EQUITY AND LIABILITIES	**72 491 098,31**	**100 683 637,03**

Cash flow statement, parent company (FAS)

EUR	2019	2018
Cash flow from operating activities		
Profit/loss before appropriations and taxes	-28 284 815,99	964 100,73
Adjustments		
Depreciations according to plan	0,00	0,00
Impairment of investments under non-current assets	29 117 000,00	
Proceeds from the sale of non-current assets	0,00	0,00
Other adjustments without cash flow	403,25	0,00
Financial income and expenses	-806 169,46	-922 636,75
Cash flow from operating activities before changes in working capital	**26 417,80**	**41 463,98**
Changes in working capital		
Change in current non-interest-bearing receivables	48 141,38	253 291,97
Change in current non-interest-bearing liabilities	121 675,40	-78 495,14
Cash flow from operating activities before financial items and taxes	**196 234,58**	**216 260,81**

EUR	2019	2018
Interest expenses paid and other financial expenses	0,00	-69,26
Financial income from operating activities	0,00	922 706,01
Dividends received	0,00	0,00
Taxes paid / tax refunds received	-196 234,58	-334 001,27
Net cash from operating activities	**0,00**	**804 896,29**
Cash flow from investment activities		
Acquisitions of group companies	0,00	0,00
Net cash from investment activities	**0,00**	**0,00**
Cash flow from financing activities		
Repayment of non-current loan receivables	0,00	-898 776,70
Repayment of non-current loans	0,00	-1 306 143,39
Proceeds from non-current loans drawn	0,00	0,00
Acquisition of treasury shares	0,00	0,00
Proceeds from share issues	0,00	1 400 023,80
Net cash from financing activities	**0,00**	**-804 896,29**
Change in cash and cash equivalents	**0,00**	**0,00**
Cash and cash equivalents at the beginning of the financial period	0,00	0,00
Cash and cash equivalents at the end of the financial period	**0,00**	**0,00**

Parent company accounting principles

The financial statements of DEN Group Oy are prepared in accordance with the principles set out in chapter 4 of the Government Decree on the information presented in the financial statements of a small undertaking and micro-undertaking (1753/2015).

Measurement and recognition principles and methods

Shares in group companies, presented in investments under non-current assets, are measured at cost.

Trade, loans and other receivables, presented in financial assets, are measured at their nominal value or a lower likely value.

Items denominated in foreign currencies

There are no items denominated in foreign currencies.

Notes to the income statement

EUR	2019	2018
Revenue by function		
Intra-group service charges	867 143,11	1 381 850,87
Total	**867 143,11**	**1 381 850,87**

EUR	2019	2018
Auditors' fees		
Mandatory audits	-75 495,42	-256 108,00
Activities in accordance with chapter 1, section 1, subsection 2 of the Finnish Accounting Act	0,00	-3 108,00
Other services	-26 069,35	-37 292,00
Total	**-101 564,77**	**-296 508,00**

EUR	2019	2018
Financial income and expenses		
Interest income from group companies	806 169,46	922 706,01
Impairment resulting from investments under non-current assets	-29 117 000,00	0,00
Interest expenses to others	0,00	-69,26
Total	**-28 310 830,54**	**922 636,75**

Notes to the balance sheet, assets

EUR	2019	2018
Investments		
Acquisition cost 1 Jan	80 828 775,39	80 028 772,83
Increases	20 185 242,76	800 002,56
Acquisition cost 31 Dec	**101 014 018,15**	**80 828 775,39**
Accumulated impairment 1 Jan	0,00	0,00
Impairment	-29 117 000,00	0,00
Accumulated impairment 31 Dec	**-29 117 000,00**	**0,00**
Carrying value 1 Jan	80 828 775,39	80 028 772,83
Carrying value 31 Dec	**71 897 018,15**	**80 828 775,39**
Long-term receivables from group companies		
Loans	0,00	18 603 910,40
Total	**0,00**	**18 603 910,40**
Short-term receivables from group companies		
Trade receivables	188 053,93	106 947,00
Accrued income	0,00	775 162,90
Total	**188 053,93**	**882 109,90**
Current receivables		
Other receivables	406 026,23	368 841,34
Total	**406 026,23**	**368 841,34**

Other receivables mainly concern cash and cash equivalents pledged as security.

Notes to the balance sheet, equity and liabilities

EUR	2019	2018
Share capital 1 Jan	65 002 500,00	65 002 500,00
Share capital 31 Dec	**65 002 500,00**	**65 002 500,00**
Invested non-restricted equity reserve 1 Jan	34 150 771,76	31 950 745,40
Share issue	0,00	2 200 026,36
Invested non-restricted equity reserve 31 Dec	**34 150 771,76**	**34 150 771,76**
Retained earnings 1 Jan	682 156,09	19 256,21
Profit for the previous period	767 866,15	662 899,88
Retained earnings 31 Dec	**1 450 022,24**	**682 156,09**
Profit/loss for the period	**-29 107 252,79**	**767 866,15**
Total equity	**71 496 041,21**	**100 603 294,00**
Calculation of distributable funds		
Invested non-restricted equity reserve	34 150 771,76	34 150 771,76
Retained earnings	1 450 022,24	682 156,09
Profit/loss for the period	-29 107 252,79	767 866,15
Total	**6 493 541,21**	**35 600 794,00**

The company did not hold any treasury shares in 2018 and 2019.

EUR	2019	2018
Current liabilities to group companies		
Other liabilities	820 000,00	0,00
Total	**820 000,00**	**0,00**
Material items included in accrued liabilities		
Salary debt	80 797,50	0,00
Holiday pay debt	25 646,73	15 152,40
Non-wage labour cost debt	9 906,70	9 822,20
Other liabilities	0,00	26 961,33
Other liabilities	**116 350,93**	**51 935,93**

Guarantees and contingent liabilities

EUR	2019	2018
Shares in subsidiaries pledged as security		
Shares in subsidiaries pledged as security	71 897 018,15	80 828 775,39
Guarantees given on behalf of other group companies		
Guarantees given and other commitments	0,00	0,00
Enterprise mortgages		
Enterprise mortgage given as pledge	53 300 000,00	53 300 000,00

The enterprise mortgage is pledged as security for Den Finland Oy's loans from financial institutions. Loan receivables from group companies are pledged as security for Den Finland Oy's loans from financial institutions.

Notes on personnel and members of administrative personnel

Average number of personnel during the period	2019	2018
Salaried employees	1	1
Total	1	1

Salaries and remuneration of the CEO and members of the Board of Directors are specified in Note 25 to the consolidated financial statements.

Signatures to the report of the board of directors and financial statements

Helsinki, 31 March 2020

Saku Sipola
Chair of the Board of Directors

Jan Mattlin
Member of the Board of Directors

Heikki Lahtinen
Member of the Board of Directors

Kari Neilimo
Member of the Board of Directors

Anu Tuomola
Member of the Board of Directors

Pasi Tolppanen
Chief Executive Officer

The auditor's note

A report on the audit performed has been issued today.

Helsinki ____.____.2020

Deloitte Oy
Audit firm

Eero Lumme
APA

DEN GROUP OY I tel. 0207 463 940 I info@den.fi I Pakkalankuja 7, 01510 Vantaa