DEN GROUP OY

FINANCIAL STATEMENTS AND
REPORT OF THE BOARD
OF DIRECTORS

31/12/2021

Contents

We build better life space by space.

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 its main segments, which are turnkey wooden and log single-family houses and multifunctional halls in Finland. International operations include the export of log houses to several countries and the production of hall premises established 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 2021

1.1.–31.12.2021

In the second year of the coronavirus, 2021, revenue grew by a fifth to EUR 209 million

IN YEAR 2021, consumer purchasing power, which had built up due to Covid-19 restrictions, was heavily geared towards better housing, the need for which had become clear as the pandemic dragged on. The building of new single-family houses in Finland increased by a quarter in euro terms. In 2021, the sales of new houses by DEN grew by nearly 45 per cent in euro terms from the previous year. Demand for purpose-built storage, recreational and business premises also remained strong.

A record number of houses were sold, especially in the first half of the year. After the summer, the rise in demand for single-family houses was slowed by increases in the prices of building materials and labour. A well-established network of partners helped us avoid the general problems in the market, especially in the availability of wood and steel.

In addition, previously initiated business development programmes helped us manage demand and cost pressures.

In the heated market, there were occasional problems with the availability of skilled construction labour, which the company successfully addressed through broad-based cooperation. With a few exceptions, our own projects were completed and handed over on schedule.

The year also involved new internal development. A new strategy and new values were created for the company. The responsibility of the products and operations was extensively improved in cooperation with an external partner. The organisation was restructured to support the achievement of strategic projects and objectives.

Revenue

208.7

m. EUR

EBITDA

€ 14.0

m. EUR (adjusted EBITDA m. EUR 16.9)

Number of employees

518

Procurement was integrated from business to group level to exploit synergies and economies of scale. Procurement pursues strategic partnerships to develop products and concepts to meet customer needs in genuine collaboration.

Positive sales development and the smooth operation of factories and sites helped the Group exceed its sales target. Revenue grew by 19.9% to EUR 208.7 million from EUR 174.0 million in the previous year. EBITDA decreased slightly in euro terms from the previous year to EUR 14.0 million (EUR 15.1 million in 2020). Adjusted EBITDA increased year-on-year to EUR 16.9 million (EUR 15.8 million in 2020). Cash flow from operating activities remained strong and amounted to EUR 11.4 million (EUR 12.0 million in 2020).

The Group's EBITDA was burdened by the sharp rise in raw material costs during the financial year. In particular, the increase in the price of wood raw material had a negative impact on the Group's results. The additional guarantee and modification work costs for Talliosake during the financial year had a greater than normal negative impact on the result.

The number of employees increased significantly, being 518 at the end of the financial year (12/2020: 449).

Business and the operating environment

DEN GROUP OPERATES in the Homes and Multifunctional Premises business areas. The home brands are Designtalo, Finnlamelli and Ainoakoti, a joint venture between Den Finland Oy and K-Rauta. The Multifunctional Premises brands are Talliosake in Finland and Talli in Sweden. DEN Tekniikka serves in the design and installation of building systems in all group's projects.

DEN Group's goal is to continue to be a pioneer and market leader in all its business areas. The Group's goal is to provide the best customer experience for all its customers and be the best employer for all its employees.

Most of the houses and all Talliosake products are supplied as turnkey deliveries and are ready to move in. Den Finland Oy's implementation organisation manages the entire supply chain of customer projects. Den Finland Oy is the project leader in the construction. The construction takes place on the customer's site (Homes business) or on the site of a real estate company (Multifunctional Premises) established by the company. The timber wall elements and log frames are manufactured at our own factories in Nivala and Alajärvi. Other components and construction work are mainly purchased from suppliers and subcontractors. The construction work is managed by DEN's own project managers. The scope of delivery also includes the implementation of the building systems, which are designed and installed by the company's own employees.

Homes

DEN Group is the market leader in the ready-to-move-in single-family houses in Finland. During the 2021 financial year, the Group built almost 800 single-family houses, 600 of them turnkey projects. The volume of house deliveries increased by a third from the previous year.

In terms of both euros and numbers, Design-talo and Finnlamelli are both the largest

suppliers of ready-to-move-in single-family houses in their respective sectors in Finland. DEN sells Designtalo and Finnlamelli homes through its own outlets throughout Finland. The Ainoakoti homes are sold by K-Rauta stores.

Of the brands, Designtalo and Ainoakoti homes are ready-to-move-in or partially prefabricated timber-frame houses that are marketed to consumer customers, as well as professional constructors and property developers. During the year under review, log-frame houses were added to the Ainoakoti selection, and the Ainoakoti brand and interior concepts were further developed in cooperation with K-Rauta.

Finnlamelli log houses are marketed to consumer customers, companies and public organisations for housing and as day-care centres, schools and care facilities. Finnlamelli's turnkey deliveries increased by almost one and a half times compared to the previous year. The brand will continue to invest heavily in the sale of ready-to-move-in log houses.

Finnlamelli's largest export countries were Sweden, Norway, Japan and the Netherlands. In 2021, exports accounted for 17% of Finnlamelli's total sales. The total volume of exports increased by around 40%. Exports to Sweden, Norway and France grew most. Deliveries of houses under the Plot + House concept continued steadily, with just under 30 units sold. 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.

With the new strategy, the Plot + House concept was renewed at the end of the year, diversifying the procedures for land acquisition and thus the options available to customers. At the same time, the Plot + House activities were extended beyond the Helsinki Metropolitan Area to other parts of Central Uusimaa, Tampere and Turku.

Multifunctional Premises

With its Talliosake brand, DEN Group is the market leader in its premises segment in Finland. The Talliosake business included 20 completed sites around Finland. At the end of the period, 14 sites were in progress. In 2021, approximately 750 premises were sold in Finland. In Sweden, the Talli business developed according to goals. Three new Talli sites were completed in Sweden, two of which were sold to Taaleri investment funds as planned. At the end of the year, six new sites were under construction.

The premises serve both companies and consumers as work, production and office space, warehouses, hobby and retail premises, etc.

Talliosake also provides a leasing service for leasing the premises sold to investors. Of the premises sold in 2021, half were occupied by tenants, for example. As a registered real estate agency 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.

Talliosake operations in Sweden are expanding beyond Västerås and Örebro as planned. Personnel have been recruited in Sweden, and the Swedish country management is supported by ten employees. Plots have been acquired for new projects, and the project base is stronger than ever.

Main events during the financial period

THE GROUP RENEWED its strategy and values and started a comprehensive and systematic development of corporate responsibility.

The cost of raw materials increased significantly during the year, which had an impact on the company's results. In particular, the increase in wood raw material prices was reflected in the company's results.

The additional guarantee and modification work costs for Talliosake during the financial year had a greater than normal negative impact on the result.

Both Designtalo and Ainoakoti presented their houses at the housing fair in Lohja in the summer of 2021. The presidium of the Association of Finnish Construction Managers and Engineers, RKL, chose Designtalo Idyll as the model house for the Lohja Housing Fair. Idyll was particularly commended for its quality, project management and construction safety.

		2021	2020	2019
Revenue	EUR 1,000	208,677	173,975	178,016
Revenue, change from previous year	%	19.9	-2.3	-8.4
EBITDA	EUR 1,000	14,049	15,089	4,548
Adjusted EBITDA	EUR 1,000	16,913	15,764	–
Operating profit	EUR 1,000	10,529	10,800	-28,934
Operating margin	%	5.0	6.2	-16.3
Profit for the period	EUR 1,000	7,455	8,044	-30,225
Profit for the period, % of revenue	%	3.6	4.6	-17.0
Return on equity (ROE)	%	7.7	8.9	-29.8
Return on capital employed (ROCE)	%	7.8	8.3	-19.2
Equity ratio	%	59.3	56.8	55.8
Net gearing	%	19.7	28.7	45.4
Net gearing excluding the company loans of real estate companies	%	10.9	7.6,	25.6

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/assets ratio (%)

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

Net gearing (%)

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

Reconciliation calculations of key figures

EUR 1,000	2021	2020
EBITDA	14,049	15,089
Adjustment items		
Modification costs for Talliosake sites	1,936	
Rearrangement costs	905	675
Expense adjustments for acquisition of business activities	-284	
Expense entries for SaaS projects	307	
Adjustment items total	**2,864**	**675**
ADJUSTED EBITDA	**16,913**	**15,764**

IN 2021, the group's revenue grew significantly (by 19.9%), amounting to EUR 208.7 million (174.0).

In 2020, EBITDA decreased slightly and was EUR 14.0 million (15.1), or 6.7% (8.7%) of revenue. Adjusted EBITDA strengthened to EUR 16.9 million, or 8.1% of revenue (9.1%).

The group made an operating profit or EUR 10.5 million (10.8). The consolidated profit for the period was EUR 7.5 million (8.0).

Homes business area revenue grew by 25.6% from the previous year, amounting to EUR 139.4 million (111.0). Multifunctional

Premises business area revenue increased during the year by 14.4%, totalling EUR 65.9 million (57.6).

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

Equity

98.5

m. EUR

Equity ratio

59.3%

Financial position and financing

THE CONSOLIDATED BALANCE sheet total at the end of the financial period amounted to EUR 178.1 million (174.4). The total equity at the end of the financial period amounted to EUR 98.5 million (94.4). Equity ratio was 59.3% (56.8%). The amount of interest-bearing liabilities in the consolidated balance sheet totalled EUR 36.3 million (45.7). Net gearing was 19.7% (28.7%). The company loans of the group's real estate companies are recognised in interest-bearing liabilities and totalled EUR 8.6 million (20.0) at the end of the financial period.

The consolidated net financial expenses for the period were EUR -1.3 million (-0.8).

At the end of the year, the group had access to a loan facility of EUR 25 million, divided into a credit line of EUR 10 million and a credit facility of EUR 15 million, earmarked for the purchase of plots for Talliosake premises. At the end of 2021, a total of EUR 10.2 million was committed of the latter credit facility and EUR 0.1 million of the credit line was committed for guarantees. The Group's financing agreement was renegotiated during the financial year. In connection with this, the limit for land purchases was increased by EUR 3 million to EUR 15 million.

The consolidated cash flow from operating activities was EUR 11.4 million (12.0). 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 the Group's personnel increased due to strong business growth, averaging 496 (2020: 458; 2019: 503). At the end of the financial period, the number of personnel was 518 (2020: 449; 2019: 457). Personnel expenses totalled EUR 33.6 million (2020: 29.3; 2019: 31.1). 61% of personnel were salaried employees and 39% worked at factories and construction sites. The share of the latter of the total number of personnel increased by two percentage points.

During the financial period, the company continued the HR transformation project that started in 2020. HR management processes and practices, as well as HR policies, were developed and harmonised. The induction of new employees was systematically developed. Payroll management was taken back on board, and the development of operational payroll processes was initiated. The values development project, driven by HRM, involved all personnel as part of the strategy process, and the roll-out of the new values started in the autumn. An internal DEN Academy training platform was established to support continuous competence development.

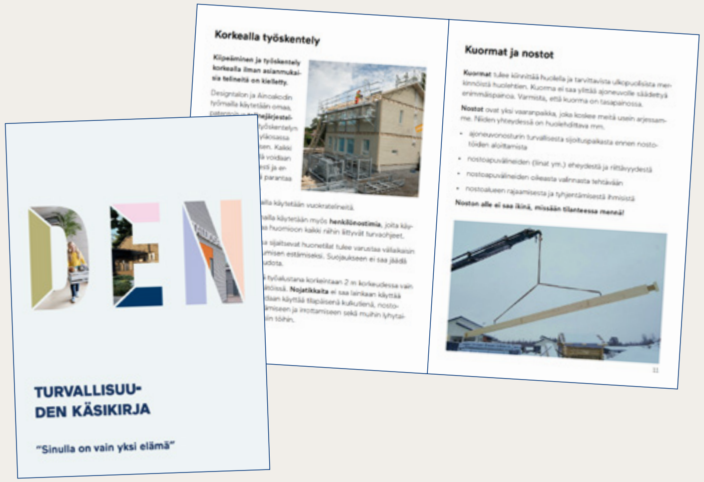
"The values development project involved all personnel and the roll-out of the new values started in the autumn."

Occupational safety

DEN GROUP TAKES the occupational safety and health of its personnel and subcontractors seriously and systematically develops it with various stakeholders.

Unfortunately, the rush caused by the exceptionally high delivery volumes was felt at the worksite. The Lost Time Incident (LTI) frequency describing the frequency of accidents within the group was 14 at the end of the year. The target is to be below 10. Fortunately, serious injuries were avoided. However, compared to the average frequency of accidents in 2021 (close to 23) among all member companies of the Finnish Association for Manufacturers of Prefabricated Houses, the Group's accident frequency was at a better level.

A determined effort was made to improve safety through management training, communication and occupational safety audits by the management. DEN produced its own safety booklet for distribution to all Group employees, construction partners and other key partners. A new instruction board on safety and site equipment was designed, and it will be put on doors at Homes construction sites. Safety training will continue in 2022. The Impact application is used for safety reports and audits.



Responsibility

IN THE AUTUMN of 2021, DEN Group started to develop responsibility in a more comprehensive way as part of its updated strategy. The Group wants to be the most responsible player in the industry and the best choice for customers, employees and partners. The responsibility programme includes ambitious targets in the areas of environmental, social and governance responsibility for the homes and premises built by DEN, as well as for the Group's own activities.

DEN focuses on developing buildings that use the circular economy and new technologies to minimise their carbon footprint throughout their life cycle. The range of carbon neutral products will be increased. Single-family houses made of wood and logs already have a significant carbon handprint in themselves, and a standardised method for calculating this will be developed.

Clear responsibility criteria are set for procurement and the partner network, as well as for products, the Group's own operations and construction. The improvement of safety on construction sites will be stepped up. Employees and partners will be trained to better address issues and choices related to matters such as diversity and business ethics.

Social responsibility includes safe operations carried out with integrity. DEN offers training for its employees and invests heavily in the development of managers' skills.

The Group closely monitors the implementation of its responsibility programme and reports the results transparently.

Research and development

DURING THE YEAR, the company has carried out the usual research and development activities. In 2021, external research expenses amounted to EUR 7,000 (EUR 10,000 in 2020). They were recognised under other operating expenses. Better solutions that make the operations smoother are being constantly developed in design and construction. The above development activities are carried out as part of project design and implementation.

The group has acquired design rights for its technical space floor element, combined pillar footing/base plate solution, and supply air regulation system. The self-developed scaffolding system used at the Designtalo and Ainoakoti sites has been patented.

The new strategy has increased and accelerated development projects.

Development of the model ranges

DEN's model ranges are constantly evolving to better meet customer needs.

The popularity of the Ideal range, launched by Designtalo in late 2020 and based on standardised structural solutions, proved that customisation and cost cutting is the way to go. So, based on the same ideology, Finnlamelli launched the new Rehti range in March. In the latest survey by RTL (the federation of real estate developers), three DEN models were among the top five most popular house models: Designtalo Käpylä, which can be customised, and the more standard Designtalo Ideal and Ainoakoti Fiksu.

Ainoakoti launched the ready-to-move-in Varma and Priima log cabin ranges. The range reform was the greatest change in Ainoakoti's ten-year history. At the same time, three ready-made interior design styles were launched for Ainoakoti, a new approach to home interior design choices in the single-family house sector.

Risks and uncertainties

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

Risks related to the general economic development include, consumers' trust in their personal finances, trust of businesses, competitive situation in the markets, availability of mortgages and loans for real estate companies, development of interest rates for mortgages, and 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 coronavirus pandemic added its own elements to risk assessment. In 2021, the negative effects 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.

Changes in raw material prices may have an impact on the company's results for the current year. We have tried to prepare for these risks as far as possible.

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. The emphasis on occupational safety will be more on anticipation based on safety observations and corrective measures.

Data and information management plays a key role in the management of the group's risks. Data systems are critical in terms of efficient internal surveillance, as several surveillance methods are based on information technology. ICT and data security risks are managed, for example, with the aid of ICT process design, access management and user identification involving several steps. Training has been provided to improve awareness and knowledge of the personal data processing procedures required by the GDPR regulation.

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 booking a guarantee provision on the basis of the previous years' outturn data. The group also requires its suppliers and subcontractors to prepare for corresponding guarantee liabilities.

Insurance cover was subjected to analysis and competitive tendering in 2021, and all the group's insurance policies are up to date.

As part of the activities of the company's Board of Directors and its Audit Committee, the company regularly analyses its business risks.

Strategy and values

THE GROUP'S STRATEGY was renewed in the summer of 2021, after which the business areas finalised their own strategies. The key ideas are to make dreams come true in one space at a time and to serve the customers in their needs related to premises well into the future, responsibly and with intelligence.

A new digital customer experience, buildings that are fully ready for life, with maintenance services and energy-efficient hybrid spaces are examples of future concepts.

DEN's strategic priorities are an inspiring culture, a lifelong customer experience, to be the most preferred partner, profitable international growth, responsible and smart DEN, and smooth implementation. Our goal is to make doing business with DEN easier, more fun and faster than with anyone else.

Alongside the strategy, DEN renewed the values that guide each employee and all its activities with the employees. The new values are respect, courage, responsibility and happiness.

The strategy also includes ambitious financial targets to be achieved through organic growth.

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.

Preparations for Finnlamelli's new ERP system, the cloud-based SAP Business by Design, were carried out throughout the year. The aim of the system investment is to improve the transparency and efficiency of our operations and to serve as a first step towards the largescale digitalisation of our business. The system, called Kajo, will be rolled out in August 2022. Expenditure related to this investment has been expensed as incurred.

Changes in the company's management

JUSSI NIEMELÄ TOOK over as CEO on 1 May 2021. Ilkka Iittiläinen (Procurement and Development Director) and Markus Alitalo (CBO of the Multifuntional Premises business) , who left the company during the year, and Jarmo Huhtala, who took over another position within the company, left the Management Team. Otto Tarkiainen (CBO of Homes) and Janika Vilkman, (Legal Counsel) joined 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. During the period under review, its members were Kari Neilimo (Chairman), Anu Tuomola and Antti Karppinen.

The members of the Board of Directors of DEN Group Oy during 2021 were:
Saku Sipola (Chairman), Antti Karppinen, Pia Kåll, Heikki Lahtinen, Anu Tuomola, Kari Neilimo and Ilkka Kurkela

At the end of 2021, the Corporate Management Team comprised the following persons:
Jussi Niemelä (CEO and acting CBO, Multifunctional Premises), Otto Tarkiainen (CBO, Homes), Jani Oksanen (CFO), Markku Uotinen (Development Director), Sari Kontu (HR Director), Janika Vilkman (Legal Counsel)

At the time of the signing of the financial statements, the Corporate Management Team comprised the following persons:
Jussi Niemelä (CEO and acting CBO, Multifunctional Premises), Otto Tarkiainen (CBO, Homes), Jani Oksanen (CFO), Markku Uotinen (Development Director), Sari Kontu (HR Director) and Maria Mroue (Director of Marketing and Communications)

The auditor was Deloitte Oy, with APA Jonas Vuorela as principal auditor.

Company shares

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

The Annual General Meeting held on 7 June 2018 authorised the Board of Directors to decide on a share issue. The Board of Directors was authorised to issue 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.

Furthermore, the AGM held on 29 April 20211 authorised the Board of Directors to decide, at its discretion, on an additional capital distribution from the invested non-restricted equity reserve. Based on this authorisation, a maximum of EUR 0.10 per share may be paid as capital distribution from the invested non-restricted equity reserve. The authorisation was valid until the end of 2021. The extraordinary General Meeting held on 14 December 2021 extended the above authorisation until the next Annual General Meeting.

The extraordinary General Meeting held on 14 December 2021 authorised the Board of Directors to decide on the acquisition of up to 250,000 of the company's own shares in one or more batches. The authorisation will valid until the next Annual General Meeting or until 30 June 2022 at the latest.

Profit distribution

ON 29 APRIL 2021, the Annual General Meeting if DEN Group Oy decided, in accordance with its authorisation, to pay a capital distribution of EUR 0.18 per share, totalling EUR 3,245,797.80, from the invested non-restricted equity reserve.

Main events after the financial period

THE RUSSIAN INVASION of Ukraine in February 2022 stopped the trade of new Finnlamelli log houses to Russia. It is uncertain whether exports to Russia will continue in the future. Russia has not accounted for a significant share of Finnlamelli's total exports. According to current information, the war will have an indirect impact on the Group's business through limited availability of materials and higher prices. It is difficult to assess the actual effects that will take place, and the Group's management is monitoring the situation on a daily basis.

On 20 January 2022, the Board of Directors of DEN Group Oy decided, in accordance with its authorisation, to pay a capital distribution from the reserve of invested unrestricted equity of EUR 0.10 per share, totalling EUR 1,794,766.80. In addition, the Board of Directors of DEN Group Oy decided, in accordance with its authorisation, to acquire a total of 84,542 shares as treasury shares.

Estimate of likely future developments

ACCORDING TO THE latest RTS survey, demand for log and timber-framed single-family houses will continue at a good level at the expense of houses built from non-renewable raw materials. In 2021, the market share of timber-framed houses rose by one percentage point to 68 per cent, while the share of log houses remained at the previous year's level of 24 per cent.

Four out of five Finns would still like to live in single-family houses (detached, semi-detached and terraced houses), but just over half have been able to realise this dream. If reasonably priced plots were available in suitable locations, even more single-family houses would be built.

The harmonisation of the Group's marketing began in January 2022 under the leadership of our new director of marketing and communications. The aim is to create a high-quality digital customer path, exploit synergies such as marketing partnerships, eliminate duplication of effort and use our in-house expertise more accurately.

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 distributable funds amount to EUR 7,298,182.57, of which the profit for the financial year is EUR 4,015,049.88. The Board of Directors proposes to the General Meeting that no dividend be distributed and that the profit for the financial year be transferred to retained earnings.

Furthermore, the Board of Directors proposes that the AGM authorise 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 this authorisation, a maximum of EUR 0.30 per share may be paid, in one or more instalments, as capital distribution from the invested non-restricted equity reserve. The Board of Directors proposes that the authorisation be valid until the Annual General Meeting to be held in spring 2023.

There have been no material changes in the financial position of the company since the end of the financial year. The liquidity of the company is good and, in the opinion of the Board of Directors, the proposed distribution of fund will not jeopardise the company's solvency.

Helsinki, 29/03/2022

DEN Group Oy
Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of comprehensive income (IFRS)

EUR 1,000	Note	1.1.–31.12. 2021	1.1.–31.12. 2020
Revenue	**1**	**208,677**	**173,975**
Other operating income	2	119	281
Changes in inventories of finished goods and work in progress		-5,434	6,967
Raw materials and consumables used		-88,145	-72,772
External services		-52,535	-50,879
Personnel expenses	5	-33,628	-29,294
Other operating expenses	3,6	-15,003	-13,188
EBITDA		**14,049**	**15,089**
Depreciation and amortisation	4	-3,521	-4,289
Operating profit		**10,529**	**10,800**
Financial income		51	93
Exchange rate differences (net)		-186	508
Financial expenses		-1,180	-1,391
Finance expenses (net)	**7**	**-1,315**	**-790**
Profit/loss before taxes		**9,214**	**10,011**
Income taxes	8	-1,759	-1,966
PROFIT FOR THE PERIOD		**7,455**	**8,044**

EUR 1,000	Note	1.1.–31.12. 2021	1.1.–31.12. 2020
Earnings per share			
Basic earnings per share (EUR)		0.41	0.45
Diluted earnings per share (EUR)		0.41	0.45
Total income for the period is attributable to:			
Equity holders of the parent company		7,455	8,044
Other comprehensive income			
Items that may later be recognised in profit and loss			
Translation difference		-34	9
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**7,421**	**8,053**
Total income for the period is attributable to:			
Equity holders of the parent company		7,421	8,053

Consolidated balance sheet (IFRS)

EUR 1,000	Note	31.12.2021	31.12.2020
ASSETS			
Non-current assets			
Goodwill	10	87,911	87,911
Intangible assets	10	2,798	4,281
Property, plant and equipment	11	4,778	5,485
Other receivables		231	50
Deferred tax assets	12	1,409	2,055
Total non-current assets		**97,127**	**99,781**
Current assets			
Inventories	13	52,514	47,638
Trade receivables	14	9,704	4,900
Other receivables	14	668	1,023
Advances and accrued income	14	1,205	1,007
Income tax receivables	14	0	187
Cash and cash equivalents	15	16,911	19,877
Total current assets		**81,002**	**74,633**
TOTAL ASSETS		**178,129**	**174,414**

EUR 1,000	Note	31.12.2021	31.12.2020
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	30,905	34,151
Translation difference	16	-21	13
Retained earnings	16	2,645	-4,810
Total capital attributable to equity holders of the parent company		**98,531**	**94,356**
Total equity		98,531	94,356
Non-current liabilities			
Deferred tax liabilities	12	699	901
Provisions	17	3,024	1,213
Financial liabilities	18	12,500	14,244
Other non-current liabilities	19	2,244	3,407
Total non-current liabilities		**18,467**	**19,766**
Current liabilities			
Trade payables	19	8,592	5,781
Other current liabilities	19	6,278	8,764
Advances	19	12,087	8,364
Income tax liabilities	19	1,381	2,180
Provisions	17	1,301	974
Financial liabilities	18	20,630	25,511
Accrued liabilities	19	10,862	8,717
Total current liabilities		**61,131**	**60,292**
Total liabilities		**79,597**	**80,057**
TOTAL EQUITY AND LIABILITIES		**178,129**	**174,414**

Consolidated cash flow statement (IFRS)

EUR 1,000	2021	2020
Cash flow from operating activities		
Profit for the period	7,455	8,044
Adjustments:		
Depreciation and amortisation	3,521	4,289
Other adjustments	2,346	-397
Financial income and expenses	1,129	1,309
Proceeds/losses from sale of tangible intangible assets	-6	-152
Taxes	1,759	1,966
Cash flow before changes in working capital	**16,204**	**15,059**
Changes in working capital:		
Change in trade and other receivables	-5,048	2,254
Change in inventories	-5,637	-3,578
Change in trade and other payables	8,842	-539
Changes in working capital	**-1,843**	**-1,863**
Interest paid	-995	-1,280
Interest received	49	25
Taxes paid or refunded	-1,995	106
	-2,941	-1,149
Net cash from operating activities	**11,420**	**12,047**

EUR 1,000	2021	2020
Cash flow from investment activities		
Investments in intangible assets and in property, plant and equipment	-639	-206
Proceeds from sale of property, plant and equipment and intangible assets	6	152
Net cash from investment activities	**-633**	**-54**
Cash flows from financing activities		
Loans drawn	9,475	4,783
Loans repaid	-7,550	-5,175
Change in real estate company loans	-11,316	2,891
Finance lease payments	-1,091	-1,120
Dividends paid and other profit distribution	-3,246	0
Net cash from financing activities	**-13,728**	**1,379**
Change in cash and cash equivalents	**-2,941**	**13,372**
Cash and cash equivalents at the beginning of the financial period	19,877	6,498
Impact of exchange rate changes on cash and cash equivalents	-25	7
Cash and cash equivalents at the end of the financial period	**16,911**	**19,877**

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 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	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**
Equity on 1 Jan 2021	**65,003**	**34,151**	**13**	**-4,810**	**94,356**
Comprehensive income for the period	0	0	-34	7,455	7,421
Total comprehensive income	**0**	**0**	**-34**	**7,455**	**7,421**
Transactions with equity holders					
Profit distribution	0	-3,246	0	0	-3,246
Share issue	0	0	0	0	0
Transactions with equity holders, total	**0**	**-3,246**	**0**	**0**	**-3,246**
Equity on 31 Dec 2021	**65,003**	**30,905**	**-21**	**2,645**	**98,531**

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 multi-functional 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 29/03/2022. 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 31/12/2021. 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 01/01/2021 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 software licences are capitalised based on the costs incurred to acquire and implement the specific software. The acquisition cost is amortised on a straight-line basis over the estimated useful life. Amortisation begins when the software is ready for use. Software maintenance costs are expensed as they are incurred.

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.

Inventories

VInventories 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

Presentation and measurement of sales revenue

The Group presents revenue from sales contracts with customers, net of indirect taxes and discounts, as revenue. The expected transaction price, which includes variable components and additional fees based on the work performed, is estimated at the start of the contract. However, the amount of the variable transaction price, or part of it, is recognised as revenue only to the extent that its realisation is probable. The estimated transaction price is updated at the end of each reporting period. Costs incurred before the contract is made and that are not eligible for capitalisation under other standards are recognised as an expense. The Group capitalises contract fulfilment costs that meet the criteria for capitalisation and allocates them as expenses according to the stage of completion. Additional expenses incurred by obtaining the contract is treated as capitalised expenditure. Contract fulfilment costs are presented in the balance sheet under Inventories.

For customer contracts, the compliance with performance obligations and the payments are largely simultaneous. The Group therefore does not need to adjust the promised consideration with the effect of the financing component.

Performance obligations

The transaction price is allocated to performance obligations based on separate sales prices if the contract involves more than one performance obligation. In general, guarantees to customers do not affect the recognition of revenue, because they are assurance guarantees treated as provisions. The Group does not offer guarantee periods materially longer than the general terms and conditions for which it would be necessary to assess the definition of separate performance obligations and the separation of the related portion of the transaction price for recognition as revenue only when the service is rendered. Contract amendments are additions and modifications that are mostly treated as part of the original contract. Whether a separate performance obligation arises for additional or modification work is assessed separately.

Timing of revenue recognition and determination of the stage of completion
Revenue is recognised separately for each performance obligation based on the date on which control of the goods or services is transferred to the customer. The group recognises sales revenue only once. If it is probable that the total costs required to complete a customer contract will exceed the transaction price for the customer contract, the anticipated loss is recognised in provisions as an expense.

Assets and liabilities arising from customer contracts
At the time of reporting, if the invoiced amount of a contract is less than the recognised sales revenue, the difference is shown under advances and accrued income in the balance sheet. At the reporting date, if the invoicing of the contract is greater than the recognised sales proceeds, the difference is presented as a liability under advances received in current liabilities in the balance sheet. The company loan participations related to the Group's own real estate development projects are shown under the 'financial liabilities' heading in current liabilities.

Specific features of revenue recognition

Ready-to-move-in and complete turnkey house deliveries
Ready-to-move-in and complete turnkey house deliveries are projects where a single-family house or semi-detached house is constructed on land owned by the customer, either almost or fully completed, by the Designtalo, Ainoakoti or Finnlamelli brand. Depending on the scope of the delivery, the projects include several performance obligations. The expected transaction price includes variable components and additional fees based on the work performed.

In these projects, the customer owns the land, and the Group therefore has no control over the asset on which the work is performed. Revenues related to performance obligations are recognised once the performance obligation is satisfied and the agreed goods or services have been delivered to the customer, i.e. once the right of control to the underlying asset is transferred to the customer. Performance obligations are primarily related to specific stages of work, and once they have been satisfied, revenue is recognised in respect of that performance obligation.

Turnkey home deliveries
Turnkey home deliveries are projects in which the elements of a single-family or semi-detached house or a log frame are installed on land owned by the customer, usually so they are ready for roof installation, by the Ainoakoti or Finnlamelli brand. The projects usually include one to three performance obligations. The expected transaction price includes variable components and additional fees based on the work performed.

In these projects, the customer owns the land and therefore the Group has no control over the asset on which the work is performed. Customer contracts concerning turnkey home deliveries typically involve one to three performance obligations. Revenues related to these performance obligations are recognised once the performance obligation is satisfied and the agreed goods or services are delivered to the customer, i.e. once the right of control to the underlying asset is transferred to the customer.

The Group's own real estate development projects in Finland
The Group's own real estate development projects are projects developed by the Group itself and sold to customers under the Talliosake® (talliosake.fi) and Talli (talli.com) brands. These projects are halls with various functionalities, offered to consumers, investors and companies.

The Group acquires the plot and contracts the construction of the hall premises for the real estate company it has established. The shares in the real estate companies that give the right to control the space are sold to customers, usually separately for each space. Sometimes they are sold in packages containing more than one building. A binding contract of sale is created when the customer signs the deed of sale. If the customer cancels the sale, the Group is entitled to compensation.

In the Group's own real estate development projects, individual premises constitute separate performance obligations. The customer pays a downpayment, usually of around EUR 5,000, at the time of the sale transaction and the final purchase price in connection with handover. The projects are mainly less than 12 months in duration, so the Group does not need to account for the time value of money for these payments. In addition, the transaction price of an individual piece of real estate sold includes a company loan component, which is repaid by the buyer of the real estate. This company loan is taken in the name of the real estate company during construction to cover the costs of the construction project. Thus, the total purchase prices (transaction prices) received by the Group for the sale of premises include both the purchase prices paid by the customers and the loan taken for the premises.

The revenue from each of the Group's own real estate development projects is recognised as a single entry of income, at the earliest on completion of the site. Completion of the site is subject to an approved commissioning review by the authorities. Revenue recognition is also conditional on the customer signing the deed of sale, the payment being received in full, and the premises being handed over to the customer. For premises sold after completion, revenue is recognised in the reporting period by which the customer has signed the sales contract, made the full payment for the premises, and received the premises.

The Group's own real estate development projects in Sweden
As in Finland, the Group carries out similar real estate development projects of its own in Sweden. Instead of real estate companies, either aktiebolag ('AB') or bostadsrättsförening (BRF) is used in Sweden, depending on the project's characteristics. The principles of revenue recognition resemble those used for projects in Finland.

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.

Share-based payments
The group has a synthetic option-based incentive scheme, which started during the 2021 financial year. The rewards according to the incentive scheme are paid in cash. The cost effect of the incentive scheme was recognised based on the group's estimation of the value of the options. The cash-settled rewards were expensed to employee benefit expenses and current liabilities until the settlement date. The liability was remeasured on each closing date.

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 24.

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.

Coronavirus pandemic (Covid-19)

The Covid-19 pandemic is not currently expected to have a material impact on the Group's business. The section on matters requiring management judgement describes the areas of the consolidated financial statements that involve a significant level of judgement.

Accounting principles requiring management judgement 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 are related to revenue recognition, inventories, provisions, share-based payments, business acquisitions and impairment testing. The following presents the critical accounting estimates and judgements included in the financial statements:

Revenue recognition

A significant element of the Group's business is project-based. Project revenue recognition is based on estimated revenues and costs in a significant portion of the projects. The Group's management exercises judgement in estimating the amounts of performance obligations, the actual proceeds from the project sales and the timing of revenue recognition for the Group's own real estate development projects.

For Homes, the management's judgement is related to the number of defined performance obligations and the work stages associated with each performance obligation. Similarly, management judgement is related to the predicted revenues and costs that are used to recognise revenue and the profit margin for each performance obligation.

For the company's own real estate development projects under Multifunctional Premises, the management makes judgements about the stages required to satisfy the performance obligation. These include the completion of a commissioning review carried out and approved by the authorities, a signed deed of sales, payment by the customer, and the handover of the premises to the customer.

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.

Share-based payments

In relation to share-based payments, the management makes judgements about the fair value of the share on the reporting date. In addition, the management evaluates the timing of the maturity of the schemes and the value of the factors used to calculate the value of the options.

Business acquisitions

Assets acquired and liabilities assumed in business combinations are recognised at fair value. Where possible, the management uses the available market values when determining the fair values. If this is impossible, the measurement is carried out based on the estimated 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.

1. Revenue

EUR 1,000	2021	2020
Homes	139,397	110,983
Multifunctional Premises	65,888	57,614
Services	3,392	5,378
Total	**208,677**	**173,975**

The Group's revenue is broken down between the Homes, Multifunctional Premises and Services segments. Homes covers all the brands and businesses of the group related to a variety of housing services and products. Multifunctional Premises include functional hall spaces currently offered through the brands Talliosake® (talliosake.fi) and Talli (talli.com) to consumers, investors and businesses. Services include all those design and construction services offered by the Group that are sold outside the Group's branded offering.

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 31/12/2021, trade receivables amounted to EUR 9.7 million (EUR 4.9 million on 31/12/2020).

On 31/12/2021, the value of incomplete customer projects in inventories totalled EUR 4.3 million (EUR 2.8 million on 31/12/2020).

On 31/12/2021, the value of advances received related to customer contracts totalled EUR 11.2 million (EUR 7.3 million on 31/12/2020).

Geographical information

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

EUR 1,000	2021	2020
Finland	185,699	155,509
EU	16,484	14,564
Outside the EU	6,494	3,902
Group total	**208,677**	**173,975**

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	2021	2020
Proceeds from sale of property, plant and equipment and intangible assets	6	152
Compensations received	7	17
Other income	106	112
Total	**119**	**281**

3. Other operating expenses

Other operating expenses

EUR 1,000	2021	2020
Rental expenses	-464	-396
Voluntary indirect personnel expenses	-1,927	-1,530
Premises expenses	-1,174	-1,213
Machinery and equipment expenses	-2,419	-2,566
Travel expenses	-1,334	-1,254
Representation expenses	-2	-4
Marketing expenses	-2,288	-2,094
Research and development expenses	-7	-10
Administrative expenses	-2,029	-1,879
Other operating expenses	-3,359	-2,242
Total	**-15,003**	**-13,188**

In 2021, the expensed amount of small and short-term leases was EUR 464,000; the corresponding amount in 2020 was EUR 396,000.

Auditors' fees

EUR 1,000	2021	2020
Audit fees	-140	-183
Tax consultancy services	-12	-20
Other services	-73	-7
Total	**-225**	**-210**

4. Depreciation and amortisation

EUR 1,000	2021	2020
Intangible assets		
Intangible assets	-1,603	-2,069
Property, plant and equipment		
Buildings, right-of-use assets	-993	-985
Machinery and equipment	-807	-1,063
Machinery and equipment, right-of-use assets	-118	-172
Depreciation and amortisation total	**-3,521**	**-4,289**

5. Employee benefit expenses

Personnel expenses

EUR 1,000	2021	2020
Salaries	-27,755	-24,765
Share-based rewards	-94	0
Pensions, defined contribution schemes	-4,657	-3,787
Other personnel expenses	-1,122	-742
Total	**-33,628**	**-29,294**

Effect of share-based remuneration on the balance sheet

EUR 1,000	2021	2020
Liabilities related to share-based remuneration	-94	0
Total	**-94**	**0**

In June 2021, the Board of Directors of DEN Group Oy decided on a share-based incentive scheme for the CEO. The effects of the scheme on the Group's figures are shown in the tables above. The main details of the scheme are set out in the table below.

2021

Scheme	Option 2021A	Option 2021B
Nature of the scheme	Option	Option
Option valuation principles	Black-Scholes	Black-Scholes
Expected average volatility %	30%	30%
Grant date	24.6.2021	24.6.2021
Number of instruments granted	200,000	200,000
Estimated maturity date	31.12.2023	31.12.2023
Exercise (expected)	100%	100%
Option exercise price, EUR	5.0	7.5
Market value of share on granting date, EUR/share	3.9	3.9
Market value of share on closing date, EUR/share	6.0	6.0
Vesting condition	Change of owner	Change of owner
Form of settlement	Cash	Cash

Number of personnel

Average number of personnel during the financial period	2021	2020
Salaried employees	309	286
Non-salaried employees	187	172
Total	**496**	**458**

Number of personnel on the closing date	2021	2020
Salaried employees	316	279
Non-salaried employees	202	170
Total	**518**	**449**

6. Research expenses

The Group's research expenses totalled EUR 7,000 (EUR 10,000 in 2020). 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	2021	2020
Other financial income	51	93
Total	**51**	**93**

Financial expenses		
Interest expenses	-635	-866
Interest expenses, leases	-75	-100
Other financial expenses	-470	-425
Total	**-1,180**	**-1,391**
Exchange rate differences (net)	-186	508
Total financial income and expenses	**-1,315**	**-790**

8. Income taxes

EUR 1,000	2021	2020
Taxes on the taxable income for the financial period	-1,316	-2,188
Change in deferred tax assets	-645	-101
Change in deferred tax liability	202	323
Total	**-1,759**	**-1,966**

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

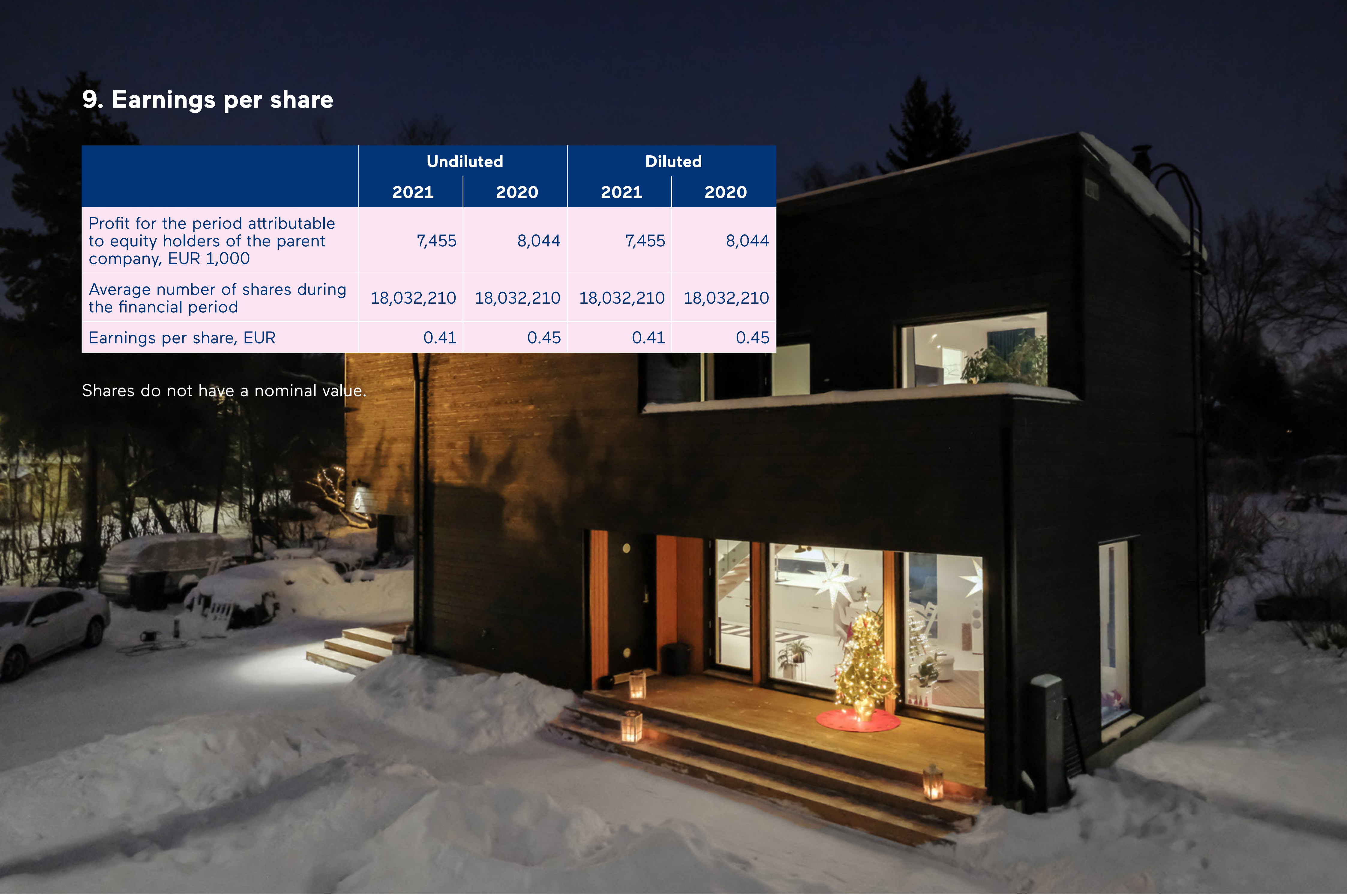
EUR 1,000	2021	2020
Profit before taxes	9,214	10,011
Income taxes at the tax rate in Finland (20.0%)	1,843	2,002
Tax-exempt income	-238	-264
Non-deductible expenses	16	18
Impact of differences resulting from business acquisitions	-57	0
Taxes not entered for the loss of the financial period	266	216
Taxes for previous financial periods	-59	0
Other items	-12	-6
Total	**1,759**	**1,966**

The effective tax rate in 2021 was 19.1% and in 2020 19.6%.

9. Earnings per share

	Undiluted		Diluted	
	2021	2020	2021	2020
Profit for the period attributable to equity holders of the parent company, EUR 1,000	7,455	8,044	7,455	8,044
Average number of shares during the financial period	18,032,210	18,032,210	18,032,210	18,032,210
Earnings per share, EUR	0.41	0.45	0.41	0.45

Shares do not have a nominal value.



10. Intangible assets

Intangible assets
2021

EUR 1,000	Goodwill	Brands	Customer relationships	Intangible assets	Total
Acquisition cost 1 Jan					
Increases	0	0	0	120	120
Acquisition cost 31 Dec	**117,028**	**7,598**	**790**	**3,198**	**128,614**
Accumulated depreciation and impairment 1 Jan	-29,117	-4,269	-790	-2,126	-36,302
Depreciation	0	-1,156	0	-447	-1,603
Accumulated depreciation 31 Dec	**-29,117**	**-5,425**	**-790**	**-2,573**	**-37,906**
Carrying value 1 Jan	87,911	3,329	0	953	92,192
Carrying value 31 Dec	**87,911**	**2,173**	**0**	**625**	**90,708**

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**

Allocation of goodwill

Until the financial year that ended on 31 December 2020, goodwill impairment testing was carried out at Group level, which was the lowest level of testing of a cash-generating unit as defined by the standard. During the 2021 fiscal year, the company's internal financial monitoring was clarified, and the company's financial monitoring has since been carried out at the 1) Homes and 2) Multifunctional Premises units. As a result of the refined financial monitoring, the lowest level of cash-generating unit as defined in the standard has been refined, resulting in goodwill impairment testing at lower levels.

The previously tested total goodwill has been allocated to 1) Homes and 2) Multifunctional Premises in proportion to their fair values and includes the management's estimate of the portion of goodwill attributable to the cash-generating unit.

EUR 1,000	2021	Discount rate, % (WACC before taxes)
Homes unit	75,052	9.5%
Multifunctional Premises unit	12,859	11.3%
Total goodwill	**87,911**	

In 2020, the Group's goodwill is allocated to a group of cash-generating units, which corresponds to the Group level.

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

	2020
Multifunctional Premises, Homes and Services	
Discount rate	11.1%

Impairment testing

Goodwill has been allocated to cash-generating units, which will be the Homes and Multifunctional Premises units in 2021 and the Group level in 2020. The Homes business includes the Group's Designtalo, Ainoakoti and Finnlamelli brands, which sell prefabricated house packages in Finland. The Multifunctional Premises business includes the Group's Talliosake and Talli brands, which provide a range of premises in Finland and Sweden.

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 long-term development of business. 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.

Sensitivity analysis

According to the company's management, no expected change in the variables used would lead to an impairment of goodwill.

11. Property, plant and equipment

Property, plant and equipment

2021

EUR 1,000	Buildings and structures	Machinery and equipment	Incomplete acquisitions	Total
Acquisition cost 1 Jan				
Increases	295	821	898	2,014
Decreases	0	-6	-798	-804
Acquisition cost 31 Dec	**6,279**	**11,359**	**118**	**17,756**
Accumulated depreciation and impairment 1 Jan	-3,269	-7,792	0	-11,061
Depreciation	-993	-924	0	-1,917
Accumulated depreciation and impairment 31 Dec	**-4,262**	**-8,716**	**0**	**-12,978**
Carrying value 1 Jan	2,715	2,752	18	5,485
Carrying value 31 Dec	**2,017**	**2,643**	**118**	**4,778**

2020

EUR 1,000	Buildings and structures	Machinery and equipment	Incomplete acquisitions	Total
Acquisition cost 1 Jan				
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**

Leases

Property, plant and equipment include leases as follows:

2021

(EUR 1,000)*	Buildings and structures	Machinery and equipment	Total
Acquisition cost 1 Jan			
Increases	295	329	624
Decreases	0	-6	-6
Acquisition cost 31 Dec	**6,248**	**1,214**	**7,462**
Accumulated depreciation and impairment 1 Jan	-3,238	-776	-4,014
Depreciation	-993	-118	-1,111
Accumulated depreciation and impairment 31 Dec	**-4,231**	**-894**	**-5,125**
Carrying value 1 Jan	2,715	116	2,831
Carrying value 31 Dec	**2,017**	**321**	**2,338**

2020

(EUR 1,000)*	Buildings and structures	Machinery and equipment	Total
Acquisition cost 1 Jan			
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**

* 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. In addition, leased plots in right-of-use assets are included in inventories, which are detailed in Note 13.

Lease liabilities (EUR 1,000)**	2021	2020
Short-term	942	1 067
Long-term (maturity 1 to 5 years)	1,667	2,129
Long-term (maturity over 5 years)	577	1,278
Total	**3,186**	**4,474**

**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 2021 totalled EUR 1,732,000 (EUR 1,913,000 in 2020).

12. Deferred tax assets and liabilities

Deferred tax assets and liabilities, net

EUR 1,000	2021	2020
Deferred tax assets	1,409	2,055
Deferred tax liabilities	-699	-901
Deferred taxes (net)	**710**	**1,154**

Changes entered in deferred taxes (EUR 1,000)	2021	2020
Deferred tax assets, net on 1 Jan	1,154	932
Changes entered in the income statement	-444	222
Changes entered in the consolidated income statement	0	0
Deferred taxes, net on 31 Dec	**710**	**1,154**

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

2021

EUR 1,000	1 Jan	Increases	Entered in the consolidated income statement	31 Dec
Deferred tax assets				
Business acquisitions	230	0	-37	193
Provisions	148	0	316	464
Recognition timing differences	1,659	0	-1,005	654
Intangible assets	0	0	61	61
Other items	18	0	19	37
Total	**2,055**	**0**	**-646**	**1,409**

EUR 1,000	1 Jan	Increases	Entered in the consolidated income statement	31 Dec
Deferred tax liabilities				
Business acquisitions	693	0	-231	462
Inventories	208	0	29	237
Total	**901**	**0**	**-202**	**699**

2020

EUR 1,000	1 Jan	Increases	Entered in the consolidated income statement	31 Dec
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**

EUR 1,000	1 Jan	Increases	Entered in the consolidated income statement	31 Dec
Deferred tax liabilities				
Business acquisitions	1,004	0	-311	693
Inventories	220	0	-12	208
Total	**1,224**	**0**	**-323**	**901**

13. Inventories

EUR 1,000	2021	2020
Raw materials and consumables used	5,348	3,581
Work in progress	24,879	20,554
Right-of-use assets, inventories, plots	654	1,469
Land area and plot companies	11,893	2,784
Inventory shares	8,856	17,884
Other inventories	884	1,366
Inventories total	**52,514**	**47,638**

14. Trade receivables and other receivables

EUR 1,000	2021	2020
Trade receivables	9,704	4,900
Tax receivables determined based on the taxable income for the financial period	0	187
Other receivables	668	1,023
Accrued income	1,205	1,007
Total	**11,577**	**7,117**

Analysis of trade receivables	2021	2020
Not past due	6,607	2,979
Due in		
less than 30 days	1,941	1,198
30-60 days	315	345
61-90 days	112	71
over 90 days	729	307
Total	**9,704**	**4,900**

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 31/12/2021 totalled EUR 0.2 million (EUR 0.03 million on 31/12/2020).
The credit risk is discussed in Note 21.

15. Cash and cash equivalents

EUR 1,000	2021 Tasearvo	2020 Tasearvo
Bank accounts	16,911	19,877
Total	**16,911**	**19,877**

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

16. Notes concerning equity

	2021	2020
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.

Furthermore, the AGM held on 29 April 2021 authorised the Board of Directors to decide at its discretion on an additional capital distribution from the invested non-restricted equity reserve. Based on this authorisation, a maximum of EUR 0.10 per share may be paid as capital distribution from the invested non-restricted equity reserve. The authorisation was valid until the end of 2021. The Extraordinary General Meeting held on 14 December 2021 extended the above authorisation until the next Annual General Meeting.

The Extraordinary General Meeting held on 14 December 2021 authorised the Board of Directors to decide on the acquisition of up to 250,000 of the company's own shares in one or more batches. The authorisation will be valid until the next Annual General Meeting or until 30 June 2022 at the latest.

On 29 April 2021, the Annual General Meeting of DEN Group Oy decided in accordance with its authorisation to pay a capital distribution of EUR 0.18 per share, totalling EUR 3,245,797.80, from the invested non-restricted equity reserve.

17. Provisions

EUR 1,000	2021	2020
Provisions 1 Jan	2,187	1,930
Increases	2,992	1,876
Decreases	-854	-1,619
Provisions 31 Dec	**4,325**	**2,187**

The Group's provisions are mostly guarantee provisions based on estimated costs of work carried out under a guarantee for completed contracts. The amount of a guarantee provision is estimated on the basis of experience of the materialisation of such guarantee expenses. The increase in the provision for 2021 compared to 2020 is explained by the growth in business and certain exceptional guarantee and modification work costs that have been recognised as a provision. 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	2021	2020
Loans from financial institutions	12,500	14,244
Total	**12,500**	**14,244**

Current financial liabilities, EUR 1,000	2021	2020
Loans from financial institutions	11,989	5,554
Company loans of real estate companies	8,641	19,957
Total	**20,630**	**25,511**
Financial liabilities total	**33,130**	**39,755**

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

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

19. Trade payables and other liabilities

Non-current liabilities, EUR 1,000	2021	2020
Lease liabilities	2,244	3,407
Total	**2,244**	**3,407**

Current liabilities, EUR 1,000	2021	2020
Trade payables	8,592	5,781
Other liabilities		
Lease liabilities	942	1,067
Value-added tax and tax withholding liabilities	4,200	3,715
Other liabilities	1,136	3,982
Advances		
Advances from customers	12,087	8,364
Income tax liabilities		
Income tax liabilities	1,381	2,180
Accrued liabilities		
Accrued employee benefit-related liabilities	7,954	6,945
Other accrued liabilities	2,908	1,772
Total	**39,200**	**33,806**

20. 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.

21. 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 2021 financial period, the Group's cash and cash equivalents totalled EUR 16.911 million (EUR 19.877 million at the end of 2020).

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.

Commodity risk

The risk of commodity price increases is managed through fixed purchase prices and other contractual conditions limiting price increases.

Interest rate risk

The Group's exposure to changes in market interest rates is limited. Interest rate swap agreements expired during 2020, and on the balance sheet date, the financial liabilities were variable-rate liabilities. The table below shows the sensitivity of the Group's results to interest rate fluctuations.

Sensitivity analysis for variable-rate loans, EUR 1,000	2021		2020	
Change, %	1%	3%	1%	3%
Impact on profit/ loss after taxes	-197	-590	-159	-478

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 2020) and a credit facility of EUR 15 million (EUR 12 million in 2020) earmarked for the purchase of plots. At the end 2021, a total of EUR 0.1 million of this loan facility was committed for guarantees (EUR 0.1 million in 2020). At the end of 2021, a total of EUR 10.2 million of this loan facility for building plots was in use (EUR 3.1 million in 2020). During the financial year, the company also signed an agreement regarding a credit facility of EUR 20 million for financing Talliosake premises during their construction.

Analysis of debt maturity 2021 (EUR 1,000)	31 Dec 2021	less than 1 year	1–5 years	over 5 years
Financial liabilities	33,131	20,631	12,500	0
Trade payables and other liabilities	13,919	13,919	0	0

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

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	2021	2020
Interest-bearing liabilities	36,316	46,959
Cash and cash equivalents and interest-bearing receivables	16,911	19,877
	19,405	27,082

Total equity	98,531	94,356
Gearing	36.9	49.8
Net gearing	19.7	28.7
Net gearing excluding the company loans of real estate companies	10.9	7.6

Interest-bearing liabilities include loans from financial institutions, company loans of real estate companies, and lease liabilities.

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 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**
Cash flows	-2,966	-6,891	-2,464	-6,389
Lease liabilities	0	-125	-1,163	-1,288
Other changes without cash flow	0	0	0	0
Net liabilities 31 Dec 2021	**16,911**	**22,291**	**14,025**	**19,405**

The amounts related to lease liabilities are presented on a net basis. In 2021, liabilities decreased by EUR 1,091,000, determined using the cash flow method (EUR 1,120,000 in 2020).

22. Guarantees and liabilities

Loans covered by pledges on assets, EUR 1,000	2021	2020
Loans from financial institutions	24,489	19,798
Total	**24,489**	**19,798**

Guarantees	2021	2020
Enterprise mortgages	254,100	254,100
Property mortgages	10,562	3,347
Pledges	400	115
Absolute guarantees	6,670	5,216
Total	**271,732**	**262,778**

Contract guarantees	2021	2020
Production guarantees	50	20
Warranty guarantees	647	701
Payment guarantees	613	356
Total	**1,310**	**1,077**

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 25 million, which is divided into a credit line of EUR 10 million and a credit facility of EUR 15 million earmarked for the purchase of plots for Talliosake premises. At the end of 2021, a total of EUR 10.2 million was committed of the latter credit facility and EUR 0.1 million of the credit line was committed for guarantees.

23. 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%
Subsidiary shares owned by Den Sweden AB				
Den Sweden Mälardalen Holding AB	Stockholm, Sweden	Construction	100%	100%
Den Sweden Holding 2 AB	Stockholm, Sweden	Construction	100%	100%
Den Sweden Holding 3 AB	Stockholm, Sweden	Construction	100%	100%

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

24. Related party transactions

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

Transactions with related parties

EUR 1,000	Sales 2021	Sales 2020	Purchases 2021	Purchases 2020
Key members of management	18	120	7	88
Total	**18**	**120**	**7**	**88**

EUR 1,000	Receivables 2021	Receivables 2020	Liabilities 2021	Liabilities 2020
Key members of management	0	0	0	0
Total	**0**	**0**	**0**	**0**

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.

Management employee benefits

Management employee benefits, EUR 1000	2021	2020
Salaries and other short-term employee benefits	2,342	1,563
Total	**2,342**	**1,563**

Salaries and remuneration, EUR 1000	2021	2020
Members of the Board of Directors	124	129
Total	**124**	**129**

'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. The salaries also include the cost of the share-based incentive scheme. Details of the scheme are set out in note 5.

25. Events after the period under review

The Russian invasion of Ukraine in February 2022 stopped the trade of new Finnlamelli log houses to Russia. It is uncertain whether exports to Russia will continue in the future. Russia has not accounted for a significant share of Finnlamelli's total exports. According to current information, the war will have an indirect impact on the Group's business through limited availability of materials and higher prices. It is difficult to assess the actual effects that will occur, and the Group's management is monitoring the situation on a daily basis.

On 20 January 2022, the Board of Directors of DEN Group Oy decided in accordance with its authorisation to pay a capital distribution from the invested non-restricted equity reserve of EUR 0.10 per share, totalling EUR 1,794,766.80. In addition, the Board of Directors of DEN Group Oy decided in accordance with its authorisation to acquire a total of 84,542 shares as treasury shares.

FINANCIAL STATEMENTS, PARENT COMPANY

Income statement, parent company (FAS)

EUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Revenue	1,475,014.15	1,474,556.41
Personnel expenses		
Salaries and remuneration	-826,485.60	-821,804.20
Indirect personnel expenses		
Pensions	-91,302.92	-83,365.13
Other personnel expenses	-21,574.57	-9,795.58
Other operating expenses	-491,400.62	-515,354.90
Operating profit	**44,250.44**	**44,236.60**
Financial income and expenses		
Dividend income		
From group companies	3,973,218.54	0.00
Other interest income and financial income		
From others	6,438.61	0.00
Interest expenses and other financial expenses		
To others	-9.45	0.00
Total financial income and expenses	**3,979,647.70**	**0.00**
Profit/loss before appropriations and taxes	**4,023,898.14**	**44,236.60**
Income taxes	-8,848.26	-8,847.32
Profit/loss for the period	**4,015,049.88**	**35,389.28**

Balance sheet, parent company (FAS)

EUR	31.12.2021	31.12.2020
ASSETS		
Non-current assets		
Investments		
Shares in group companies	71,613,018.15	71,897,018.15
Total non-current assets	**71,613,018.15**	**71,897,018.15**
Current assets		
Current receivables		
Receivables from group companies	168,190.54	92,829.04
Other receivables	805,545.94	623,426.56
Cash and cash equivalents	0.00	0.00
Total current assets	**973,736.48**	**716,255.60**
TOTAL EQUITY AND LIABILITIES	**72,586,754.63**	**72,613,273.75**

EUR	31.12.2021	31.12.2020
EQUITY AND LIABILITIES		
Equity		
Share capital	65,002,500.00	65,002,500.00
Invested non-restricted equity reserve	30,904,973.96	34,150,771.76
Retained earnings	-27,621,841.27	-27,657,230.55
Profit/loss for the period	4,015,049.88	35,389.28
Total equity	**72,300,682.57**	**71,531,430.49**
Liabilities		
Current liabilities		
Trade payables	26,554.26	5,143.23
Liabilities to group companies	0.00	820,000.00
Other liabilities	57,672.24	51,651.63
Accrued liabilities	201,845.56	205,048.40
Total current liabilities	**286,072.06**	**1,081,843.26**
Total liabilities	**286,072.06**	**1,081,843.26**
TOTAL EQUITY AND LIABILITIES	**72,586,754.63**	**72,613,273.75**

Cash flow statement, parent company (FAS)

EUR	2021	2020
Cash flow from operating activities		
Profit/loss before appropriations and taxes	4,023,898.14	44,236.60
Adjustments:		
Financial income and expenses	-3,979,647.70	0.00
Cash flow from operating activities before changes in working capital	**44,250.44**	**44,236.60**
Changes in working capital		
Change in current non-interest-bearing receivables	-444,464.80	-101,624.72
Change in current non-interest-bearing liabilities	17,817.26	86,786.16
Cash flow from operating activities before financial items and taxes	**-382,397.10**	**29,398.04**
Interest expenses paid and other financial expenses	-9.45	0.00
Financial income from operating activities	6,438.61	0.00
Dividends received	3,973,218.54	0.00
Taxes paid / tax refunds received	184,547.20	-29,398.04
Net cash from operating activities	**3,781,797.80**	**0.00**

EUR	2021	2020
Cash flow from investment activities		
Acquisitions of subsidiaries, adjustment	284,000.00	0.00
Net cash from investment activities	**284,000.00**	**0.00**
Cash flow from financing activities		
Repayment of non-current loans	-820,000.00	0.00
Dividends paid and other profit distribution	-3,245,797.80	0.00
Net cash from financing activities	**-4,065,797.80**	**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	2021	2020
Intra-group service charges	1,475,014.15	1,474,556.41
Total	**1,475,014.15**	**1,474,556.41**

Auditors' fees, EUR	2021	2020
Mandatory audits	-60,000.00	-91,604.40
Tax consultancy services	-4,987.50	0.00
Other services	-24,000.00	0.00
Total	**-88,987.50**	**-91,604.40**

Financial income and expenses, EUR	2021	2020
Dividend income from Group companies	3,973,218.54	0.00
Interest income from others	6,438.61	0.00
Interest expenses to others	-9.45	0.00
Total	**3,979,647.70**	**0.00**

Notes to the balance sheet, assets

Investments, EUR	2021	2020
Acquisition cost 1 Jan	101,014,018.15	101,014,018.15
Decreases	-284,000.00	0.00
Acquisition cost 31 Dec	**100,730,018.15**	**101,014,018.15**
Accumulated impairment 1 Jan	-29,117,000.00	-29,117,000.00
Accumulated impairment 31 Dec	**-29,117,000.00**	**-29,117,000.00**
Carrying value 1 Jan	71,897,018.15	71,897,018.15
Carrying value 31 Dec	**71,613,018.15**	**71,897,018.15**

The reduction in the acquisition cost of the investments is related to the refund in 2021 of the asset transfer tax on a corporate reorganisation carried out in 2017.

Short-term receivables from group companies, EUR	2021	2020
Trade receivables	168,190.54	92,829.04
Total	**168,190.54**	**92,829.04**

Current receivables, EUR	2021	2020
Other receivables	805,545.94	623,426.56
Total	**805,545.94**	**623,426.56**

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

Notes to the balance sheet, equity and liabilities

EUR	2021	2020
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
Profit distribution	-3,245,797.80	0.00
Invested non-restricted equity reserve 31 Dec	**30,904,973.96**	**34,150,771.76**
Retained earnings 1 Jan	-27,657,230.55	1,450,022.24
Profit for the previous period	35,389.28	-29,107,252.79
Retained earnings 31 Dec	**-27,621,841.27**	**-27,657,230.55**
Profit/loss for the period	**4,015,049.88**	**35,389.28**
Total equity	**72,300,682.57**	**71,531,430.49**

Calculation of distributable funds, EUR	2021	2020
Invested non-restricted equity reserve	30,904,973.96	34,150,771.76
Retained earnings	-27,621,841.27	-27,657,230.55
Profit/loss for the period	4,015,049.88	35,389.28
Total	**7,298,182.57**	**6,528,930.49**

The company did not hold any treasury shares in 2021 and 2020.

Current liabilities to group companies, EUR	2021	2020
Other liabilities	0.00	820,000.00
Total	**0.00**	**820,000.00**

Material items included in accrued liabilities, EUR	2021	2020
Salary debt	155,350.00	164,025.00
Holiday pay debt	25,920.00	27,478.00
Non-wage labour cost debt	14,164.02	13,545.40
Income tax liabilities	6,411.54	0.00
Total	**201,845.56**	**205,048.40**

Guarantees and contingent liabilities

Shares in subsidiaries pledged as security, EUR	2021	2020
Shares in subsidiaries pledged as security	71,613,018.15	71,897,018.15

Guarantees given on behalf of other group companies	2021	2020
Guarantees given and other commitments	4,354,829.97	5,126,497.77

Enterprise mortgages	2021	2020
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	2021	2020
Salaried employees	1	1
Total	1	1

Salaries and remuneration of the CEO and members of the Board of Directors are specified in Note 24 to the consolidated financial statements.

Proposal by the board of directors for the use of distributable funds

The parent company's distributable funds amount to EUR 7,298,182.57, of which the profit for the financial year is EUR 4,015,049.88. The Board of Directors proposes to the General Meeting that no dividend be distributed, and that the profit for the financial year be transferred to retained earnings.

Furthermore, the Board of Directors proposes that the AGM authorise the Board of Directors to decide at its discretion on an additional capital distribution from the invested non-restricted equity reserve. Based on this authorisation, a maximum of EUR 0.30 per share may be paid in one or more instalments as capital distribution from the invested non-restricted equity reserve. The Board of Directors proposes that the authorisation be valid until the Annual General Meeting to be held in the spring of 2023.

There have been no material changes in the financial position of the company since the end of the financial year. The liquidity of the company is good, and in the opinion of the Board of Directors, the proposed distribution of funds will not jeopardise the company's solvency.

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

Helsinki, 29/03/2022

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

Jussi Niemelä
Chief Executive Officer

The auditor’s note

A report on the audit performed has been issued today.

Helsinki, 29/03/2022

Deloitte Oy
Audit firm

Jonas Vuorela
APA

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