DEN GROUP OY

FINANCIAL STATEMENTS AND
REPORT OF THE BOARD
OF DIRECTORS

31/12/2020

Contents

The easiest way to make your dreams come true

DEN GROUP OY

DEN Group designs, markets and constructs single-family homes and premises for consumers, organisations and investors. The group is the market leader in wooden and log single-family houses and multifunctional premises in Finland, and it also has a growing foothold in Sweden. The group consists of parent company DEN Group Oy and its operational arms Den Finland Oy and Den Sweden AB.

REPORT OF THE BOARD OF DIRECTORS 2020

1.1.–31.12.2020

Revenue

174

m. EUR

EBITDA

15.1

m. EUR

Personnel

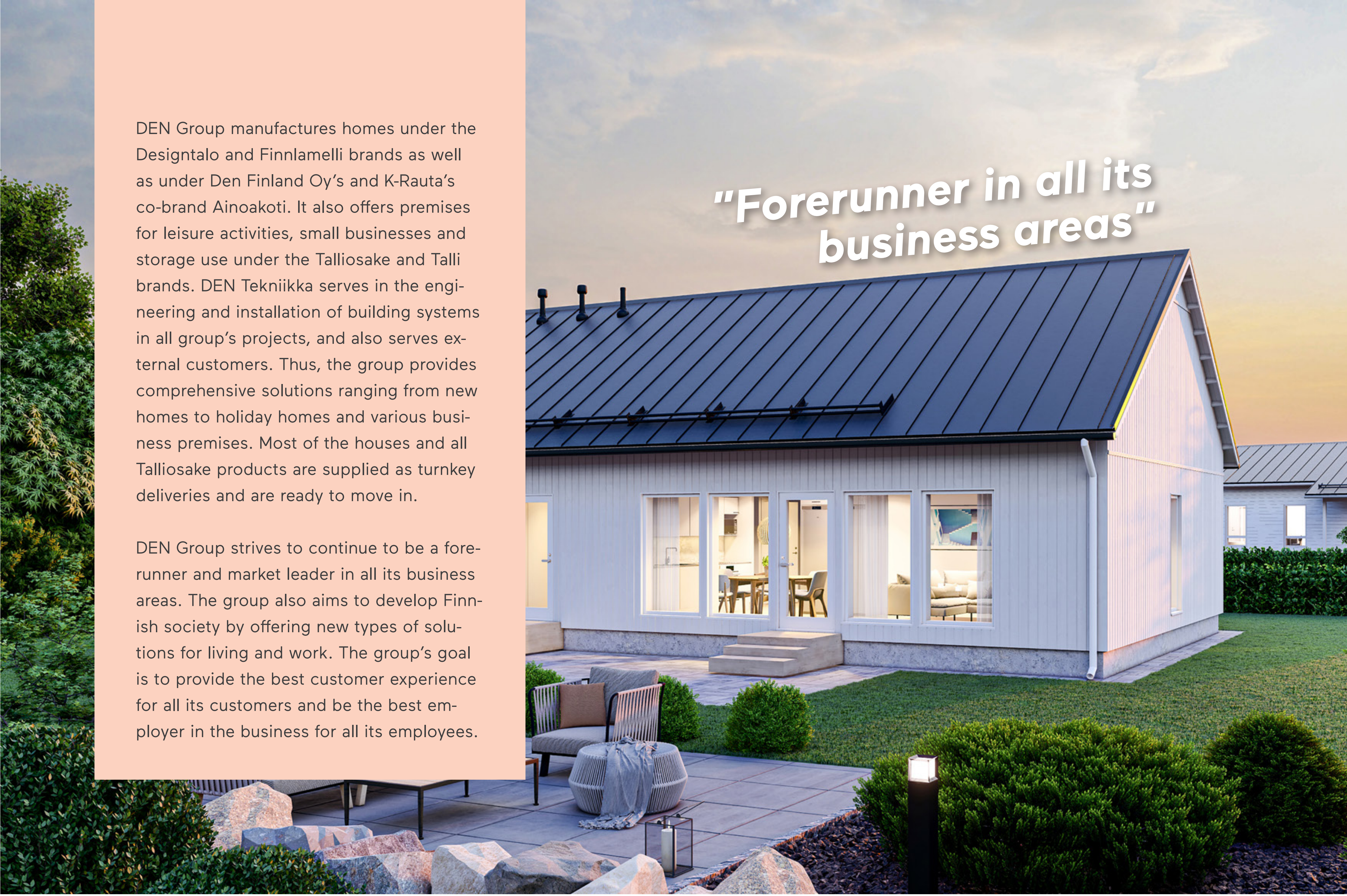
449

During the coronavirus year of 2020, DEN Group concentrated on improving the profitability and efficiency of its business operations, and succeeded in exceeding its targets

IN 2020, the company concentrated on improving efficiency by developing its core businesses and eliminating unprofitable functions. This significantly improved the company's profit. Business structures were developed particularly in the Homes business, where the sales, marketing, design, factory, customer service and construction functions of Designtalo, Finnlamelli and Ainoakoti were combined. After the change, all similar functions of the house brands will be centrally led, which enhances peer learning and the introduction of best practices in the Homes business. Group-wide development and harmonisation also started in administration, HR and procurement.

The spread of the COVID-19 epidemic into a pandemic had a negative impact on the sales of DEN Group during the first six months. In spite of the difficult start to the year, sales picked up during the second half of the year and the factories and sites operated practically with no disturbances, which allowed the group to almost reach its sales targets. Revenue decreased by 2.3 per cent to EUR 174.0 million from the EUR 178.0 million in the previous year – partly due to the decreased sales of the discontinued business operations. EBITDA improved significantly and was EUR 15.1 million (EUR 4.6 million in 2019). Cash flow from operating activities remained strong and was EUR 12.0 million (EUR 23.5 million) during the financial year.

The number of employees decreased slightly and totalled 449 on the closing date (12/2019: 457).



DEN Group manufactures homes under the Designtalo and Finnlamelli brands as well as under Den Finland Oy's and K-Rauta's co-brand Ainoakoti. It also offers premises for leisure activities, small businesses and storage use under the Talliosake and Talli brands. DEN Tekniikka serves in the engineering and installation of building systems in all group's projects, and also serves external customers. Thus, the group provides comprehensive solutions ranging from new homes to holiday homes and various business premises. Most of the houses and all Talliosake products are supplied as turnkey deliveries and are ready to move in.

DEN Group strives to continue to be a forerunner and market leader in all its business areas. The group also aims to develop Finnish society by offering new types of solutions for living and work. The group's goal is to provide the best customer experience for all its customers and be the best employer in the business for all its employees.

"Forerunner in all its business areas"

Main events during the financial period

Nearly
600

20

DURING THE FINANCIAL year 2020, DEN Group built nearly 600 single-family houses for its customers, mainly as turnkey projects. Of the group's brands, Designtalo grew to be the largest brand in the wooden houses market, while Finnlamelli became the biggest brand in terms of revenue in single-family houses with a log frame.

The Plot + House (Tontti + Talo) business operations were initiated in the Homes business. The idea of the business is to find building plots and sell houses to be built on them so that the owner of the plot sells the plot directly to the customer while DEN sells the house to be built on it. The financial year 2020 was the first year of actual sales using the concept, and almost 40 deals were struck. The sites are located in Helsinki Metropolitan Area.

The Talliosake business included 20 completed sites around Finland. At the end of the period, 15 sites were in progress. In 2020, approximately 700 premises were sold in Finland. In Sweden, the Talli business developed according to goals. Four new Talliosake sites were built in Sweden, and two of them were sold to investment funds managed by Taaleri. The new sites contain a total of 137 premises.

In March 2020, DEN Group initiated a cooperation procedure regarding temporary layoffs to improve its profitability and cost-efficiency. The negotiations were based on the uncertainty caused by coronavirus and possible interruptions and cancellations in sales, design, orders, manufacturing, construction, HVAC installations and geotechnics. However, there was not much need for temporary layoffs. As the COVID-19 pandemic persisted, DEN Group carried out a cooperation procedure regarding temporary layoffs in December 2020 on equivalent grounds.

In August 2020, DEN Group initiated a cooperation procedure to improve its profitability and cost-efficiency. As a result, the decision was made to discontinue Talliosake property management business, PohjanGeo geotechnical engineering and the earth works business (PohjanTeko).

Group structure

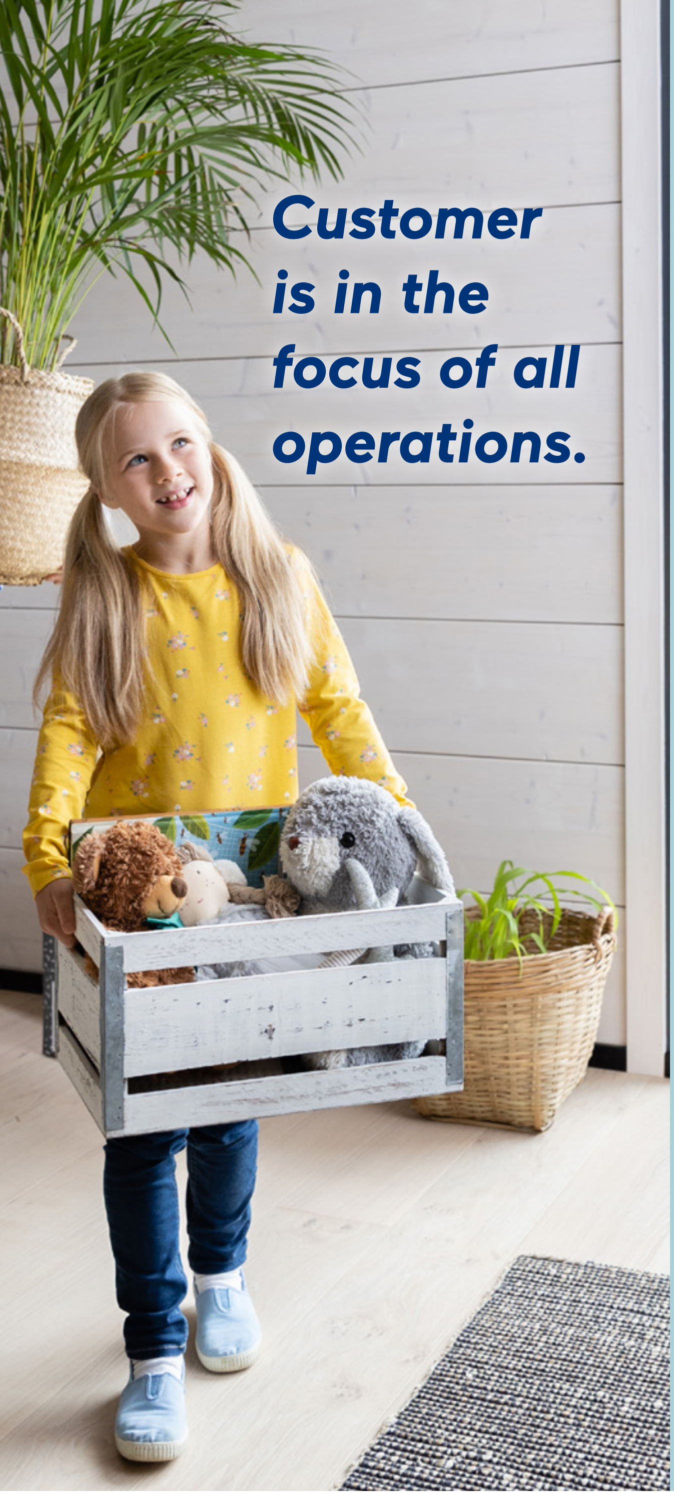
GROUP STRUCTURE IN 2020

DEN Group Oy

DEN Finland Oy

DEN Sweden Ab

THE OPERATIONAL COMPANIES 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 the business areas of Homes, Multifunctional Premises and Services, where it is the market leader of selected segments in Finland. The company has a diverse and extensive product and service portfolio.
In construction projects, Den Finland Oy acts as the party in charge. The construction work takes place in collaboration with subcontractors and suppliers in the cooperation network on a customer-owned plot (Designtalo, Ainoakoti, Finnlamelli, Plot + House) or on a plot owned by a real estate company established by the company (Talliosake, Talli). Prefabricated wooden wall elements and log frames are manufactured at the company's own factories. Other elements and construction work are primarily sourced from suppliers and subcontractors. The delivery also includes the implementation of the building systems, as engineered and installed by the company's own employees.

Den Finland Oy's competent implementation organisation masters the entire supply chain of customer projects from sales and design to its own production plants, worksite construction and HVAC installations, right to the end of the warranty period. Established partners are deployed for implementing customer projects. Customer is in the focus of all operations.

Homes

DEN Group is the market leader in the move-in-ready single-family houses in Finland. In terms of revenue, Designtalo and Finnlamelli are both the largest suppliers of turnkey single-family houses in their respective sectors in Finland.

Of the brands, Designtalo and Ainoakoti homes are completely or partially move-in-ready timber-frame houses that are marketed, sold and constructed for consumers, as well as professional constructors and property developers.

Since established, Designtalo has been a forerunner and trendsetter of the single-family house market. It was the first company to present the ready-to-move-in houses, low-energy houses and passive houses, totally keyless houses as standard and most recently in 2020, a fully carbon-compensated ECO2 single family house.

During the year under review, Designtalo concentrated on improving its profitability, which it succeeded in beyond expectations. This positive development was largely based on the product range reform in 2019, as well as on investments in construction efficiency. More market-oriented pricing and a smoother implementation process also improved profitability, and sales were successful despite the difficult year. Designtalo increased its market share, both in terms of the number of houses and euros.

Ainoakoti houses are sold in K-Rauta stores. During the year under review, the marketing and showroom visibility of Ainoakoti were further developed in cooperation with Kesko. Ainoakoti houses are sold both as move-in-ready and as prefabricated packages.

Finnlamelli is a leading developer of the laminated log technology, and markets, sells and implements move-in-ready or partially prefabricated single-family log homes and holiday homes. Finnlamelli also exports log frames. In addition, it delivers school and day-care centre buildings and other log buildings to the public and private sectors in its home market.

For Finnlamelli, 2020 was a year of strong growth of business. Its revenue and EBITDA increased significantly due to increased deliveries of move-in-ready log houses and improved efficiency. Finnlamelli maintained its strong market share in Finland.

Outside Finland, the Finnlamelli brand has a sales network of established vendors. In addition to Finland, the main markets are in Japan, Norway, Sweden, and the Netherlands. In 2020, exports accounted for 16% of the total revenue of Finnlamelli.

The house deliveries with the Plot + House concept initiated in 2020 have increased significantly, with demand exceeding the targets set for 2020. The customer is sold a totally ready built house (Designtalo or Finnlamelli) and the plot in one package. The marketing of the Plot + House concept is targeted at home builders and customers moving house who are looking for houses on sale without initially considering having their own home built. So far, the concept is only available in the Helsinki Metropolitan Area.

Multifunctional Premises

DEN Group, with its Talliosake brand, is a forerunner and clear market leader in its property market segment in Finland. The premises serve both companies and private users as business premises, storage, recreational spaces and other uses, depending on zoning and building regulations. The Talliosake premises business concerns developer contracting projects, where the group designs and constructs the sites on land obtained for construction, and then sells or leases the completed premises to consumer customers and businesses.

Talliosake also provides a rental service for the premises sold to investors. Of the premises sold in 2020, half were occupied by tenants, for example. As a registered rental premises brokerage Talliosake can help investors to determine the correct level of rent, find a suitable tenant for the premises, and sign the lease on behalf of the investor.

The Talliosake operations in Sweden that began in 2018 have progressed in line with the targets. Four new Talliosake sites were built in Sweden, and two of them were sold to investment funds managed by Taaleri. The new sites contain a total of 137 premises.

Services

DEN Tekniikka is responsible for the engineering and implementation of building services of all group's sites, as well as those of external customers, resources permitting. The implementation process is optimised so that all building systems are completed efficiently and in high quality.

Financial development of DEN Group

		2020	2019	2018
Revenue	EUR 1 000	173 975	178 016	194 352
Revenue, change from previous year	%	-2,3	-8,4	32,8
EBITDA	EUR 1 000	15 089	4 548	4 861
Operating profit	EUR 1 000	10 800	-28 934	865
Operating margin	%	6,2	-16,3	0,4
Profit for the period	EUR 1 000	8 044	-30 225	2 014
Profit for the period, % of revenue	%	4,6	-17,0	1,0
Return on equity (ROE)	%	8,9	-29,8	1,8
Return on capital employed (ROCE)	%	8,3	-19,2	0,5
Equity ratio	%	56,8	55,8	55,8
Net gearing	%	28,7	45,4	53,5
Net gearing excluding the company loans of real estate companies	%	7,6	25,6	26,6

Return on equity ROE, (%)

$$\frac{\text{Profit for the period}}{\text{Equity (average)}} \times 100$$

Return on capital employed (ROCE), (%)

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

Equity ratio (%)

$$\frac{\text{Equity}}{\text{Balance sheet total–Advances received}} \times 100$$

Net gearing (%)

$$\frac{\text{Interest-bearing liabilities–Cash and cash equivalents and interest-bearing liabilities}}{\text{Equity}} \times 100$$

IN 2020, the group's revenue decreased slightly (by 2.3%), amounting to EUR 174.0 million (178.0).

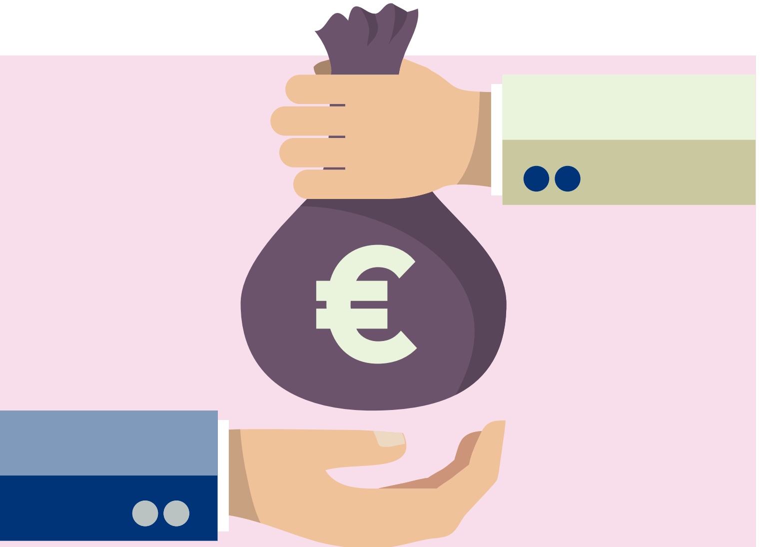
In 2020, EBITDA improved clearly and was EUR 15.1 million (4.6), or 8.7% (2.6%) of revenue.

The group was formed following several corporate acquisitions completed in 2017 and 2018. An impairment loss of EUR 29.1 million was recognised in the comparison period of 2019 as a result of an impairment test. The impairment test carried out in 2020 indicated that there was no need to recognise any impairment.

The group made an operating profit or EUR 10.8 million (-28.9). The consolidated profit for the period was EUR 8.0 million (-30.2).

Homes business area revenue decreased by 2.0% compared with the previous year, amounting to EUR 111.0 million (113.2). Multifunctional Premises business area revenue increased during the year by 3.8%, totalling EUR 57.6 million (55.5).

A small proportion of the consolidated revenue was attributable to the sale of building systems services and factory production to external customers, as well as to discontinued operations. The Talliosake rental business continued to grow, but its share of the group's total revenue is small.



Equity

94.4

m. EUR

Equity ratio

56.8%

Financial position and financing

THE CONSOLIDATED BALANCE sheet total at the end of the financial period amounted to EUR 174.4 million (164.2). The total equity at the end of the financial period amounted to EUR 94.4 million (86.3). Equity ratio was 56.8% (55.8%). The amount of interest-bearing liabilities in the consolidated balance sheet totalled EUR 47.0 million (45.7). Net gearing was 28.7% (45.4%). The company loans of the group's real estate companies are recognised in interest-bearing liabilities and totalled EUR 20.0 million (17.1) at the end of the financial period.

The consolidated net financial expenses for the period were EUR -0.8 million (-1.6).

At the end of the year, the group had access to a loan facility of EUR 22 million, divided into a credit line of EUR 10 million and a credit facility of EUR 12 million, earmarked for the purchase of plots for Talliosake premises. At the end of 2020, a total of EUR 3.1 million of the latter credit facility was committed, and EUR 0.1 million of the credit line was committed for guarantees. In addition, during the financial year the company signed an agreement with Norra Finans Oy regarding a credit facility of EUR 20 million for financing Talliosake premises during their construction.

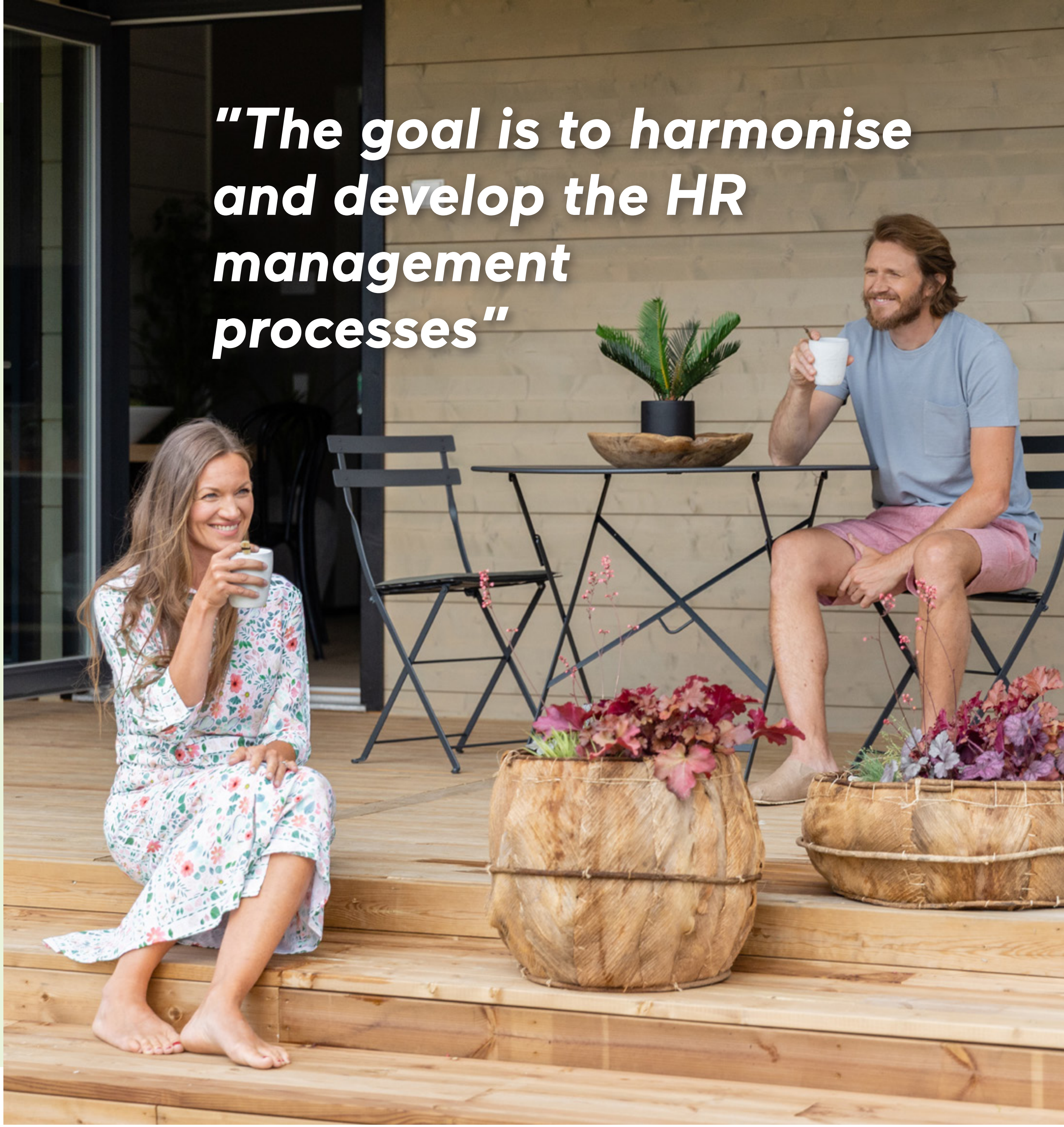
The consolidated cash flow from operating activities was EUR 12.0 million (23.5). Liquidity remained at a good level in the group throughout the period.

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 458 (2019: 503; 2018: 536). At the end of the financial period, the number of personnel was 449 (2019: 457; 2018: 548). Personnel expenses totalled EUR 29.3 million (2019: 31.1; 2018: 30.9). 63% of personnel were salaried employees and 37% worked at factories and construction sites.

During the financial year, the company set up a major change initiative regarding HR management. This project will continue in 2021. The goal is to harmonise and develop the HR management processes and practices to better respond to the challenges of business operations. The HR management change projects include disambiguation of the annual HR processes; a new remuneration system and the insourcing of payroll management; competence development and stronger support for induction training; as well as renewal of HR policies.



Occupational safety

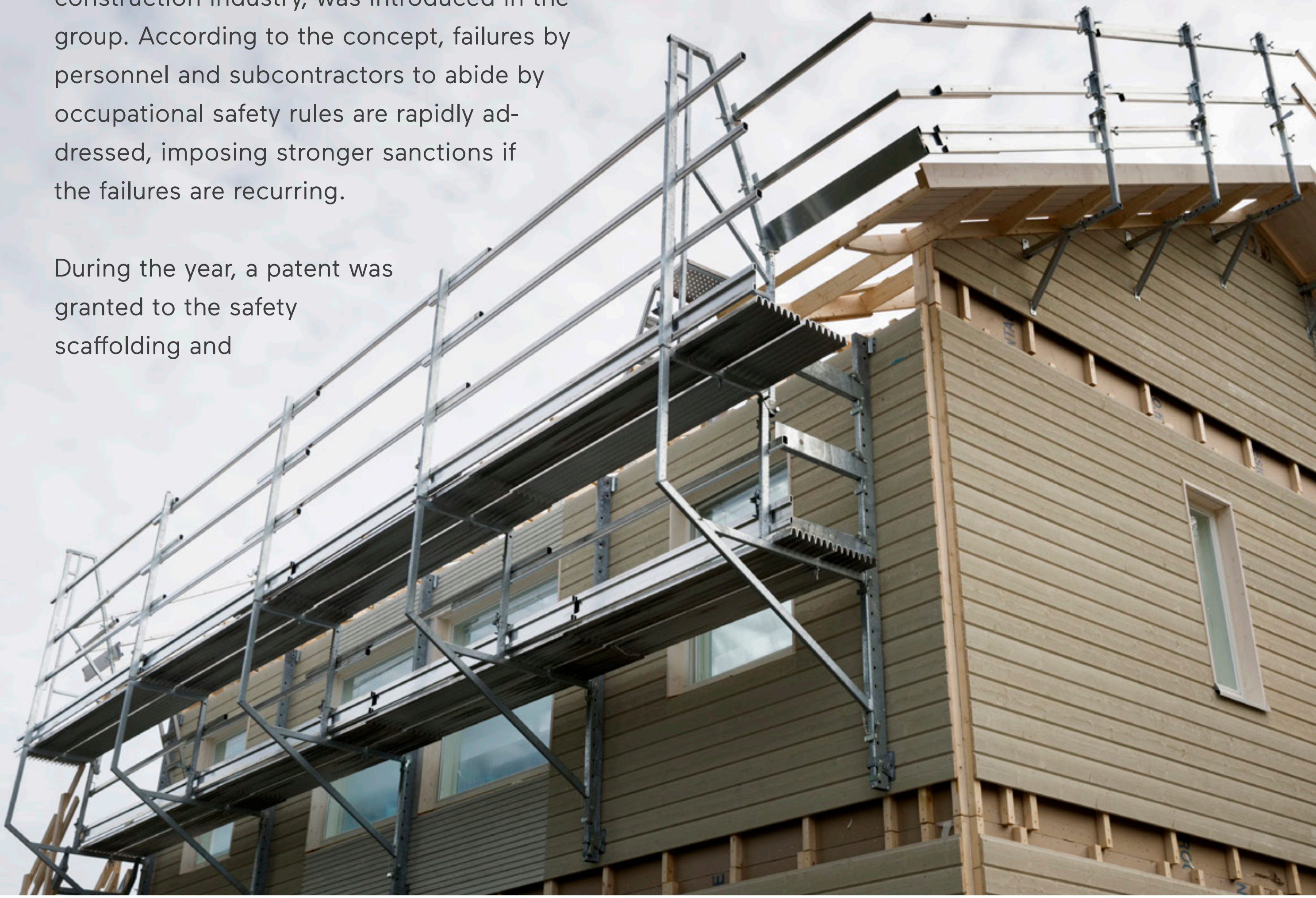
DEN GROUP TAKES the occupational safety and health of its personnel and subcontractors seriously and systematically develops it together with different parties. The InstaAudit application is used for safety reports and audits.

The Lost Time Incident (LTI) frequency describing the frequency of accidents in the group was 10.3 at the end of the year. The target is to be below 10. Compared to the frequency in 2020 of all member companies of the Finnish Association for Manufacturers of Prefabricated Houses (17), the accident frequency was at an excellent level. The group has increasingly emphasised the importance of safety-related observations, and excellent development has taken place in that respect.

In 2020, members of own personnel had eight accidents resulting in absence from work for at least one day, but no serious accidents occurred.

In June, the Kivasti – Pahasti – Hyvästi ('Nice, Bad, Goodbye') concept, common in the construction industry, was introduced in the group. According to the concept, failures by personnel and subcontractors to abide by occupational safety rules are rapidly addressed, imposing stronger sanctions if the failures are recurring.

During the year, a patent was granted to the safety scaffolding and walking platform developed by the group, which improves safety on construction sites.



Research and development

THE GROUP'S R&D activities continued strongly. Better solutions improving the fluency of operations are being constantly developed in design and construction without compromising safety and quality. An IT application was developed for the management of customer claims. It is used for monitoring claims and for handling them more efficiently. The application also improves the management and statistical recording of customer claims and thus helps develop the operations and improve customer satisfaction.

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

In late 2020, the Homes business started to prepare for the introduction of the construction project manager model. In the new model, the construction processes advance more clearly than before under the management of a single person, which means better coordination and increased clarity for the customer. The model will be introduced to all construction activities during 2021.

Development of the model ranges continued

In late 2020, Designtalo launched a new Ideal range of models based on standard construction solutions in external walls and windows, for example. The range will reduce the need for tailoring and save design and production costs, making it more cost efficient and less expensive for consumers.

The ECO2 houses launched in December 2019 were well received in the market. The first houses were completed and handed over to customers in December 2020. The ECO2 houses are the first whose carbon footprints are totally compensated for throughout the lifecycle. The houses are constructed of renewable and ecological materials.

Ainoakoti launched the new Fiksu range that has the features most desired by customers already built in. This reduces the need for tailoring and makes the buying process easier.

The non-settling Ryhti log launched by Finnlamelli in 2018 has proved to be such a successful technical solution that the company has been granting it a ten-year non-settling warranty since 2020. This warranty is unique in the log house market.

"Better solutions improving the fluency of operations are being constantly developed"

Environment

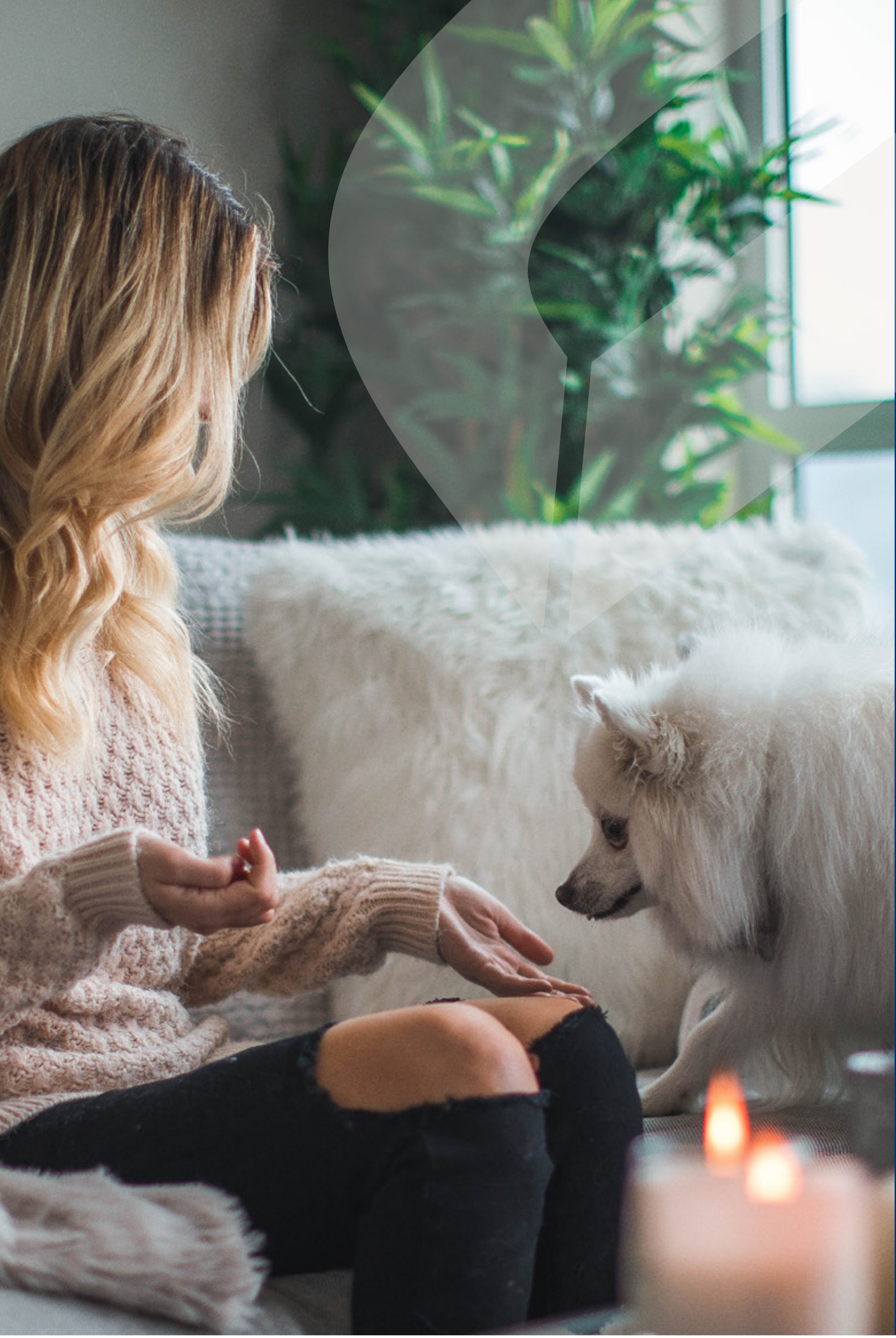
CLIMATE, ENVIRONMENTAL and energy issues play a key role in the construction of homes and multifunctional premises of the future. The carbon footprint of construction and use of premises will be monitored and measured. The group is participating in a joint project of the single-family home industry, piloting the application of carbon footprint calculations. Energy-efficiency is considered in all decision-making. The aim is to reduce environmental impacts in all operations. The operations and environmental impact of factories are regularly audited to ensure compliance with norms and to identify new development possibilities.

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 lifecycle.

"The aim is to reduce environmental impacts in all operations"

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 by as much 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.

Finnlamelli log homes constructed by Den Finland Oy are considered healthy living environments, particularly due to the good indoor air quality in these homes. Nearly all of the timber and log used is certified wood. Wood by-products generated in connection with the log production process are used in own heat generation, or sold as fuel to external operators.



Risks and uncertainties

RISK MANAGEMENT IS part of the company's internal control, and organising it is the Board of Directors' responsibility. The company's Board of Directors and its Audit Committee steer and monitor risk management, the operative management of which is the CEO's responsibility.

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 the general rate of unemployment. 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 closely monitoring the trends in customer satisfaction and results of consumer surveys, as well as by offering a wide range of products and services expected by the group's different customer segments.

The COVID-19 pandemic added its own elements to risk assessment. In 2020, the damage directly attributable to the coronavirus was very limited in the end. The safety of personnel was improved and the spreading of infections prevented by switching to remote work and by reducing all travel and unnecessary direct interaction between persons. The pandemic is not over, and cautionary measures are still in use. The group also observes and follows the instructions issued by the government.

Other business environment risks include municipal planning policies, availability of plots, development of regulations concerning single-family homes, future living costs related to single-family homes, and development of building regulations. The group aims to anticipate 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 Manufacturers of Prefabricated Houses and the Log House Industry Association.

The operational risk management takes place via the company's carefully specified and controlled delivery chain, which covers all the company operations, as well as the related ERP system. The group companies have prepared for operational risks by obtaining sufficient insurance for their operations.

Occupational safety and quality are managed by instructions and by observing the regulations of the sector, as well as by measuring key indicators, by training, and by monitoring the quality, working environment and tools in compliance with the quality certificate. Occupational safety relies more heavily 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 critical in terms of efficient internal control, as several monitoring methods are based on information technology. ICT and data security risks are managed, for example, with the help of ICT process design, access management and multi-stage user identification.

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 projects when a sufficient sales or reservation rate has been reached, and by monitoring its balance sheet.

The group companies have significant amounts of loan financing. 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 will 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 entering in the balance sheet a guarantee provision on the basis of the previous years' data of materialised risks. The group also requires its suppliers and subcontractors to prepare for corresponding guarantee liabilities.

Insurance cover was subjected to analysis and competitive tendering in 2020, and all the group's insurance policies are up to date.

The company regularly analyses its business risks.

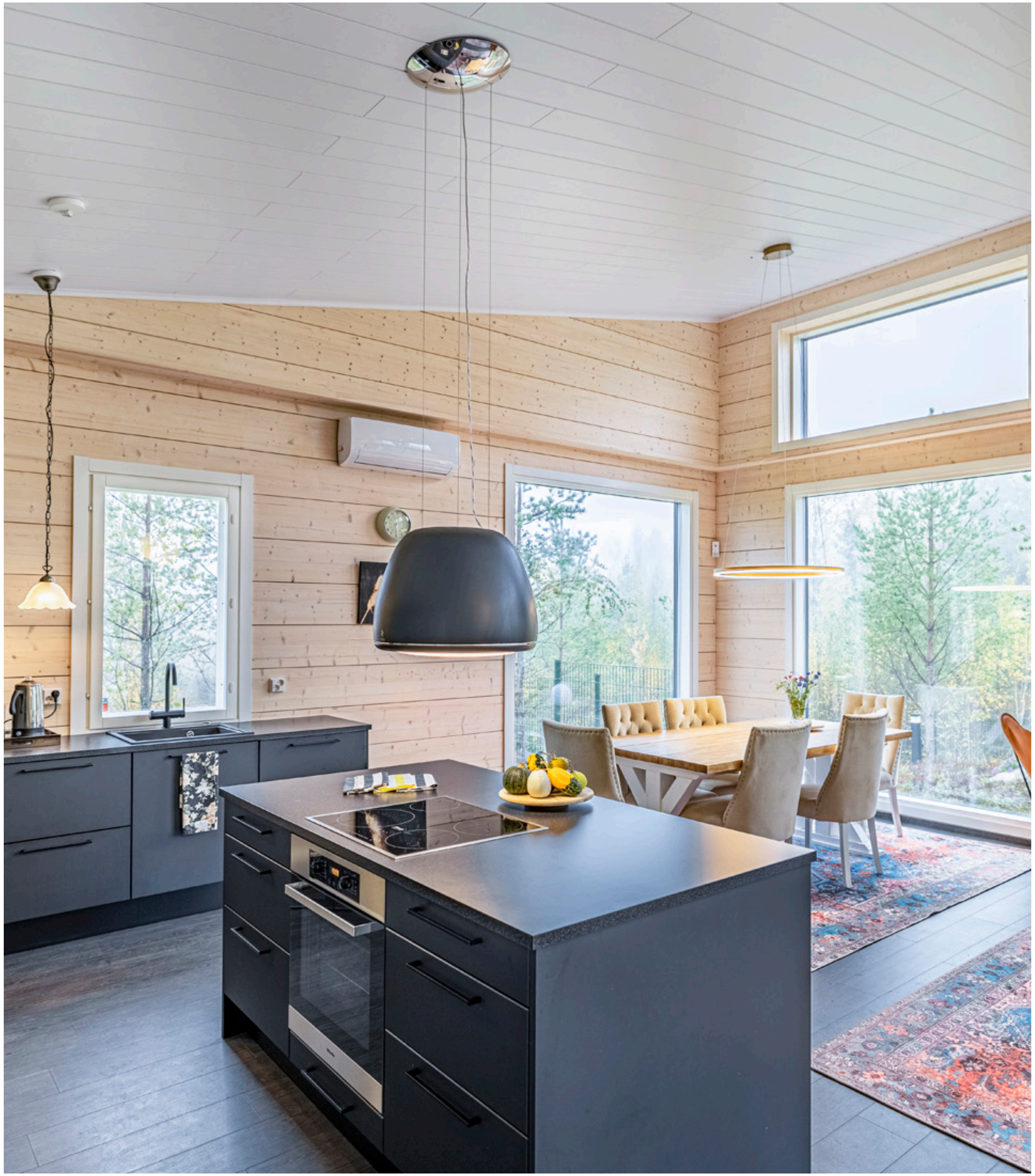
Investments and business acquisitions

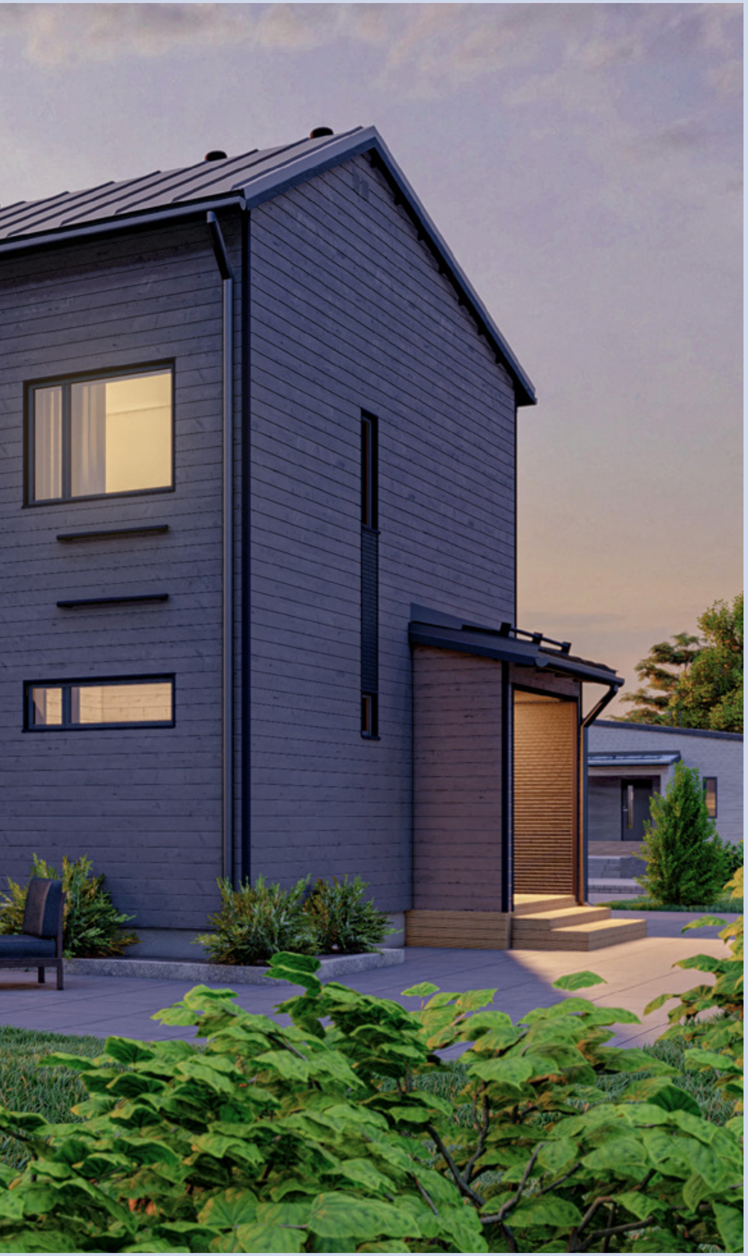
DURING THE FINANCIAL YEAR, the company did not carry out any corporate transactions, and the investments were mainly normal replacement investments.

In November 2020, the Board of Directors approved the investment in Finnlamelli's new ERP system. Cloud-based SAP Business by Design was chosen as the system. The purpose of the system investment is to improve the transparency and thus also the efficiency of operations.

Changes in the company's management

ON 10 FEBRUARY 2020, Pasi Tolppanen started as the CEO of DEN Group Oy. During the year, Chief HR Officer Sari Kontu and Chief Procurement & Development Officer Ilkka Iittiläinen also started in the Management Team.





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. The Board of Directors has established an Audit Committee to assist its work.

Members of the Board of Directors of DEN Group Oy:

From 1 January to 11 May 2020,
Saku Sipola (Chair), Heikki Lahtinen, Jan Mattlin, Anu Tuomola and Kari Neilimo

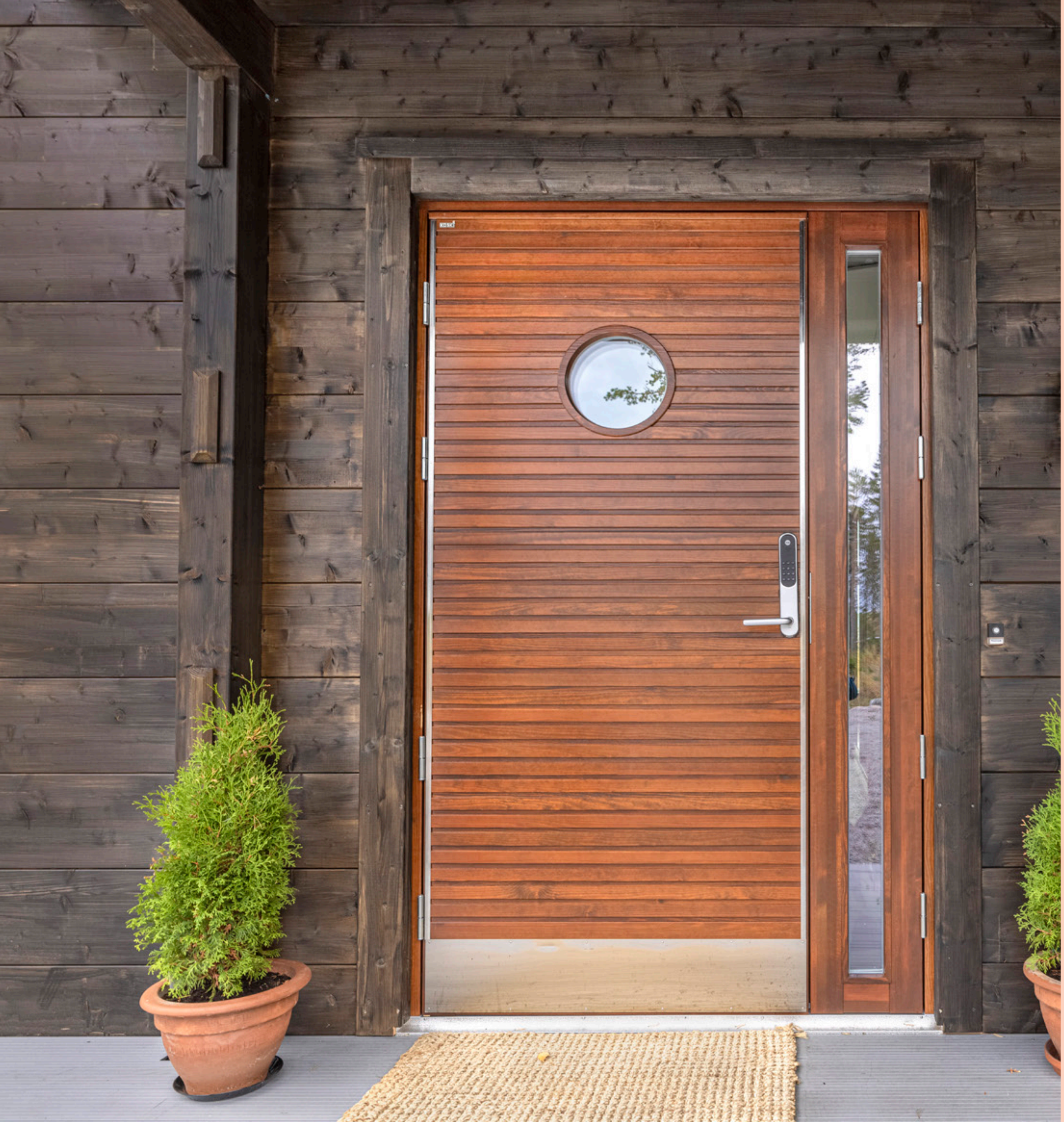
From 11 May 2020,
Saku Sipola (Chair), Heikki Lahtinen, Jan Mattlin, Anu Tuomola, Kari Neilimo and Ilkka Kurkela

From 17 February 2021
Saku Sipola (Chair), Heikki Lahtinen, Anu Tuomola, Kari Neilimo, Ilkka Kurkela, Pia Káll and Antti Karppinen

At the end of 2020, 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), Sari Kontu (Chief HR Officer), Ilkka Iittiläinen (Chief Procurement & Development Officer)

At the time of the signing of the financial statements, the Corporate Management Team comprised the following persons:
Pasi Tolppanen (CEO), Jani Oksanen (CFO), Markus Alitalo (CBO, Talliosake), Jarmo Huhtala (CBO, Designtalo), Markku Uotinen (CBO, Finnlamelli), Sari Kontu (Chief HR Officer), Ilkka Iittiläinen (Chief Procurement & Development Officer)

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. At the end of the financial year, the company's capital stock consisted of 18,032,210 shares, and the company did not hold any treasury shares. 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 a maximum of 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 remains valid.

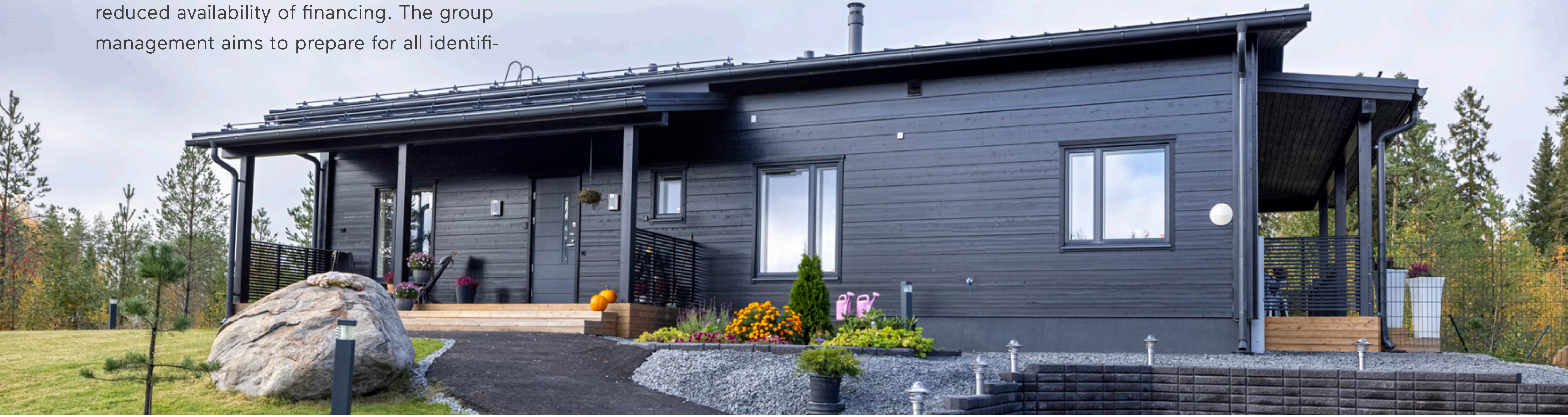
Events after the financial year and an estimate of the likely future developments

AT THE TIME of signing the financial statements, the spreading of COVID-19 and its impacts are still active. So far, the pandemic has had limited impacts on the operations of DEN Group, but if it persists, 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 actively monitoring the situation and by planning alternative measures to maintain operations. The nature of the business means the group can fairly quickly adjust its cost structure and working capital to possible strong changes in demand resulting from the coronavirus.

Despite the coronavirus pandemic, the increase of the consumers' confidence indicator in January to its highest level in two years also gives reason to believe in the positive development of house and premises sales.

The latest RTS survey indicates that log construction is on the increase for the third successive year. In 2020/21, over one single-family house in five was constructed of log. The popularity of log and timber as the material for building houses is expected to continue, while the market share of non-renewable houses made of bricks and mortar continues to decrease.

According to the company's understanding, the company can secure sufficient financial resources and funding to ensure the continuity of its operations.

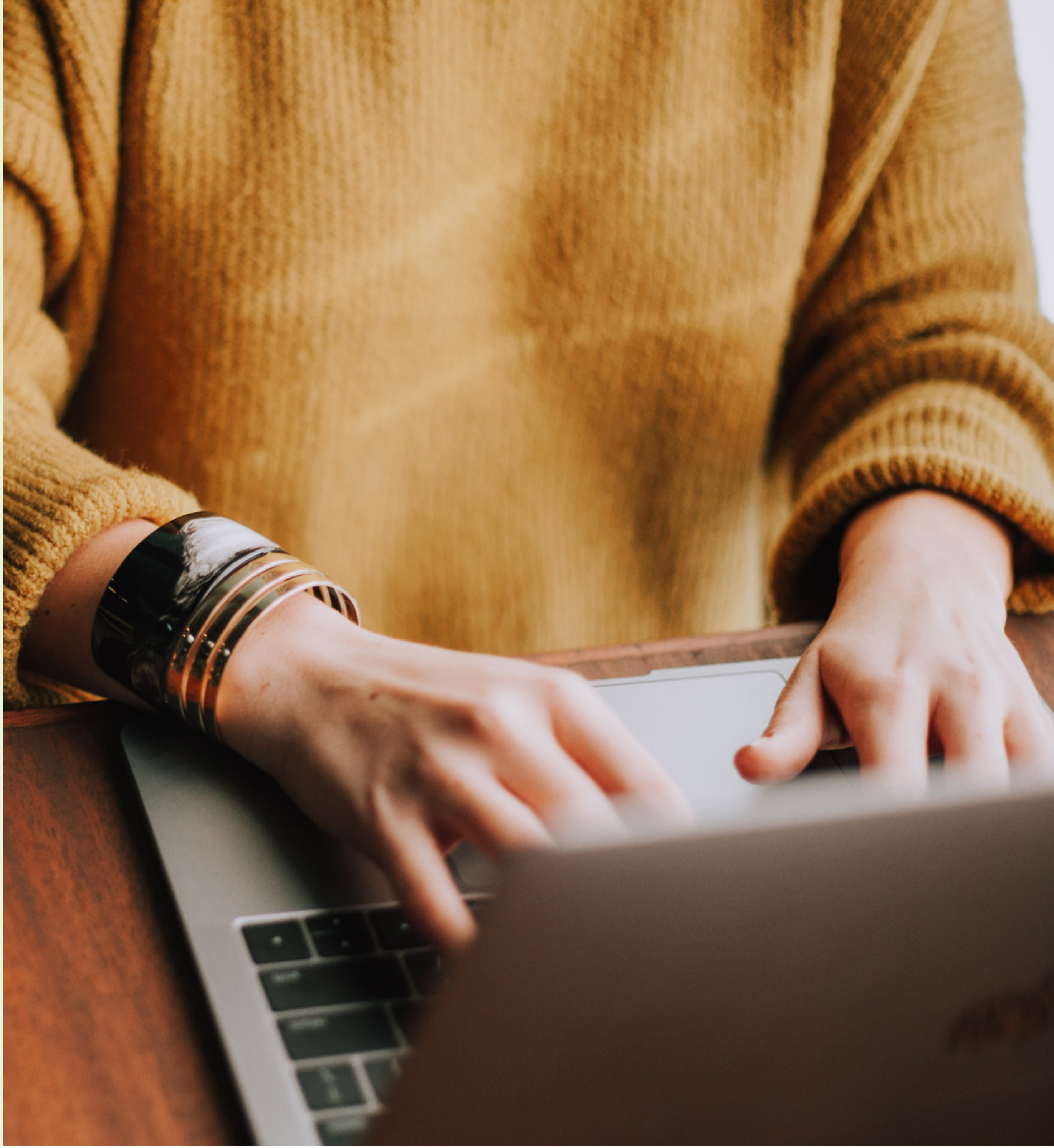


Board of Directors' proposal for the distribution of profit

THE PARENT COMPANY'S profit for the year totalled EUR 35,389.28 and distributable funds amounted to EUR 6,528,930.49. The Board of Directors proposes to the General Meeting that EUR 0.18 per share is paid as capital distribution from the invested non-restricted equity reserve, totalling EUR 3,245,797.80. Furthermore, the Board of Directors proposes that the GEM authorises the Board of Directors to decide, at its discretion, on an additional capital distribution from the invested non-restricted equity reserve. On the basis of the authorisation, a maximum of EUR 0.10 per share may be paid as capital distribution from the invested non-restricted equity reserve. The Board of Directors proposes that the authorisation remains valid until the end of 2021.

Helsinki, 25 March 2021

DEN Group Oy
Board of Directors



CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of comprehensive income (IFRS)

EUR 1 000	Note	1.1.–31.12. 2020	1.1.–31.12. 2019
Revenue	**1**	**173 975**	**178 016**
Other operating income	2	281	44
Changes in inventories of finished goods and work in progress		6 967	-10 038
Raw materials and consumables used		-72 772	-66 581
External services		-50 879	-51 659
Personnel expenses	5	-29 294	-31 065
Other operating expenses	3,6	-13 188	-14 168
EBITDA		**15 089**	**4 548**
Depreciation and amortisation	4	-4 289	-33 482
Operating profit		**10 800**	**-28 934**
Financial income		93	18
Exchange rate differences (net)		508	-109
Financial expenses		-1 391	-1 473
Finance expenses (net)	**7**	**-790**	**-1 564**
Profit/loss before taxes		**10 011**	**-30 498**
Income taxes	8	-1 966	273
PROFIT FOR THE PERIOD		**8 044**	**-30 225**

EUR 1 000	Note	1.1.–31.12. 2020	1.1.–31.12. 2019
Earnings per share			
Basic earnings per share (EUR)		0,45	-1,68
Diluted earnings per share (EUR)		0,45	-1,68
Total income for the period is attributable to:			
Equity holders of the parent company		8 044	-30 225
Other comprehensive income			
Items that may later be recognised in profit and loss			
Translation difference		9	3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**8 053**	**-30 222**
Total income for the period is attributable to:			
Equity holders of the parent company		8 053	-30 222

Consolidated balance sheet (IFRS)

EUR 1 000	Note	31.12.2020	31.12.2019
ASSETS			
Non-current assets			
Goodwill	10	87 911	87 911
Intangible assets	10	4 281	6 316
Property, plant and equipment	11	5 485	7 133
Other receivables		50	88
Deferred tax assets	12	2 055	2 156
Total non-current assets		**99 781**	**103 603**
Current assets			
Inventories	13	47 638	44 667
Trade receivables	14	4 900	7 576
Other receivables	14	1 023	606
Advances and accrued income	14	1 007	954
Income tax receivables	14	187	302
Cash and cash equivalents	15	19 877	6 498
Total current assets		**74 633**	**60 603**
TOTAL ASSETS		**174 414**	**164 207**

EUR 1 000	Note	31.12.2020	31.12.2019
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	13	4
Retained earnings	16	-4 810	-12 854
Total capital attributable to equity holders of the parent company		**94 356**	**86 303**
Total equity		94 356	86 303
Non-current liabilities			
Deferred tax liabilities	12	901	1 224
Provisions	17	1 213	1 050
Financial liabilities	18	14 244	16 711
Other non-current liabilities	19	3 407	4 675
Total non-current liabilities		**19 766**	**23 660**
Current liabilities			
Trade payables	19	5 781	6 731
Other current liabilities	19	8 764	5 298
Advances	19	8 364	9 574
Income tax liabilities	19	2 180	0
Provisions	17	974	880
Financial liabilities	18	25 511	23 169
Accrued liabilities	19	8 717	8 591
Total current liabilities		**60 292**	**54 243**
Total liabilities		**80 057**	**77 904**
TOTAL EQUITY AND LIABILITIES		**174 414**	**164 207**

Consolidated cash flow statement (IFRS)

EUR 1 000	2020	2019
Cash flow from operating activities		
Profit for the period	8 044	-30 225
Adjustments:		
Depreciation and amortisation	4 289	33 482
Other adjustments	-397	246
Financial income and expenses	1 309	1 551
Proceeds/losses from sale of tangible intangible assets	-152	-1
Taxes	1 966	-273
Cash flow before changes in working capital	**15 059**	**4 780**
Changes in working capital:		
Change in trade and other receivables	2 254	8 461
Change in inventories	-3 578	13 313
Change in trade and other payables	-539	-1 555
Changes in working capital	**-1 863**	**20 219**
Interest paid	-1 280	-1 610
Interest received	25	18
Taxes paid or refunded	106	33
	-1 149	-1 559
Net cash from operating activities	**12 047**	**23 440**

EUR 1 000	2020	2019
Cash flow from investment activities		
Investments in intangible assets and in property, plant and equipment	-206	-1 305
Proceeds from sale of property, plant and equipment and intangible assets	152	1
Net cash from investment activities	**-54**	**-1 304**
Cash flows from financing activities		
Loans drawn	4 783	420
Loans repaid	-5 175	-4 293
Change in real estate company loans	2 891	-14 372
Finance lease payments	-1 120	-1 085
Net cash from financing activities	**1 379**	**-19 330**
Change in cash and cash equivalents	**13 372**	**2 819**
Cash and cash equivalents at the beginning of the financial period	6 498	3 679
Impact of exchange rate changes on cash and cash equivalents	7	13
Cash and cash equivalents at the end of the financial period	**19 877**	**6 498**

Consolidated statement of changes in equity (IFRS)

EUR 1 000	Share capital	Invested non-restricted equity reserve	Translation difference	Retained earnings	Total
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**
Equity on 1 Jan 2020	**65 003**	**34 151**	**4**	**-12 854**	**86 303**
Comprehensive income for the period	0	0	9	8 044	8 053
Total comprehensive income	**0**	**0**	**9**	**8 044**	**8 053**
Transactions with equity holders					
Share issue	0		0	0	0
Transactions with equity holders, total	**0**	**0**	**0**	**0**	**0**
Equity on 31 Dec 2020	**65 003**	**34 151**	**13**	**-4 810**	**94 356**

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

DEN Group basic information

DEN Group offers housing and multipurpose 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 25/03/2021. 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 31/12/2020. 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.

The new standards, amendments to standards or interpretations that entered into force on 1 January 2020 have not impacted the consolidated financial statements.

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 through 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
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 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 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.

Prefab house deliveries
Customer contracts concerning prefab element and log 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 property development projects (developer contracting projects)
In the case of own property development projects, in which the customer does not have a contractual right to influence the key features of the unit under construction, revenues are recognised once the project is completed,

i.e. once the right to control the property 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 property development projects, the revenues recognised and disclosed include free-of-debt transaction prices of completed and delivered units, 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.

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 Ainoakoti, 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 'Prefab house 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 property 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. Of the above, the PohjanTeko and PohjanGeo operations were discontinued during 2020. 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	2020	2019
Homes	110 983	113 240
Multifunctional Premises	57 614	55 531
Services	5 378	9 245
Total	**173 975**	**178 016**

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 31/12/2020, trade receivables amounted to EUR 4.9 million (EUR 7.6 million on 31/12/2019).

On 31/12/2020, the value of incomplete customer projects in inventories totalled EUR 2.8 million (EUR 1.8 million on 31/12/2019).

On 31/12/2020, the value of advances received related to customer contracts totalled EUR 7.3 million (EUR 8.1 million on 31/12/2019).

Geographical information

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

EUR 1 000	2020	2019
Finland	155 509	165 807
EU	14 564	7 905
Outside the EU	3 902	4 304
Group total	**173 975**	**178 016**

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	2020	2019
Proceeds from sale of property, plant and equipment and intangible assets	152	1
Compensations received	17	40
Other income	112	3
Total	**281**	**44**

3. Other operating expenses

Other operating expenses

EUR 1 000	2020	2019
Rental expenses	-396	-282
Voluntary indirect personnel expenses	-1 530	-1 922
Premises expenses	-1 213	-1 118
Machinery and equipment expenses	-2 566	-2 540
Travel expenses	-1 254	-1 830
Representation expenses	-4	-22
Marketing expenses	-2 094	-2 175
Research and development expenses	-10	-33
Administrative expenses	-1 879	-2 940
Other operating expenses	-2 242	-1 306
Total	**-13 188**	**-14 168**

Auditors' fees

EUR 1 000	2020	2019
Audit fees	-183	-166
Tax consultancy services	-20	-26
Other services	-7	-36
Total	**-210**	**-228**

4. Depreciation and amortisation

EUR 1 000	2020	2019
Intangible assets		
Intangible assets	-2 069	-1 856
Goodwill impairment	0	-29 117
Property, plant and equipment		
Buildings, right-of-use assets	-985	-911
Machinery and equipment	-1 063	-1 311
Machinery and equipment, right-of-use assets	-172	-287
Depreciation and amortisation total	**-4 289**	**-33 482**

5. Employee benefit expenses

Personnel expenses

EUR 1 000	2020	2019
Salaries	-24 765	-25 752
Pensions, defined contribution schemes	-3 787	-4 521
Other personnel expenses	-742	-792
Total	**-29 294**	**-31 065**

Number of personnel

Average number of personnel during the financial period	2020	2019
Salaried employees	286	317
Non-salaried employees	172	186
Total	**458**	**503**

Number of personnel on the closing date	2020	2019
Salaried employees	279	288
Non-salaried employees	170	169
Total	**449**	**457**

6. Research expenses

The group's research expenses totalled EUR 10 000 (EUR 33 000 in 2019). 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

Financial income, EUR 1 000	2020	2019
Other financial income	93	18
Total	**93**	**18**

Financial expenses		
Interest expenses	-866	-863
Interest expenses, leases	-100	-176
Other financial expenses	-425	-434
Total	**-1 391**	**-1 473**
Exchange rate differences (net)	508	-109
Total financial income and expenses	**-790**	**-1 564**

8. Income taxes

EUR 1 000	2020	2019
Taxes on the taxable income for the financial period	-2 188	-64
Change in deferred tax assets	-101	82
Change in deferred tax liability	323	255
Total	**-1 966**	**273**

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

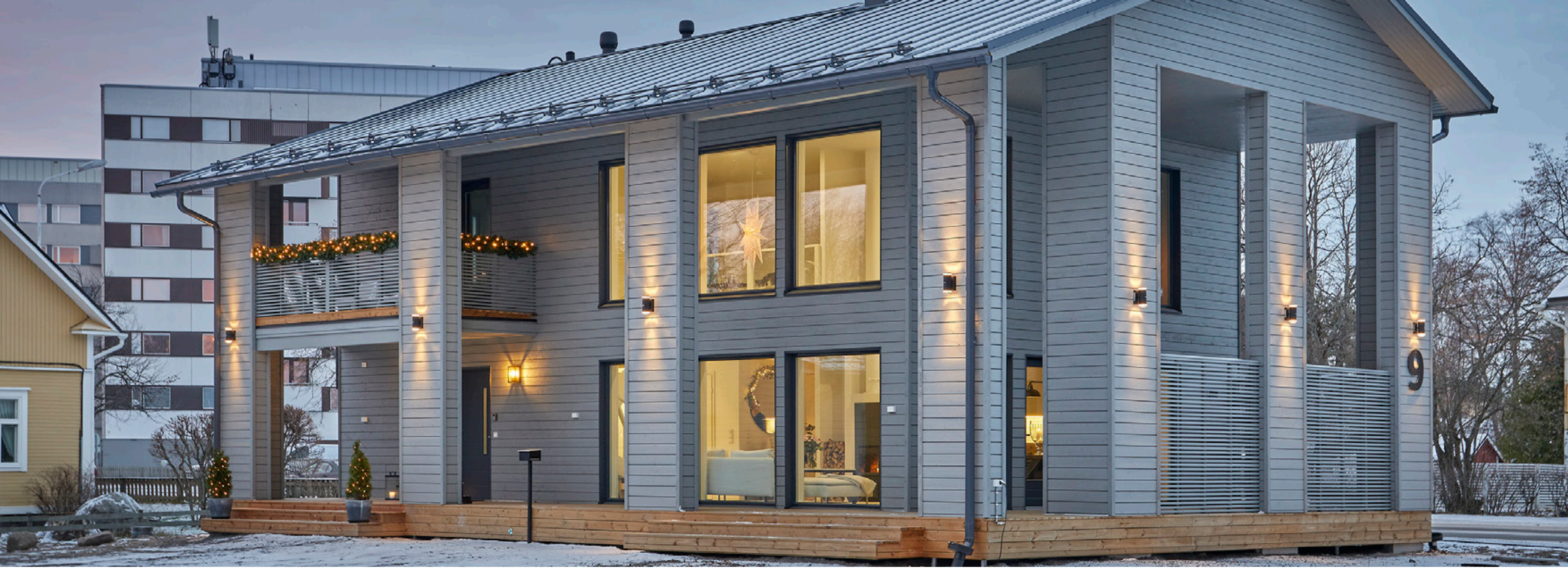
EUR 1 000	2020	2019
Profit before taxes	10 011	-30 498
Income taxes at the tax rate in Finland (20.0%)	2 002	-6 100
Tax-exempt income	-264	0
Non-deductible expenses	18	2
Non-deductible impairment	0	5 823
Taxes not entered for the loss of the financial period	216	0
Other items	-6	1
Total	**1 966**	**-273**

The effective tax rate in 2020 was 19.6% and in 2019 0.9%. In 2019, the effective tax rate was materially impacted by a non-deductible goodwill impairment.

9. Earnings per share

	Undiluted		Diluted	
	2020	2019	2020	2019
Profit for the period attributable to equity holders of the parent company, EUR 1 000	8 044	-30 225	8 044	-30 225
Average number of shares during the financial period	18 032 210	18 032 210	18 032 210	18 032 210
Earnings per share, EUR	0,45	-1,68	0,45	-1,68

Shares do not have a nominal value.



10. Intangible assets

Intangible assets

2020, EUR 1 000	Goodwill	Brands	Customer relationships	Intangible assets	Total
Acquisition cost 1 Jan	117 028	7 598	790	3 044	128 460
Increases	0	0	0	35	35
Acquisition cost 31 Dec	**117 028**	**7 598**	**790**	**3 079**	**128 495**
Accumulated depreciation and impairment 1 Jan	-29 117	-3 110	-396	-1 610	-34 233
Depreciation	0	-1 159	-394	-516	-2 069
Accumulated depreciation 31 Dec	**-29 117**	**-4 269**	**-790**	**-2 126**	**-36 302**
Carrying value 1 Jan	87 911	4 488	394	1 434	94 227
Carrying value 31 Dec	**87 911**	**3 329**	**0**	**953**	**92 192**

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**

Allocation of goodwill

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

EUR 1 000	2020	2019
Multifunctional Premises, Homes and Services	87 911	87 911
Total goodwill	**87 911**	**87 911**

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 development of GNP. 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.

%	2020	2019
Multifunctional Premises, Homes and Services		
Discount rate	11,1	10,5

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. If the annual decrease of revenue for the period under review were 0.5% or if the annual growth of operating profit for the period under review was 9.0 percentage points smaller than predicted, or if the discount rate increased 4.9 percentage points, the carrying amount of the category of cash-generating units would exceed the recoverable amount.

11. Property, plant and equipment

Property, plant and equipment

2020

EUR 1 000	Buildings and structures	Machinery and equipment	Incomplete acquisitions	Total
Acquisition cost 1 Jan	5 564	10 410	0	15 974
Increases	420	152	170	742
Decreases	0	-18	-152	-170
Acquisition cost 31 Dec	**5 984**	**10 544**	**18**	**16 546**
Accumulated depreciation and impairment 1 Jan	-2 284	-6 557	0	-8 841
Depreciation	-985	-1 235	0	-2 220
Accumulated depreciation and impairment 31 Dec	**-3 269**	**-7 792**	**0**	**-11 061**
Carrying value 1 Jan	3 280	3 853	0	7 133
Carrying value 31 Dec	**2 715**	**2 752**	**18**	**5 485**

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**

Leases

Property, plant and equipment include leases as follows:

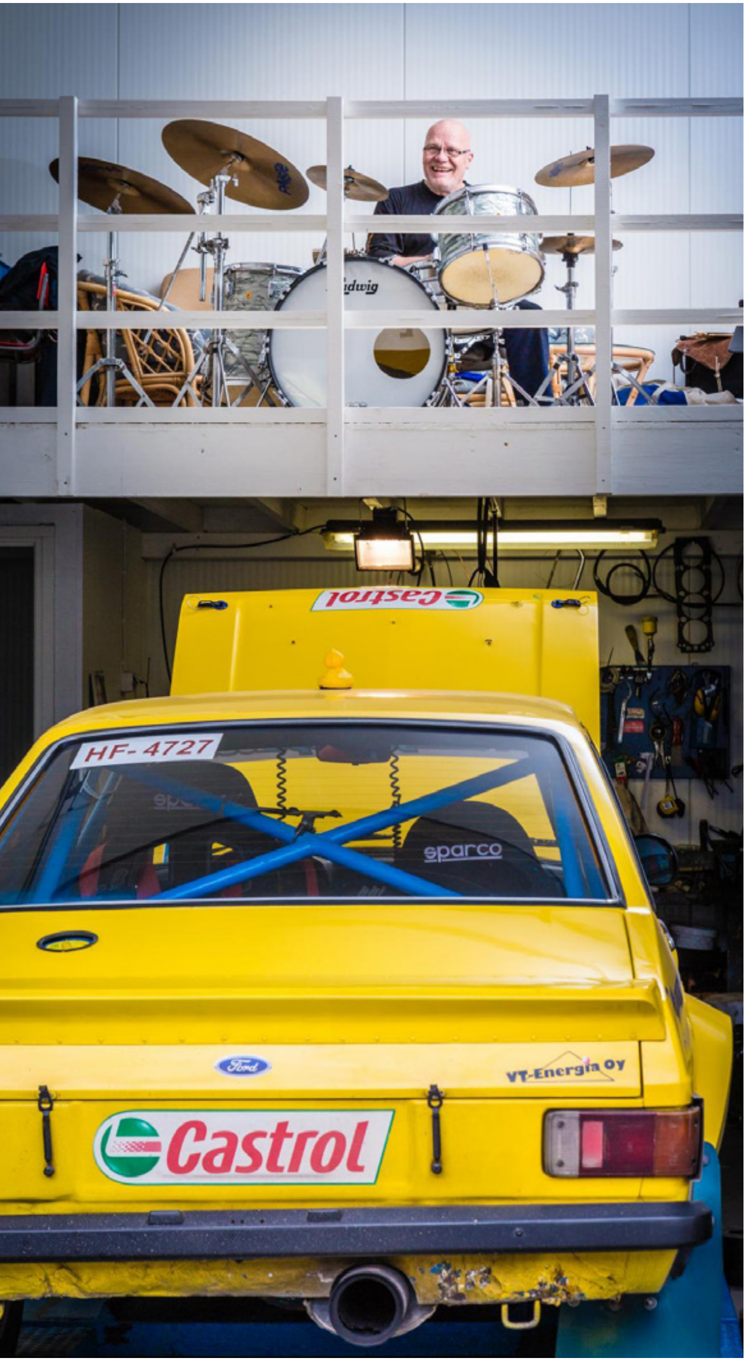
2020

EUR 1 000	Buildings and structures	Machinery and equipment	Total
Acquisition cost 1 Jan	5 533	909	6 442
Increases	420	0	420
Decreases	0	-18	-18
Acquisition cost 31 Dec	**5 953**	**891**	**6 844**
Accumulated depreciation and impairment 1 Jan	-2 253	-604	-2 857
Depreciation	-985	-172	-1 157
Accumulated depreciation and impairment 31 Dec	**-3 238**	**-776**	**-4 014**
Carrying value 1 Jan	3 280	306	3 586
Carrying value 31 Dec	**2 715**	**116**	**2 831**

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**

* 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)**	2020	2019
Short-term	1 067	1 135
Long-term (maturity 1 to 5 years)	2 129	2 845
Long-term (maturity over 5 years)	1 278	1 830
Total	**4 474**	**5 810**

**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 2020 totalled EUR 1 913 000 (EUR 1 924 000 in 2019).

12. Deferred tax assets and liabilities

Deferred tax assets and liabilities, net

EUR 1 000	2020	2019
Deferred tax assets	2 055	2 156
Deferred tax liabilities	-901	-1 224
Deferred taxes (net)	**1 154**	**932**

Changes entered in deferred taxes (EUR 1 000)	2020	2019
Deferred tax assets, net on 1 Jan	932	594
Changes entered in the income statement	222	338
Changes entered in the consolidated income statement	0	0
Deferred taxes, net on 31 Dec	**1 154**	**932**

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

2020

EUR 1 000	1.1.	Increases	Entered in the consolidated income statement	31.12.
Deferred tax assets				
Business acquisitions	267	0	-37	230
Provisions	167	0	-19	148
Tax losses carried forward	393	0	-393	0
Recognition timing differences	1 013	0	646	1 659
Interest on related-party loans	289	0	-289	0
Other items	27	0	-9	18
Total	**2 156**	**0**	**-101**	**2 055**

Deferred tax liabilities				
Business acquisitions	1 004	0	-311	693
Inventories	220	0	-12	208
Total	**1 224**	**0**	**-323**	**901**

2019

EUR 1 000	1.1.	Increases	Entered in the consolidated income statement	31.12.
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.

13. Inventories

EUR 1 000	2020	2019
Raw materials and consumables used	3 581	3 367
Work in progress	20 554	18 587
Right-of-use assets, inventories, plots	1 469	2 086
Land areas	2 784	3 628
Inventory shares	17 884	16 824
Other inventories	1 366	175
Inventories total	**47 638**	**44 667**

14. Trade receivables and other receivables

EUR 1 000	2020	2019
Trade receivables	4 900	7 576
Tax receivables determined based on the taxable income for the financial period	187	302
Other receivables	1 023	606
Accrued income	1 007	954
Total	**7 117**	**9 438**

Analysis of trade receivables	2020	2019
Not past due	2 979	3 905
Due in		
less than 30 days	1 198	2 035
30–60 days	345	351
61–90 days	71	99
over 90 days	307	1 186
Total	**4 900**	**7 576**

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 2020 totalled EUR 0.03 million (EUR 0.3 million on 31 December 2019). The credit risk is discussed in Note 22.

15. Cash and cash equivalents

EUR 1 000	Carrying value	Carrying value
Bank accounts	19 877	6 498
Total	**19 877**	**6 498**

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

16. Notes concerning equity

	2020	2019
Number of shares 1 Jan	18 032 210	18 032 210
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 remains valid.

17. Provisions

EUR 1 000	2020	2019
Provisions 1 Jan	1 930	1 965
Increases	1 876	1 109
Decreases	-1 619	-1 144
Provisions 31 Dec	**2 187**	**1 930**

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

Non-current financial liabilities, EUR 1 000	2020	2019
Loans from financial institutions	14 244	16 711
Total	**14 244**	**16 711**

Current financial liabilities, EUR 1 000	2020	2019
Loans from financial institutions	5 554	6 103
Company loans of real estate companies	19 957	17 066
Total	**25 511**	**23 169**
Financial liabilities total	**39 755**	**39 880**

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

Non-current liabilities, EUR 1 000	2020	2019
Liabilities of derivative instruments	0	13
Lease liabilities	3 407	4 675
Total	**3 407**	**4 688**

Current liabilities, EUR 1 000	2020	2019
Trade payables	5 781	6 731
Other liabilities		
Lease liabilities	1 067	1 135
Value-added tax and tax withholding liabilities	3 715	3 736
Other liabilities	3 982	427
Advances		
Advances from customers	8 364	9 574
Income tax liabilities		
Income tax liabilities	2 180	0
Accrued liabilities		
Accrued employee benefit-related liabilities	6 945	6 467
Other accrued liabilities	1 772	2 124
Total	**33 806**	**30 194**

20. Nominal values and fair values of derivative instruments

Nominal values

EUR 1 000	2020	2019
Interest rate derivatives, hedge accounting not applied		
Interest rate swaps	0	7 600
Interest rate derivatives total	**0**	**7 600**

Fair values

EUR 1 000	2020		2019	
	Negative fair value	Net value	Negative fair value	Net value
Interest rate swaps				
Hedge accounting applied	0	0	0	0
Hedge accounting not applied	0	0	13	-13
Total	**0**	**0**	**13**	**-13**

The purpose of the interest rate derivatives is to hedge against interest rate risks related to financial liabilities. The derivatives matured 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 2020 financial period, the group's cash and cash equivalents totalled EUR 19 877 million (EUR 6 498 million at the end of 2019).

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 will increase.

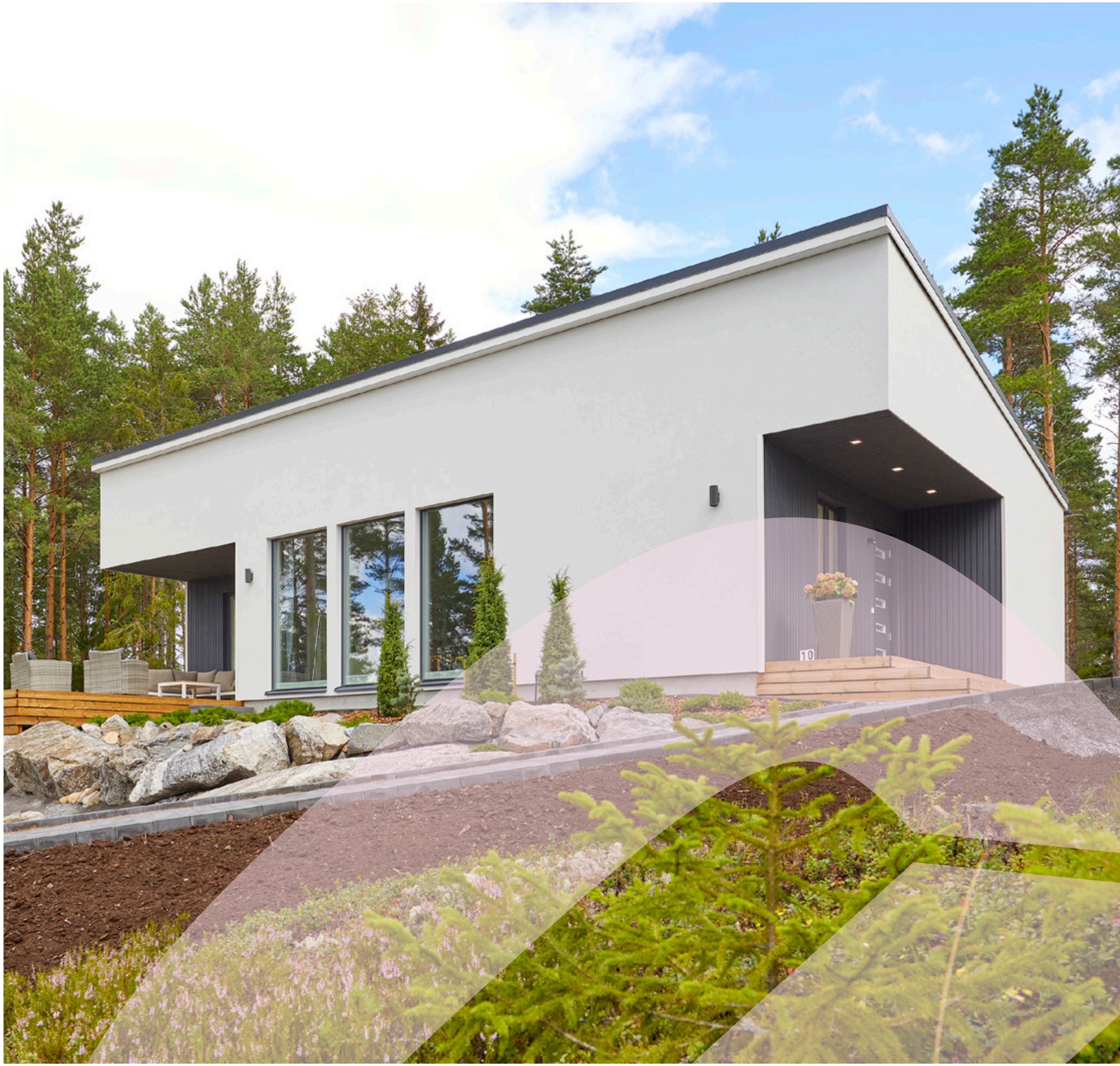
Interest rate risk

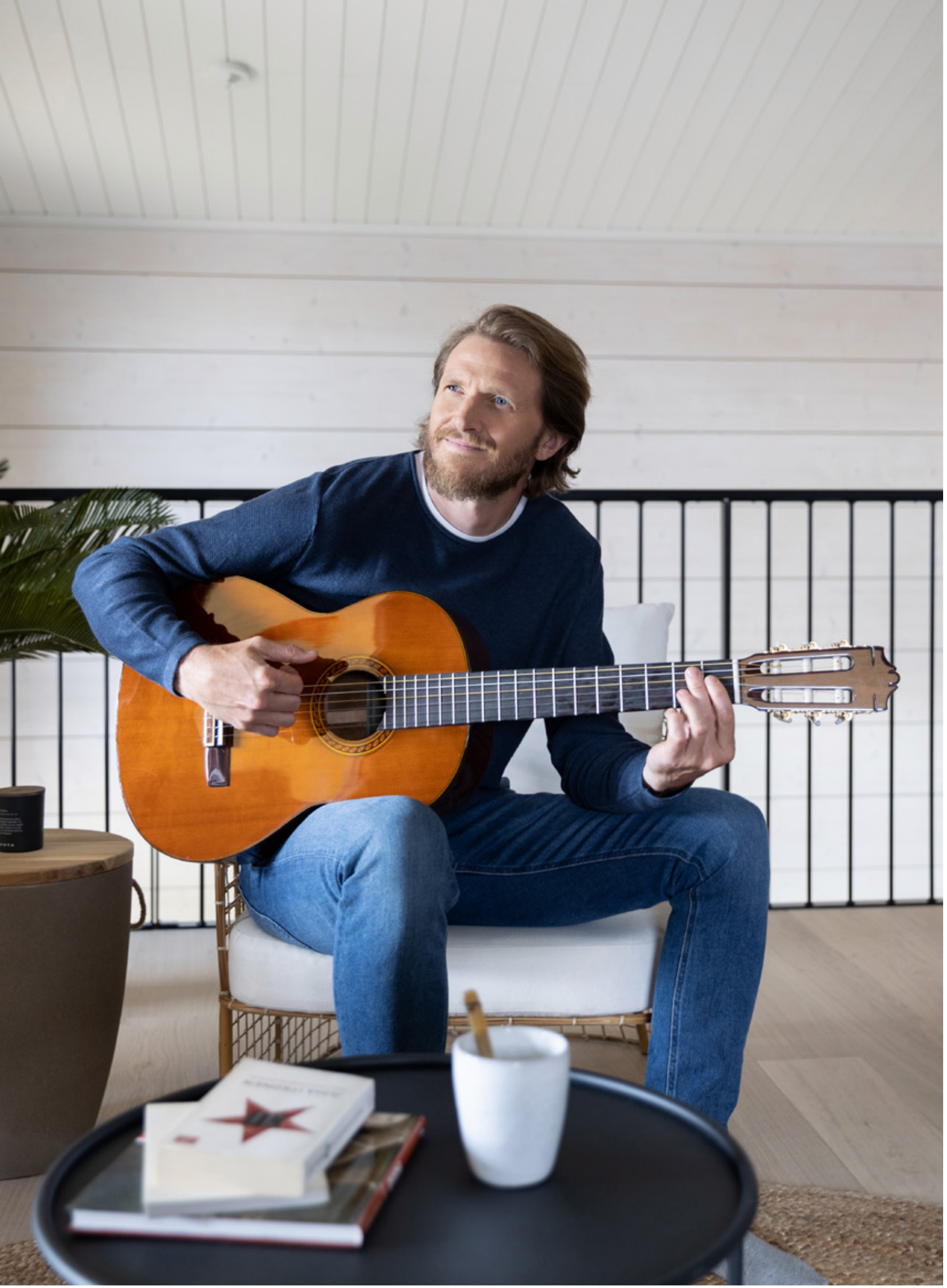
The group's risks related to changes in market interest rates is small, and at the end of 2020, 0% of the company loans of the group's real estate companies were hedged by converting them to fixed-rate loans using interest rate swaps (39% at the end of 2019). The interest rate hedging is taken into account in the table below.

Sensitivity analysis for variable-rate loans, EUR 1 000	2020		2019	
Change, %	1	3	1	3
Impact on profit/ loss after taxes	-159	-478	-123	-369

Credit risk

Credit risk is managed, for example, through checking the customers' credit information, with credit insurance policies 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 2019) and a credit facility of EUR 12 million (EUR 7 million in 2019) earmarked for the purchase of plots. At the end 2020, a total of EUR 0.1 million of this loan facility was committed for guarantees (EUR 0.1 million in 2019). At the end 2020, a total of EUR 3.1 million of this loan facility for building plots was in use (EUR 3.6 million in 2019). In addition, during the financial year the company signed an agreement with Norra Finans Oy regarding a credit facility of EUR 20 for financing Talliosake premises during their construction.

Analysis of debt maturity 2020 (EUR 1 000)	31 Dec 2020	less than 1 year	1–5 years	over 5 years
Financial liabilities	39 756	25 511	14 245	0
Trade payables and other liabilities	13 478	13 478	0	0

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

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.

Net liabilities, EUR 1 000	2020	2019
Interest-bearing liabilities	46 959	45 690
Cash and cash equivalents and interest-bearing receivables	19 877	6 498
	27 082	39 192
Total equity	94 356	86 303
Gearing	49,8	52,9
Net gearing	28,7	45,4
Net gearing excluding the company loans of real estate companies	7,6	25,6

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 (2020: EUR 0.0 million; 2019: EUR 0.01 million).

Calculation of key figures:

Debt-to-equity ratio (%)

$$\frac{\text{Interest-bearing debt}}{\text{Own equity}} \times 100$$

Net gearing (%)

$$\frac{\text{Interest-bearing debt - money and interest-bearing liabilities}}{\text{Own equity}} \times 100$$

Net liabilities	Assets	Liabilities		Total
EUR 1 000	Cash and cash equivalents	Current loans	Non-current loans	
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**
Cash flows	13 379	5 071	-2 467	-10 775
Lease liabilities	0	-68	-1 267	-1 335
Other changes without cash flow	0	0	0	0
Net liabilities 31 Dec 2020	**19 877**	**29 307**	**17 652**	**27 082**

The amounts related to lease liabilities are presented on a net basis. In 2020, liabilities decreased by EUR 1 120 000, determined using the cash flow method (EUR 1 085 000 in 2019).

23. Guarantees and liabilities

Loans covered by pledges on assets, EUR 1 000	2020	2019
Loans from financial institutions	19 798	22 814
Total	**19 798**	**22 814**

Guarantees, EUR 1 000	2020	2019
Enterprise mortgages	254 100	254 100
Property mortgages	3 347	4 387
Pledges	1	180
Absolute guarantees	5 216	10 453
Total	**262 664**	**269 120**

Contract guarantees, EUR 1 000	2020	2019
Production guarantees	20	53
Warranty guarantees	701	601
Payment guarantees	356	158
Total	**1 077**	**812**

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 group has a loan facility of EUR 22 million, which is divided into a credit line of EUR 10 million and a credit facility of EUR 12 million earmarked for the purchase of plots for Talliosake premises. At the end of 2020, a total of EUR 3.1 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.

Name	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

No changes have taken place in the group structure during the financial periods.

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.

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

Transactions with related parties

EUR 1 000	Sales 2020	Sales 2019	Purchases 2020	Purchases 2019
Key personnel and their controlled entities	120	104	88	89
Total	**120**	**104**	**88**	**89**

EUR 1 000	Receivables 2020	Receivables 2019	Liabilities 2020	Liabilities 2019
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.

Management employee benefits

Management employee benefits, EUR 1 000	2020	2019
Salaries and other short-term employee benefits	1 563	1 259
Total	**1 563**	**1 259**

Salaries and remuneration, EUR 1 000	2020	2019
Members of the Board of Directors	129	127
Total	**129**	**127**

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

26. Non-current assets held for sale

In June 2017, DEN Group Oy decided to put the Peuhu manor up for sale. Since the decision, this asset was classified under non-current assets held for sale.

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

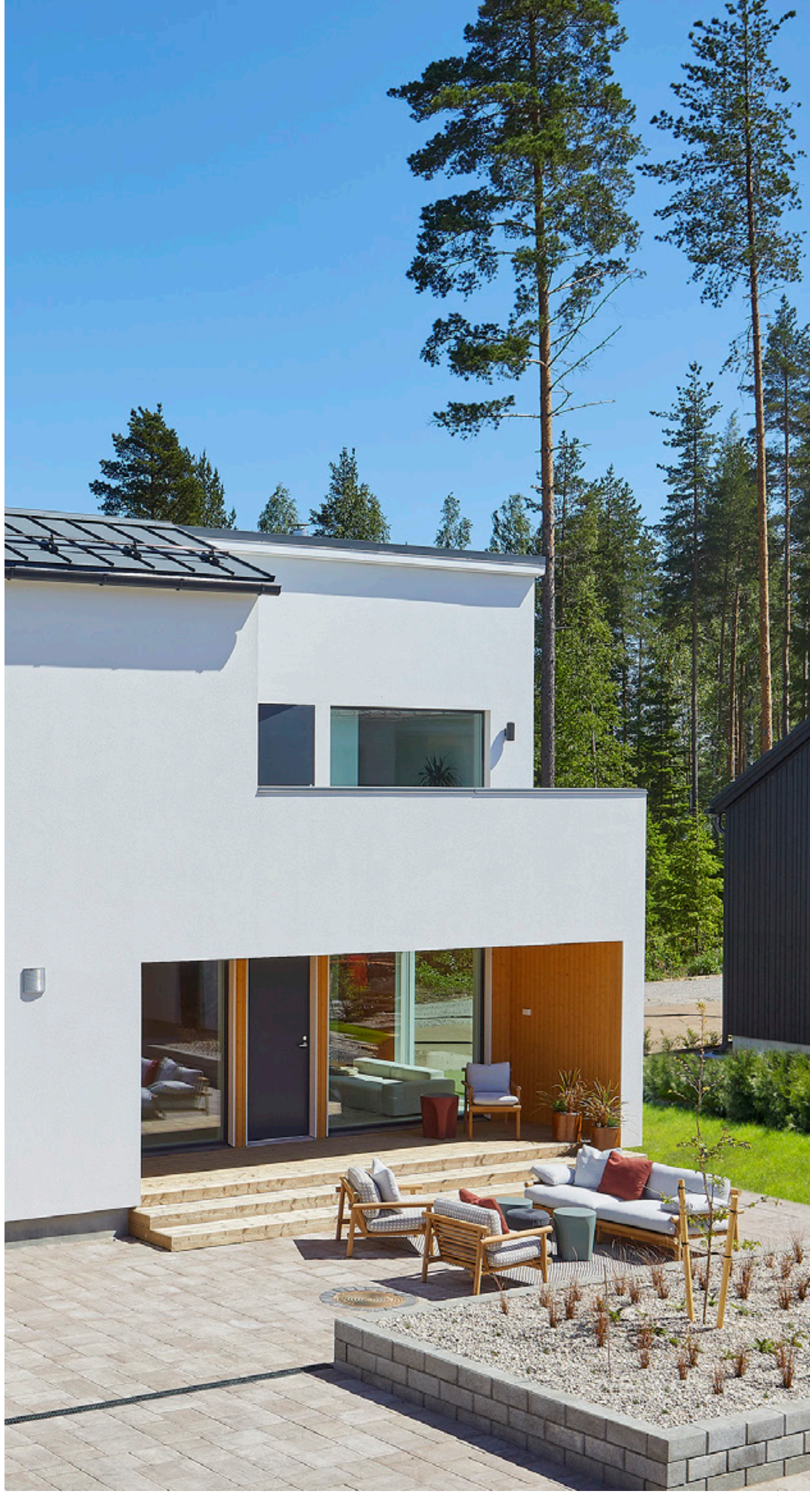
27. Events after the period under review

At the time of signing the financial statements, the spreading of the coronavirus and its impacts are still active. So far, the pandemic has had limited impacts on the operations of DEN Group, but if it persists, 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's management aims to prepare for all identifiable material risks by actively monitoring the situation and by planning alternative measures to maintain operations. The nature of the business means the group can fairly quickly adjust its cost structure and working capital to possible strong changes in demand resulting from the coronavirus.

Despite the coronavirus pandemic, the increase of the consumers' confidence indicator in January to its highest level in two years also gives reason to believe in the positive development of house and premises sales.

The latest RTS survey indicates that log construction is on the increase for the third successive year. In 2020/21, as many as one single-family house in five was constructed of log. The popularity of log and timber as the material for building houses is expected to continue, while the market share of non-renewable houses made of bricks and mortar continues to decrease.

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 2020	1 Jan–31 Dec 2019
Revenue	1 474 556,41	867 143,11
Personnel expenses		
Salaries and remuneration	-821 804,20	-402 004,52
Indirect personnel expenses		
Pensions	-83 365,13	-41 847,12
Other personnel expenses	-9 795,58	-1 559,32
Other operating expenses	-515 354,90	-395 717,60
Operating profit	**44 236,60**	**26 014,55**
Financial income and expenses		
Other interest income and financial income		
From group companies	0,00	806 169,46
Interest expenses and other financial expenses		
Impairment resulting from investments under non-current assets	0,00	-29 117 000,00
Total financial income and expenses	**0,00**	**-28 310 830,54**
Profit/loss before appropriations and taxes	**44 236,60**	**-28 284 815,99**
Appropriations (group contributions)	0,00	-820 000,00
Income taxes	-8 847,32	-2 436,80
Profit/loss for the period	**35 389,28**	**-29 107 252,79**

Balance sheet, parent company (FAS)

EUR	31.12.2020	31.12.2019
ASSETS		
Non-current assets		
Investments		
Shares in group companies	71 897 018,15	71 897 018,15
Total non-current assets	**71 897 018,15**	**71 897 018,15**
Current assets		
Non-current receivables		
Current receivables		
Receivables from group companies	92 829,04	188 053,93
Other receivables	623 426,56	406 026,23
Cash and cash equivalents	0,00	0,00
Total current assets	**716 255,60**	**594 080,16**
TOTAL EQUITY AND LIABILITIES	**72 613 273,75**	**72 491 098,31**

EUR	31.12.2020	31.12.2019
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	-27 657 230,55	1 450 022,24
Profit/loss for the period	35 389,28	-29 107 252,79
Total equity	**71 531 430,49**	**71 496 041,21**
Liabilities		
Current liabilities		
Trade payables	5 143,23	1 936,88
Liabilities to group companies	820 000,00	820 000,00
Other liabilities	51 651,63	56 769,29
Accrued liabilities	205 048,40	116 350,93
Total current liabilities	**1 081 843,26**	**995 057,10**
Total liabilities	**1 081 843,26**	**995 057,10**
TOTAL EQUITY AND LIABILITIES	**72 613 273,75**	**72 491 098,31**

Cash flow statement, parent company (FAS)

EUR	2020	2019
Cash flow from operating activities		
Profit/loss before appropriations and taxes	44 236,60	-28 284 815,99
Adjustments:		
Depreciations according to plan	0,00	0,00
Impairment resulting from investments under non-current assets	0,00	29 117 000,00
Proceeds from the sale of non-current assets	0,00	0,00
Other adjustments without cash flow	0,00	403,25
Financial income and expenses	0,00	-806 169,46
Cash flow from operating activities before changes in working capital	**44 236,60**	**26 417,80**
Changes in working capital		
Change in current non-interest-bearing receivables	-101 624,72	48 141,38
Change in current non-interest-bearing liabilities	86 786,16	121 675,40
Cash flow from operating activities before financial items and taxes	**29 398,04**	**196 234,58**

EUR	2020	2019
Interest expenses paid and other financial expenses	0,00	0,00
Financial income from operating activities	0,00	0,00
Dividends received	0,00	0,00
Taxes paid / tax refunds received	-29 398,04	-196 234,58
Net cash from operating activities	**0,00**	**0,00**
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	0,00
Repayment of non-current loans	0,00	0,00
Proceeds from non-current loans drawn	0,00	0,00
Acquisition of treasury shares	0,00	0,00
Proceeds from share issues	0,00	0,00
Net cash from financing activities	**0,00**	**0,00**
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

Revenue by function, EUR	2020	2019
Intra-group service charges	1 474 556,41	867 143,11
Total	**1 474 556,41**	**867 143,11**

Auditors' fees, EUR	2020	2019
Mandatory audits	-91 604,40	-75 495,42
Other services	0,00	-26 069,35
Total	**-91 604,40**	**-101 564,77**

Financial income and expenses, EUR	2020	2019
Interest income from group companies	0,00	806 169,46
Impairment resulting from investments under non-current assets	0,00	-29 117 000,00
Total	**0,00**	**-28 310 830,54**

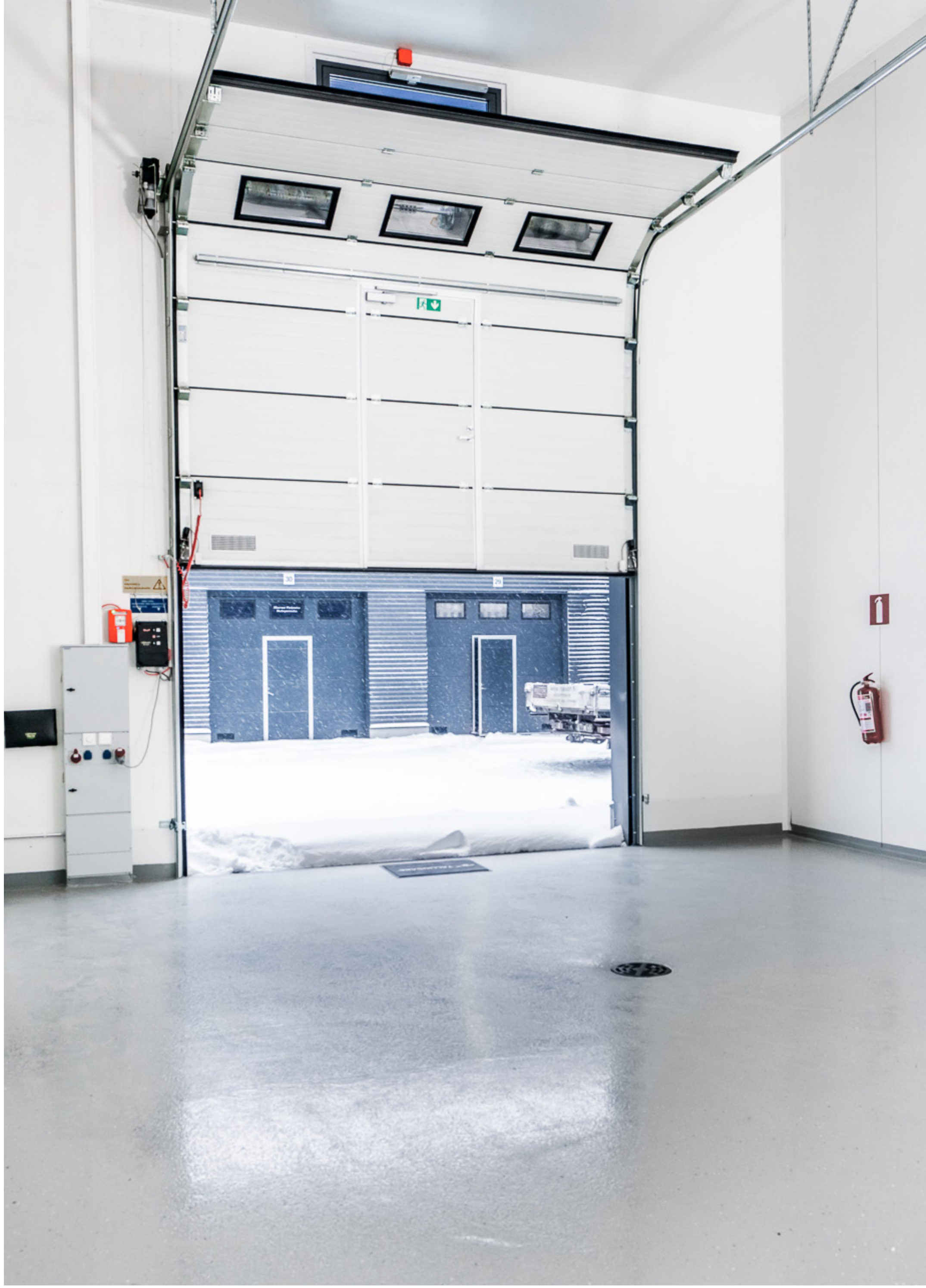
Notes to the balance sheet, assets

Investments, EUR	2020	2019
Acquisition cost 1 Jan	101 014 018,15	80 828 775,39
Increases	0,00	20 185 242,76
Acquisition cost 31 Dec	**101 014 018,15**	**101 014 018,15**
Accumulated impairment 1 Jan	-29 117 000,00	0,00
Impairment	0,00	-29 117 000,00
Accumulated impairment 31 Dec	**-29 117 000,00**	**-29 117 000,00**
Carrying value 1 Jan	71 897 018,15	80 828 775,39
Carrying value 31 Dec	**71 897 018,15**	**71 897 018,15**

Short-term receivables from group companies, EUR	2020	2019
Trade receivables	92 829,04	188 053,93
Total	**92 829,04**	**188 053,93**

Current receivables, EUR	2020	2019
Other receivables	623 426,56	406 026,23
Total	**623 426,56**	**406 026,23**

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



Notes to the balance sheet, equity and liabilities

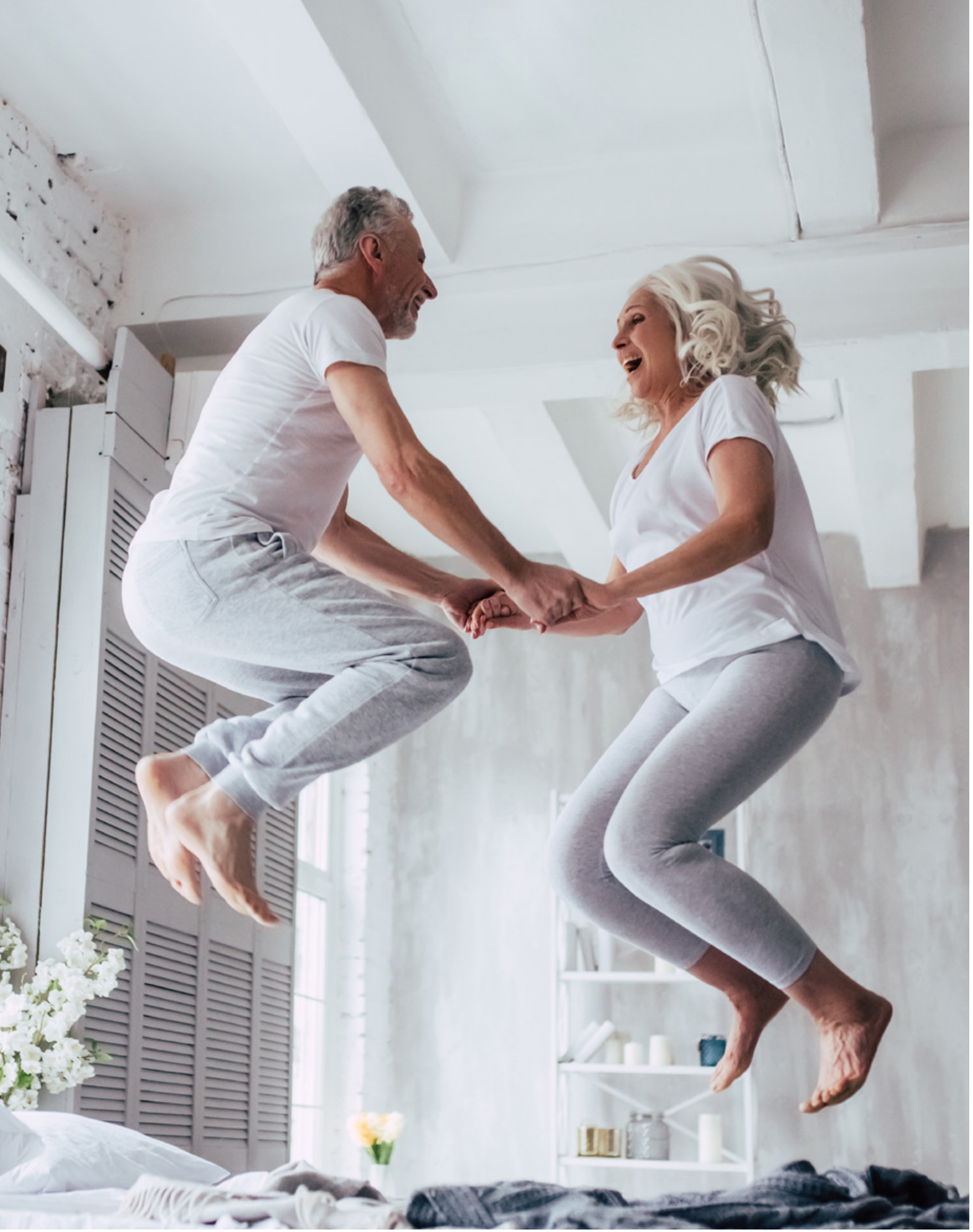
EUR	2020	2019
Share capital 1 Jan	65 002 500,00	65 002 500,00
Share capital 31 Dec	**65 002 500,00**	**65 002 500,00**
Invested non-restricted equity reserve 1 Jan	34 150 771,76	34 150 771,76
Share issue	0,00	0,00
Invested non-restricted equity reserve 31 Dec	**34 150 771,76**	**34 150 771,76**
Retained earnings 1 Jan	1 450 022,24	682 156,09
Profit for the previous period	-29 107 252,79	767 866,15
Retained earnings 31 Dec	**-27 657 230,55**	**1 450 022,24**
Profit/loss for the period	**35 389,28**	**-29 107 252,79**
Total equity	**71 531 430,49**	**71 496 041,21**

Calculation of distributable funds, EUR	2020	2019
Invested non-restricted equity reserve	34 150 771,76	34 150 771,76
Retained earnings	-27 657 230,55	1 450 022,24
Profit/loss for the period	35 389,28	-29 107 252,79
Total	**6 528 930,49**	**6 493 541,21**

The company did not hold any treasury shares in 2019 and 2020.

Current liabilities to group companies, EUR	2020	2019
Other liabilities	820 000,00	820 000,00
Total	**820 000,00**	**820 000,00**

Material items included in accrued liabilities, EUR	2020	2019
Salary debt	164 025,00	80 797,50
Holiday pay debt	27 478,00	25 646,73
Non-wage labour cost debt	13 545,40	9 906,70
Total	**205 048,40**	**116 350,93**



Guarantees and contingent liabilities

Shares in subsidiaries pledged as security, EUR	2020	2019
Shares in subsidiaries pledged as security	71 897 018,15	71 897 018,15

Guarantees given on behalf of other group companies	2020	2019
Guarantees given and other commitments	5 126 497,77	0,00

Enterprise mortgages	2020	2019
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	2020	2019
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, 25/03/2021

Saku Sipola
Chair of the Board of Directors

Antti Karppinen
Member of the Board of Directors

Heikki Lahtinen
Member of the Board of Directors

Kari Neilimo
Member of the Board of Directors

Ilkka Kurkela
Member of the Board of Directors

Pia Kåll
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, 25/03/2021

Deloitte Oy
Audit firm

Eero Lumme
APA

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