DEN GROUP OY

FINANCIAL STATEMENTS AND
REPORT OF THE BOARD
OF DIRECTORS
31/12/2022

Contents

We build better life space by space.

DEN GROUP OY

DEN Group designs, markets and builds single-family houses and facilities for consumers, organisations and investors.

With its home brands, the Group is Finland's largest single-family house builder. The DEN Group's home brands are Designtalo, Finnlamelli and Ainoakoti, which is a joint brand of DEN Finland Oy and K-Rauta. Log houses are also exported to several different countries.

In small hall spaces that enable different functionalities, DEN Group is the market leader in Finland under the brand Talliosake and operates in Sweden under the brand name Talli.

The majority of the houses and all Talliosake premises are delivered as a complete service and ready to move in. DEN Group's factories are located in Nivala and Alajärvi. The building elements of Designtalo and Ainoakoti as well as the hall elements of Talliosake are manufactured in Nivala. Finnlamelli's log homes are manufactured in Alajärvi.

DEN's own building services technology takes care of the technical design and installations in the 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 its customers with the best customer experience and its employees with the best employee experience.

The Group consists of the parent company DEN Group Oy and its operational arms DEN Finland Oy and DEN Sweden AB. At the turn of 2022 and 2023, Den Group Oy divided Den Finland Oy's Homes and Premises businesses into separate companies. The Homes business will remain in Den Finland Oy and the Premises business formed Talliosake Oy. DEN Sweden AB's name was changed to Talliosake Sweden AB, a subsidiary of Talliosake Oy.

REPORT OF THE BOARD OF DIRECTORS

1.1.–31.12.2022

Challenging operating environment – sales were successful considering the circumstances

RUSSIA'S INVASION of Ukraine is what the year 2022 will be remembered by. The impact of the war on the prices and availability of raw materials and materials brought significant cost pressures and lowered profitability. The energy crisis, deteriorating purchasing power, inflation and rising interest rate levels had an impact on the housing market and customer behaviour. Despite the challenges of the operating environment, the sales were successful considering the circumstances.

DEN Group's revenue increased by 8.5 percent to 226.2 million euros in 2022 compared with the previous year's 208.7 million euros. Homes business revenue increased by 28.5% to EUR 179.1 million as a result of strong order backlog and demand. Multifunctional premises business revenue decreased by 30.8% to EUR 45.6 million. In the Multifunctional premises business, sales to investor customers decreased clearly compared to the previous period.

EBITDA decreased significantly in euros from the previous year's level and was EUR 8.6 million (EUR 14.0 million in 2021). In both businesses, the decrease in EBITDA was affected by higher prices of materials and labour costs. Adjusted EBITDA weakened from the previous year to EUR 11.0 million (EUR 16.9 million in 2021).

Cash flow from operating activities during the financial year was EUR -4.8 million (EUR 11.4 million). The most significant factor in the change in cash flow from operating activities was the commitment of working capital, which was mainly due to the increase in the number of completed inventory shares in the Multifunctional premises business.

Revenue

226,2

m. EUR

EBITDA

8,6

m. EUR (adjusted EBITDA m. EUR 16.9)

Significant events during the period

Homes

THE CONSTRUCTION VOLUME of the Homes business was at a record high and the Homes business generated the largest turnover in history. In 2022, a total of 1014 single-family houses were completed, of which 706 were ready-to-move-in solutions. The total number of houses delivered was 23 per cent higher than in 2021. Construction was particularly lively in the Uusimaa region.

In 2022, cost inflation was high. There were challenges in the availability of materials and contractors, which had a more negative impact on profit development than in previous years.

During the year, the implementation of a new production and warehouse management system was carried out at the Alajärvi log mill. A new CRM project was started to develop sales and customer service. To develop implementation during construction, an extensive Kunto project was launched.

The operational management model was refined and expanded to better cover regional responsibility for results and implementation.

Multifunctional premises

IN 2022, Talliosake delivered over 24 completed projects, of which 20 were in Finland and 4 in Sweden. These properties have a total of 645 space units.

Significant delays in building permits, especially in the Helsinki metropolitan area, led to a smaller number of projects than planned. Due to the changed market and demand situation, no new projects were started during the second half of the year.

The sustainability project of the premises was advanced and studies on the use of various energy solutions were carried out, among other things. Energy efficiency was increasingly taken into account in the design of the properties.

Several successful land mortgages were obtained in Sweden during the year and there is a strong plot base for future projects.

Key figures of the DEN Group

		2022	2021	2020
Revenue	EUR 1,000	226,326	208,677	173,975
Revenue, change from previous year	%	8.5	19.9	-2.3
EBITDA	EUR 1,000	8,585	14,049	15,089
Adjusted EBITDA	EUR 1,000	10,965	16,913	15,764
Operating profit	EUR 1,000	5,633	10,529	10,800
Operating margin	%	2.5	5.0	6.2
Profit for the period	EUR 1,000	2,739	7,455	8,044
Profit for the period, % of revenue	%	1.2	3.6	4.6
Return on equity (ROE)	%	2.8	7.7	8.9
Return on capital employed (ROCE)	%	4.3	7.8	8.3
Equity ratio	%	57.2	59.3	56.8
Net gearing	%	33.2	19.7	28.7
Net gearing excluding the company loans of real estate companies	%	19.8	10.9	7.6

Return on equity (ROE) (%)

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

Return on capital employed (ROCE) (%)

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

Equity ratio (%)

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

Gearing (%)

$$\frac{\text{Interest-bearing liabilities}}{\text{Equity}} \times 100$$

Net gearing (%)

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

Reconciliation calculations of key figures

EUR 1,000	2022	2021	2021
EBITDA	8,585	14,049	15,089
Adjustment items			
Modification costs for Talliosake sites	88	1,936	
Rearrangement costs	1,755	905	675
Expense adjustments for acquisition of business activities	0	-284	
Expense entries for SaaS projects	537	307	
Adjustment items total	**2,380**	**2,864**	**675**
ADJUSTED EBITDA	**10,965**	**16,913**	**15,764**

IN 2022 THE GROUP'S revenue increased to EUR 226.2 million (208.7), an increase of 8.5%. EBITDA decreased significantly in euros and was EUR 8.6 million (14.0), or 3.8% (6.7%) of revenue. Adjusted EBITDA weakened to EUR 11.0 million, or 4.8% (8.1%) of revenue.

The Group's operating result decreased to EUR 5.6 million (10.5). The Group's profit for the financial period was EUR 2.7 million (7.5).

The Homes business area revenue increased by 28.5% compared to previous year to EUR 179.1 million (139.4). The Multifunctional premises business area revenue decreased by -30.8% during the year and was EUR 45.6 million (65.9).

A small proportion of the consolidated revenue was attributable to the sale of building systems services and prefabricated products to external customers as well as the Talliosake rental business.

Equity

94,9

m. EUR

Equity ratio

57,2%

Financial position and financing

THE CONSOLIDATED BALANCE sheet total at the end of the financial period amounted to EUR 177.2 million (178.1). Equity at the end of the financial period amounted to EUR 94.9 million (98.5). The equity ratio was 57.2% (59.3%). The amount of interest-bearing liabilities in the consolidated balance sheet totalled EUR 39.7 (36.3) million. Net gearing was 33.2% (19.7%). The company loans of the group's real estate companies are recognised in interest-bearing liabilities and totalled EUR 12.7 million (8.6) at the end of the financial period.

The consolidated net financial expenses for the financial period were EUR -2.3 million (-1.3).

At the end of the year, the Group had access to 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 the Talliosake premises. At the end of 2022, a total of EUR 12.3 million of the plot limit was in use. The credit line was not in use at the end of 2022. The Group's financing agreement was renegotiated after the end of the financial year, which is described in the section "Events after the financial period".

The consolidated cash flow from operating activities was EUR -4.8 million (11.4). The company's liquidity was good at the end of the financial period.

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

Strategy and values

DEN GROUP'S shared vision is to build a better life one space at a time. Our mission is to make our customers' dreams come true, one space at a time.

DEN's strategic focus areas are an inspiring culture, a lifelong customer experience, the most desirable partner, knowledge-driven profitable growth, responsibility and smooth implementation.

Our values, which were renewed together with our personnel in 2021, are respect, courage, responsibility and happiness.

The strategy also includes ambitious financial targets through organic growth.

Personnel

THE NUMBER of the Group's personnel increased due to business growth and was on average 543 (2021: 496, 2020: 458). At the end of the financial period, the number of personnel was 519 (2021: 518, 2020: 449). Personnel expenses totalled EUR 34.6 million (2021: 33.6, 2020: 29.3). The personnel consists of 63% of salaried employees and 37% of factory and construction site employees.

HR management processes and practices were further developed. The induction of new employees was systematically renewed and improved. The content of the internal training platform DEN Academy was increased to support the continuous development of competence.

Sustainability

THE FOCUS OF DEN GROUP'S sustainability work is on the environment, safety and health as well as good governance. As a pioneer of the industry, DEN published a comprehensive sustainability report in the spring of 2022. In the future, the report will be published annually every spring.

A Group-wide carbon footprint calculation, completed for the first time, showed the efficiency of DEN's production process. Out of DEN's total carbon footprint in 2021, 72% came from materials and 24% during the life cycle of completed houses. Only a small share of the carbon footprint comes from the production process itself. DEN has put a lot of effort into the efficiency and smooth functioning of the process.

DEN's carbon footprint was calculated using the international Greenhouse Gas Protocol standard. It extensively includes the direct and indirect emissions of operations and, such as in DEN's case, some of the life-cycle carbon emissions of houses delivered to customers.

Based on the figures for 2021, measures were initiated to reduce the carbon footprint of materials and raw materials, in particular, together with suppliers.

DEN invests in the path towards carbon-neutral houses and premises. It is already possible to purchase any Designtalo model as an EKO house, where the solutions are especially energy efficient and where the carbon footprint has been compensated. Fully energy-self-sufficient housing solutions are also under development.

The traceability of materials is an important part of sustainability. For example, the logs used by DEN come from Finnish PEFC certified pine. Logs are also an exceptionally low-emission construction material, which binds carbon in the log structures of the house for generations.

In construction, minimising waste is also essential for sustainability. By combining good design and efficient production, many cut-to-size materials, such as timber and insulation, can be fully utilised.

Occupational safety is an important issue in the construction industry. DEN monitors the realisation of safety in real time, and in recent years, investments have been made especially in the collection of preventive safety observations and their number has been increased as a result. As a result, possible dangerous situations can be avoided with the help of corrective and preventive action.

DEN has developed its own innovations to improve occupational safety. The construction sites of Designtalo and Ainoakoti use our own, patented scaffolding system. It secures work on the roof and at the top of the wall and prevents falls. All stages of work at the top can be performed safely and ergonomically, which also improves the quality of work.

Regular safety walks are organised at DEN's factories to monitor the safety of the working environment by means of active observation. Occupational safety also includes the prevention of long-term harm. For example, harm from dust is minimised in factories with the right, dust-binding air humidity. Thus, the amount of dust in the air we breathe is as minimal as possible.

The safety and health of our customers is a special focus of attention at DEN. The storage of materials and the processing of the elements are carried out at DEN's own weather-protected factories in Nivala and Alajärvi under controlled conditions. The erection phase of ready-to-move-in detached houses up to the roof is very fast, so moisture damage caused by the weather is minimised. The indoor air quality of log houses has been proven to be excellent from the point of view of health, and in DEN's prefabricated houses, high-quality frame and insulation materials ensure healthy indoor air quality.

Good governance includes, for example, a code of ethics for staff, which every new DEN employee accepts when they come to work. Supplier partners have their own binding ethical guidelines attached to the agreements.

Research and development

IN 2022 DEN Group's own development work focused on streamlining the implementation process (Kunto project), sales knowledge-based management (start-up of the CRM project) and sustainability (carbon footprint calculation, reporting, development projects).

The development projects have progressed according to plan and the results have been even better than expected. For example, with the help of the Kunto project, it has been possible to significantly reduce the compensation for delays caused by construction.

DEN's product lines are constantly being renewed according to customer needs.

In 2022, external research expenses amounted to EUR 25 thousand (EUR 7 thousand in 2021) and were recognised as other operating expenses.

The Group has acquired design protection for the floor element of the technical space it has developed, combined pillar footing/ base plate solution, and supply air regulation system. The self-developed scaffolding system used at the Designtalo and Ainoakoti sites is patented.

The results have been even better than expected.

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 part of the Group's customers are private individuals, but the customer base has also expanded to companies and real estate investors. The Group aims to manage changes in the market and consumer behaviour by closely monitoring the trends in the market, customer satisfaction and consumer surveys, as well as by offering different customer segments a comprehensive range of products and services expected by them.

Rising interest rates, inflation, raw-material prices and the general economic situation affect the company's result for the current year. To the extent possible, DEN has endeavoured to prepare for these risks.

Other business environment risks include municipal planning policies, availability of plots, development of regulations concerning the construction of 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. Den Finland Oy is, for example, a member of the Finnish Association for Manufacturers of Prefabricated Houses and the Log House Industry Association.

The operational risk management takes place through the company's carefully specified and controlled delivery chain, which covers all the company operations, as well as the related ERP system. 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 in occupational safety will be more on anticipation based on safety observations and corrective measures.

Information management plays a key role in the company's risk management. Data systems are critical for effective internal control, as many control measures are based on information technology. ICT and data security risks are managed, for example, with ICT process design, access management and multi-factor authentication. Awareness and knowledge of the personal data processing procedures required by the GDPR regulation have been improved through training.

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 the 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, their locations and segments, by only initiating projects when a sufficient sales or reservation rate has been reached, and by monitoring its balance sheet.

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 above, the liability of the company is towards its customers. The Group has prepared for warranty and repair risks by recording a provision for warranty expenses in the balance sheet based on the outturn data of previous years. The insurance is regularly analysed to ensure that the insurance cover is up-to-date.

The Board of Directors of the Group's parent company is responsible for arranging the company's appropriate internal control, and the role of the Audit Committee is to steer internal control.

The company regularly analyses its business risks.

Investments and business acquisitions

DURING THE FINANCIAL YEAR the company did not make any acquisitions and the investments were mainly normal replacement investments.

The preparation of Finnlamelli's new ERP system, the cloud-based SAP Business by Design, was carried out throughout the year, and it was completed at the end of 2022. The aim of the system investment was to improve the transparency and efficiency of operations and to serve as the first step towards large-scale digitalisation of our business. Expenditure related to this investment has been expensed as incurred.

Changes in the company's management

MARIA MROUE, Director of Marketing, Communications and Sustainability, joined the Management Team on 1 January 2022, Tomi Rantasaari, General Counsel, joined on 1 August 2022 and Mika Perkiö, CFO, on 1 October 2022.

Governance

THE COMPANY STRIVES for open, transparent and responsible governance and management. We are committed to good governance by complying with currently valid 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 in its work.

Members of the Board of Directors of DEN Group Oy during the financial year 2022 were:
Saku Sipola (Chair), Antti Karppinen, Maija Joutsenkoski (as of 10 May 2022), Pia Kåll (until 10 May 2022), Heikki Lahtinen, Anu Tuomola, Kari Neilimo and Ilkka Kurkela

At the end of 2022, the Corporate Management Team comprised the following persons:
Jussi Niemelä (CEO), Otto Tarkiainen (CBO, Homes), Petri Nieminen (CBO, Multifunctional premises), Mika Perkiö (CFO), Maria Mroue (Director of Marketing, Communications and Sustainability), Markku Uotinen (Development Director), Sari Kontu (HR Director), Tomi Rantasaari (General Counsel)

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 company had 18,032,210 shares. The company has one share class and all shares have the same right to dividend and company assets. The trading on the company shares is restricted by the redemption clause and the acquisition of company shares by the consent clause set out in the Articles of Association. During the financial period 2022, the company redeemed a total of 87,648 treasury shares at an average price of EUR 4.88 per share. At the end of the financial period, the company held 87,648 shares.

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 Annual General Meeting held on 29 April 20211 authorised the Board of Directors to decide, at its discretion, on an additional return of capital from the invested non-restricted equity reserve. Based on the authorisation, a maximum of EUR 0.10 per share may be paid as return of capital 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 Board of Directors of DEN Group Oy decided to use the authorisation on 20 January 2022 and to pay EUR 0.10 per share from the invested non-restricted equity reserve as return of capital for a total of EUR 1,794,766.80.

The Extraordinary General Meeting held on 14 December 2021 authorised the Board of Directors to decide on the acquisition of a maximum of 250,000 of the company's treasury shares in one or more tranches. The authorisation will be valid until the next Annual General Meeting, however, no later than 30 June 2022. In accordance with the authorisation, the Board of Directors of DEN Group Oy decided to carry out a directed acquisition of the company's treasury shares for a total of 87,648 shares.

The Annual General Meeting held on 10 May 2022 authorised the Board of Directors to decide on the distribution of funds from the invested non-restricted equity reserve to the company's shareholders in one or more instalments. The maximum amount of funds distributed may be EUR 0.10 per share and EUR 1,794,766.80 in total. The authorisation is valid until the next Annual General Meeting.

Distribution of funds

THE BOARD OF DIRECTORS of DEN Group Oy decided to use the previous authorisation for the return of capital on 20 January 2022 and to pay a return of capital from the invested non-restricted equity reserve of EUR 0.10 per share for a total of EUR 1,794,766.80.

In addition, the Annual General Meeting of DEN Group Oy decided on 10 May 2022 to pay a return of capital from the invested non-restricted equity reserve of EUR 0.20 per share for a total of EUR 3,595,513.44.

Events after the financial period

ON 1 JANUARY 2023 Den Group Oy divided Den Finland Oy's Homes and Premises businesses into separate companies. The Homes business will remain in Den Finland Oy and the Premises business formed Talliosake Oy. DEN Sweden AB's name was changed to Talliosake Sweden AB, a subsidiary of Talliosake Oy.

After the demerger on 1 January 2023, the Group's management system was changed to correspond to the new corporate structure. The special purpose vehicles are led by the managing directors with the help of the business management teams. The Group's CEO, CFO and the CEOs of the special purpose vehicles form the Corporate Management Team.

On 2 January 2023, Den Group renewed its senior financing with Osuuspankki. The renewed senior financing package is valid until 31 January 2025 and is equal to the volume of the previous funding package. New amortisation programmes were agreed for different financial instruments, and financing margins increased to reflect the current market situation.

Due to the change in the market situation, the Group conducted change negotiations, which ended on 18 January 2023 for DEN Finland Oy and on 13 February 2023 for Talliosake Oy. Based on the change negotiations, the number of personnel in both companies decreased and layoffs will be implemented according to business needs during 2023. In addition, operations were streamlined and cost savings were implemented by other means.

Estimate of likely future developments

THE MARKET SITUATION remains challenging. The rise in interest rates has had a clear impact on housing sales and it affects the start-ups of new single-family house projects. Den Group's net sales will also decrease clearly during 2023.

The rise in raw material prices has levelled off significantly, and in some product categories prices have even decreased slightly. There are currently no significant increases in raw material prices for 2023 due to market disruptions.

With the slowdown in the market, the processing of building permits has become faster, which speeds up the start of new construction projects.

In the company's opinion, the company is able to secure sufficient financial resources and financing to ensure the continuity of operations.

Board of Directors' proposal for the distribution of profit

The parent company's distributable funds amount to EUR 6,923,744.80, of which the profit for the financial year is EUR 5,443,807.23. 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 on the balance sheet.

There have been no significant changes in the company's financial position since the end of the financial year. The liquidity of the company is good.

Helsinki, 29 March 2023
DEN Group Oy, Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of comprehensive income (IFRS)

EUR 1,000	Note	1.1.-31.12. 2022	1.1.-31.12. 2021
Revenue	**1**	**226,236**	**208,677**
Other operating income	2	528	119
Changes in inventories of finished goods and work in progress		12,234	-5,434
Raw materials and consumables used		-106,496	-88,145
External services		-69,062	-52,535
Personnel expenses	5	-34,584	-33,628
Other operating expenses	3,6	-20,271	-15,003
EBITDA		**8,585**	**14,049**
Depreciation, amortisation and impairment	4	-2,953	-3,521
Operating profit		**5,633**	**10,529**
Financial income		95	51
Exchange rate differences (net)		-590	-186
Financial expenses		-1,785	-1,180
Financial expenses (net)	**7**	**-2,280**	**-1,315**
Profit/loss before taxes		**3,353**	**9,214**
Income taxes	8	-614	-1,759
PROFIT FOR THE PERIOD		**2,739**	**7,455**

EUR 1,000	Note	1.1.-31.12. 2022	1.1.-31.12. 2021
Earnings per share			
Basic earnings per share (EUR)		0.15	0.41
Diluted earnings per share (EUR)		0.15	0.41
Total income for the period is attributable to:			
Equity holders of the parent company		2,739	7,455
Other comprehensive income			
Items that may later be recognised in profit and loss			
Translation difference		-596	-34
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2,143**	**7,421**
Total comprehensive income for the period is attributable to:			
Equity holders of the parent company		2,143	7,421

Consolidated balance sheet (IFRS)

EUR 1,000	Note	31.12.2022	31.12.2021
ASSETS			
Non-current assets			
Goodwill	10	87,911	87,911
Intangible assets	10	1,982	2,798
Property, plant and equipment	11	4,236	4,778
Other receivables		1,734	231
Deferred tax assets	12	1,219	1,409
Total non-current assets		**97,082**	**97,127**
Current assets			
Inventories	13	59,420	52,514
Trade receivables	14	8,003	9,704
Loan receivables	14		0
Other receivables	14	2,290	668
Advances and accrued income	14	1,753	1,205
Tax assets	14	392	0
Cash and cash equivalents	15	8,232	16,911
Total current assets		**80,091**	**81,002**
Non-current assets for sale	27		0
TOTAL ASSETS		**177,173**	**178,129**

EUR 1,000	Note	31.12.2022	31.12.2021
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	25,087	30,905
Translation difference	16	-617	-21
Retained earnings	16	5,384	2,645
Total capital attributable to equity holders of the parent company		**94,856**	**98,531**
Total equity		94,856	98,531
Non-current liabilities			
Deferred tax liabilities	12	508	699
Provisions	17	2,926	3,024
Financial liabilities	18	0	12,500
Other non-current liabilities	19	1,134	2,244
Total non-current liabilities		**4,568**	**18,467**
Current liabilities			
Trade payables	19	9,878	8,592
Other current liabilities	19	9,168	6,278
Advances	19	11,406	12,087
Tax liabilities	19	5	1,381
Provisions	17	1,448	1,301
Financial liabilities	18	37,402	20,630
Accrued liabilities	19	8,442	10,862
Total current liabilities		**77,749**	**61,131**
Total liabilities		**82,317**	**79,597**
TOTAL EQUITY AND LIABILITIES		**177,173**	**178,129**

Consolidated cash flow statement, IFRS

EUR 1,000	2022	2021
Cash flow from operating activities		
Profit for the period	2,739	7,455
Adjustments:		
Depreciation, amortisation and impairment	2,953	3,521
Fair value adjustment of inventory		0
Other adjustments	742	2,346
Financial income and expenses	1,690	1,129
Proceeds/losses from sale of property, plant and equipment and intangible assets	-36	-6
Taxes	**614**	**1,759**
Cash flow before changes in working capital	8,701	16,204
Changes in working capital:		
Change in trade and other receivables	-1,578	-5,048
Change in inventories	-8,931	-5,637
Change in trade and other payables	1,065	8,842
Changes in working capital	**-9,444**	**-1,843**
Interest paid	-1,722	-995
Interest received	95	49
Taxes paid or refunded	-2,383	-1,995
	-4,010	-2,941
Net cash flow from operating activities	**-4,753**	**11,420**

EUR 1,000	2022	2021
Cash flow from investment activities		
Acquisition of subsidiaries and businesses, net of cash acquired		0
Investments in intangible assets and in property, plant and equipment	-1,140	-639
Proceeds from sale of property, plant and equipment and intangible assets	36	6
Net cash flow from investment activities	**-1,104**	**-633**
Cash flows from financing activities		
Loans drawn	3,342	9,475
Loans repaid	-3,175	-7,550
Change in real estate company loans	4,044	-11,316
Finance lease payments	-1,127	-1,091
Dividends paid and other profit distribution	-5,390	-3,246
Acquisition of treasury shares	-428	0
Share issue		0
Net cash flow from financing activities	**-2,734**	**-13,728**
Change in cash and cash equivalents	**-8,591**	**-2,941**
Cash and cash equivalents at the beginning of the financial period	-2,966	0
Impact of exchange rate changes on cash and cash equivalents	-88	-25
Cash and cash equivalents at the end of the financial period	**8,232**	**16,911**

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 2021	**65,003**	**34,151**	**13**	**-4,810**	**94,356**
Tilikauden laaja tulos	0	0	-34	7,455	7,421
Total comprehensive income	**0**	**0**	**-34**	**7,455**	**7,421**
Transactions with equity holders					
Distribution of funds	0	-3,246	0	0	-3,246
Share issue	0	0	0	0	0
Total transactions with equity holders	**0**	**-3,246**	**0**	**0**	**-3,246**
Equity on 31 Dec 2021	**65,003**	**30,905**	**-21**	**2,645**	**98,531**
Equity on 1 Jan 2022	**65,003**	**30,905**	**-21**	**2,645**	**98,531**
Comprehensive income for the period	0	0	-596	2,739	2,143
Total comprehensive income	**0**	**0**	**-596**	**2,739**	**2,143**
Transactions with equity holders					
Distribution of funds	0	-5 390	0	0	-5 390
Acquisition of treasury shares	0	-428	0	0	-428
Share issue	0	0	0	0	0
Total transactions with equity holders	**0**	**-5,818**	**0**	**0**	**-5,818**
Equity on 31 Dec 2022	**65,003**	**25,087**	**-617**	**5,384**	**94,856**

ACCOUNTING POLICIES

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 the Finnish Limited Liability Companies Act, shareholders have the opportunity to approve or reject the financial statements at the General Meeting held after the publication of the financial statements. The General Meeting also has the possibility to make a decision on amending the financial statements.

Accounting princples for the financial statements

Basis for preparation
The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and by applying the IAS and IFRS standards and their SIC and IFRIC interpretations that were in force on 31 December 2022. International Financial Reporting Standards refer to the standards (and their interpretations) approved for application in the EU in accordance with the procedures in the EU regulation (EC) No 1606/2002 and embodied in the Finnish Accounting Act and provisions issued thereunder. The notes to the consolidated financial statements also comply with the Finnish accounting and corporate legislation that complement the IFRS regulations.

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

The new standards, amendments to standards or interpretations that entered into force on 1 January 2022 have not had an impact on 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 per cent 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 payable for the acquisition of a subsidiary comprises the assets transferred, the liabilities incurred to the previous owners of the acquired business, and equity interests issued by the Group, all measured at fair value.

The consideration transferred 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 an amount that corresponds to 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 takes place in stages, the acquirer's previously held equity interest in the subject of the acquisition is remeasured at 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 are recognised either 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 subsequently settled, the payment is recognised in equity.

Transactions between Group companies, receivables and liabilities as well as unrealised gains arising from intercompany transactions 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

Property, plant and equipment is measured at original acquisition cost less depreciation and amortisation.

Assets are depreciated on a straight-line basis over their estimated useful life. Land areas are not depreciated. The estimated useful lives for various assets are as follows:

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 residual value and useful life of assets are reviewed in each financial statements and, if necessary, adjusted to reflect changes in the expectations of economic benefit. Capital gains and losses arising from the decommissioning and disposal of property, plant and equipment are included in other operating income or other operating expenses.

Goodwill and other intangible assets

Goodwill

Goodwill arising from business combinations is recognised at an amount by which the consideration transferred, the share of non-controlling interests in the acquired entity and the previously owned interest, taken together, exceed the fair value of the net assets acquired.

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

Goodwill is not amortised, but is tested for possible impairment on an annual basis and whenever there is any indication that it may be impaired. For this purpose, goodwill is allocated to cash-generating units or a group of cash-generating units. Goodwill is recognised at historical cost less impairment. Impairment costs are recognised as an expense in the income statement. The carrying amount of goodwill associated with the divested entity affects the gains and losses on sales.

Intangible assets

An intangible asset is initially recognised at acquisition cost when the cost can be measured reliably and it is probable that the expected future economic benefits derived from 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 with unlimited useful lives are not amortised but are tested annually for impairment.

Other intangible assets acquired in connection with acquisitions are recognised separately from goodwill if they meet the definition of an asset: they are identifiable or are based on contracts or legal rights. Other intangible assets recognised in connection with acquisitions consist of, for example, the value of trademarks, customer contracts and related customer relationships, as well as non-competition agreements, and the value of process expertise related to the acquired technology and industry.

Acquired so-called on-premise software licenses are capitalised at acquisition cost and the value of the cost to implement the software. The acquisition cost is amortised on a straight-line basis over the estimated useful life of the licences. Amortisation begins when the software is ready for use. Software maintenance costs are expensed as they are incurred.

Cloud service contracts that meet the definition and capitalisation criteria for an intangible asset referred to in IAS 38 Intangible Assets are recognised as intangible assets and amortised over the contract period or the asset's useful life. As a rule, those cloud service contracts' definition, configuration and other implementation costs that do not meet said conditions are recognised as an expense in the income statement at the time they are incurred.

Research costs are recognised as an expense 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 of the date when the product is technically feasible, commercially exploitable and expected to yield future economic 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 generate economic benefits are expensed in the income statement. In the financial periods under review, the Group has not had any development expenditure to be capitalised.

The estimated useful lives for various assets are as follows:

Customer relations	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. If there are indications, the recoverable amount of said asset is estimated. The recoverable amount of goodwill is estimated annually, regardless of whether there are indications of impairment. In addition, goodwill is also tested for impairment whenever there is any indication that the value of a unit may be impaired. The need to recognise impairment is examined at the level of cash-generating units, i.e. at the lowest unit level which is mainly independent of other units and whose cash flows are separable and largely independent of the cash flows of other corresponding units.

The recoverable amount is the fair value of an asset less the costs of disposal or the value in use, whichever is greater. Value in use refers to the estimated future net cash flows from said asset or cash-generating unit, which are discounted to their present value. The discount rate used is a pre-tax rate that reflects market assessments of the time value of money and the specific risks associated with the asset. An impairment loss is recognised as an expense when the carrying amount of an asset exceeds its recoverable amount. If the impairment loss pertains to a cash-generating unit, it is initially allocated to reduce the goodwill allocated to the cash-generating unit and thereafter to reduce the other assets of the unit in equal proportions. At the time of recognition of an impairment loss, the useful life of the depreciated asset is reassessed. An impairment loss recognised for an asset other than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount of the asset. However, the impairment loss is not reversed beyond the carrying amount of the asset without the impairment loss being recognised. An impairment loss recognised for goodwill is not reversed under any circumstances.

Inventories

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

Inventories are measured at the lower of acquisition cost and net realisable value. The acquisition cost of materials and supplies is determined by the weighted average price method. The acquisition cost of work in progress and shares in completed real estate companies consists of 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 to be obtained in the ordinary course of business less the estimated costs of completion of the product and the estimated costs necessary for the completion of the sale.

In estimating the net realisable value of shares in completed real estate companies, the available market information and the level of return on the properties are also taken into account. In assessing the net realisable value of land, their intended use is taken into account. The valuation of land used for construction takes into account the finished products in which they will be included. The carrying amount of land is decreased when the completed products are expected to be sold at a price below the acquisition cost. The net realisable value of other land is based on the market price of the land.

Financial assets

The Group's financial assets are classified into the following two categories: financial assets recognised at amortised cost and at fair value in profit or loss. On the balance sheet date, the Group did not have any financial assets recognised at fair value in comprehensive income. The classification is made on the original date of acquisition and is based on the objective of the business model and the contractual cash flows of the investment. Transaction costs are included in the original carrying amount of financial assets. All purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell the financial instrument. Derecognition of financial assets occurs when the Group has lost its contractual right to cash flows or when it has transferred a significant part of the risks and rewards outside the Group.

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

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 applies the simplified procedure permitted by the standard for recognising impairment, whereby expected credit losses from trade receivables are recognised based on historical information with adjustment concerning future expectations.

Financial assets recognised at fair value in profit or loss
Financial assets recognised at fair value in profit or loss are financial assets or derivatives held for trading that do not meet the conditions for hedge accounting in accordance with IFRS 9. In the Group, interest rate derivatives related to business operations and financing are recognised in this category. The Group does not apply hedge accounting. Derivatives are initially recognised at fair value when the Group becomes a contracting party and are subsequently measured at fair value. Interest rate derivatives are used to hedge against changes in market interest rates, and changes in the fair value of interest rate derivatives are recognised in financial income or expenses in the financial period in which they arise. Derivatives are non-current assets when they have a maturity of more than 12 months and current assets when the remaining maturity is less than 12 months. Derivatives may also be liabilities. In this case, their accounting principles are specified below under 'Financial liabilities'.

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, bank deposits held at call, and other short-term, highly liquid investments that are easily convertible to a known amount of cash and have a low risk of changes in value. Items classified as cash and cash equivalents have an original maturity of up to three months. Cash and cash equivalents belong to the category 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 fair value. Transaction costs arising in connection with the withdrawal of the loan are included in the original carrying amount. Financial liabilities may be current or non-current. Subsequent measurement occurs at amortised cost using the effective interest method. Fees payable on the establishment of loan facilities are recognised as expenses over the term of the facility in question. 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 from the end date of the reporting period. Financial liabilities also include developer contracting-related company loans of 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 initially recognised at fair value when the Group becomes a contracting party and are measured subsequently at fair value. Interest rate derivatives are used to hedge against changes in market interest rates, and changes in the fair value of interest rate derivatives are recognised in financial income or expenses in the financial period in which they arise. 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

The company capitalises the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the acquisition cost of that asset. A qualifying asset is one that takes a long manufacturing time to complete for its intended use. Capitalisation commences when the company first incurs costs for a qualifying asset giving rise to borrowing costs, and when the measures to bring the asset to its intended use or sale are in progress. Capitalisation ceases when all activities necessary to complete the asset for its intended use or sale have been carried out. In developer-contracted construction projects, borrowing costs are capitalised during the construction period and recognised as project expenses at the time of delivery.

Provisions

Provisions are recognised 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 construction contracts. The amount of a guarantee provision is estimated on the basis of experience of the materialisation of such guarantee expenses. If the guarantee provisions materialise in an amount greater than estimated, the excess is recognised as an expense without delay. 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 are presented as provisions in the financial statements 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 contractually required anticipated costs to fulfil the obligations exceed the benefits of the contract.

A contingent liability is a a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent liability is also considered to be a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability. A provision is not recognised on the contingent liability and it is disclosed in the notes to the financial statements. On the reporting date, the Group had no contingent liabilities.

Leases

DEN Group as lessee

In the case of leases in which the lessee controls the identified asset throughout the lease term, the Group recognises in the balance sheet the right-of-use asset in question and a corresponding lease 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 any impairment losses are taken into account in their value, which is 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 lease liabilities corresponding to the acquisition cost are presented as liabilities.

The lease liability is initially measured at the present value of the 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. Leases with a lease term of 12 months or less are considered short-term leases. Low-value assets mainly include 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 the lessor are classified into operating leases and finance leases. Lease income from operating leases in which the Group is a lessor is recognised in the income statement on a straight-line basis over the lease term. Leased assets are included in the balance sheet according to their nature. The Group does not have any finance leases where it is the lessor.

Revenue recognition principles

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 concluded and that are not eligible for capitalisation under other standards are recognised as an expense. The Group capitalises contract performance costs that meet the capitalisation criteria and allocates them as expenses according to the stage of completion. The additional expenses of obtaining the contract are treated as capitalised expenditure. Costs of performance of the contract 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 stand-alone selling prices if the contract involves more than one performance obligation. In general, guarantees to customers do not affect the recognition of revenue, as they are assurance-type 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
Sales 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 the customer contract will exceed the transaction price of the customer contract, the anticipated loss is recognised in provisions as an expense.

Assets and liabilities arising from customer contracts
If, at the reporting date, the invoiced amount of a contract is less than the recognised sales revenue, the difference is presented under advances and accrued income in the balance sheet. If, at the reporting date, the invoiced amount of a contract is greater than the recognised sales revenue, the difference is presented as a liability under advances received in current liabilities in the balance sheet. The shares of company loans related to developer-contracted projects are presented under financial liabilities 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 an almost completed or fully completed single-family house or semi-detached house is constructed on land owned by the customer by the Designtalo, Ainoakoti or Finnlamelli brand. Depending on the scope of delivery, 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. Revenue from performance obligations is recognised once the performance obligation is fulfilled and the agreed goods or services have been delivered to the customer, i.e. control to said asset is transferred to the customer. Performance obligations are primarily related to specific stages of work, and once they have been satisfied, sales revenue for said performance obligation is recognised as income.

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 the Group therefore 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. Revenue from these performance obligations is recognised once the performance obligation is fulfilled and the agreed goods or services have been delivered to the customer, i.e. control to said asset is transferred to the customer.

Group's real estate development projects in Finland
The Group's real estate development projects are projects developed by the Group itself and sold to customers under the brands

Talliosake® (talliosake.fi) and Talli (talli.com). These projects are hall spaces that enable various functionalities and are 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 premises are sold to customers, usually separately for each space and, in some cases, as a joint transaction of several premises. 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 damages.

In the Group's 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 the handover of the premises. The projects mainly last less than 12 months, 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 the premises include both the purchase prices paid by the customers and the loan shares allocated to 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 as income in the reporting period by which time the customer has signed the deed of sale, made the full payment for the premises, and received the premises.

Group's real estate development projects in Sweden

The Group carries out similar developer-contracted real estate construction projects in Sweden as in Finland. 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 are similar to those used for projects implemented 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, l ess 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, amortisation 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

The Group companies have pension plans. The pension plans are classified as either defined benefit or defined contribution plans. In defined contribution plans, the Group makes fixed contributions to a separate entity and the Group has no legal or de facto obligation to make additional payments if the recipient is unable to pay the pension benefits in question. All plans that do not meet these conditions are defined benefit pension 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. Rewards under the incentive scheme will be paid in cash. The expense for 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 liabilities until the settlement date. The liability was remeasured on each balance sheet date.

Related party transactions

In addition to the Group companies, the members of the Board of Directors and the Group's top management, the Group's related parties include those entities in which related parties have influence either by 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 comprehensive income items or items recognised directly in 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. The taxes are adjusted for any taxes of the previous financial periods. The management evaluates positions taken in tax returns in situations where tax legislation leaves room for interpretation. The tax provisions to be recognised 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 recognised on goodwill impairment that is not deductible in taxation and no deferred taxes are recognised on the undistributed retained earnings 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 balance sheet date. A deferred tax asset is recognised to the extent that it is probable that taxable income will arise in the future against which the temporary difference can be applied. The most significant temporary differences arise from developer contracting projects (differences between the income from shares of real estate companies sold prior to the completion of the project and taxable income), recognition timing differences in Talliosake construction projects, provisions deductible at a later date, measurement at fair value in connection with acquisitions, and unused fiscal losses.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset the current tax assets against the current tax liabilities, and when the deferred taxes relate to income taxes levied by the same tax authority either from the same taxable entity or from different taxable entities when the balances are to be settled on a net basis.

Equity

The amount of dividend or return of capital proposed by the Board of Directors to the Annual General Meeting will not be deducted from distributable equity before the approval of the General Meeting.

The Group has no non-controlling shareholders.

Accounting policies that require management's judgement and key uncertainties related to estimates

In the preparation of the financial statements, management has had to make forward-looking estimates and assumptions and discretionary decisions in the application of accounting policies. These estimates and decisions affect the amounts of assets, liabilities, income and expenses recognised during the reporting period, as well as the contingent items presented. The estimates and assumptions are based on historical experience and other justifiable assumptions deemed reasonable in the circumstances where items entered in the financial statements have been estimated. On the balance sheet date, the most significant estimates and forward-looking assumptions relate to revenue recognition policies, inventories, provisions, share-based payments, acquisitions and impairment testing. Information on the key areas of financial statements that require management discretion and estimates is presented below.

Revenue recognition principles
A significant part 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 sales revenue of projects 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 applies 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 fulfil the performance obligation. These include a commissioning review related to the completion of the property 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 regularly assesses the valuing of inventory and possible decrease in value in accordance with its best estimate. The value of finished, unsold sites included in inventories is the lower of their acquisition cost and the probable selling price. When assessing the probable selling price, the management takes into account the market situation and possible demand for the site to be sold. Inventories are itemised in Note 13.

Provisions

Provisions mainly consist of guarantee work 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, management will use discretion in the determination of the fair value of the share on the reporting date. In addition, management evaluates the maturity date of the schemes and the value of the factors used to calculate the value of the options.

Acquisitions

Assets and liabilities acquired in business combinations are measured at fair value. To the extent possible, management uses available market values to determine fair values. If this is not possible, the measurement is based on the projected return on the asset. In particular, the valuation of intangible assets is based on discounted cash flows and requires management estimates of future cash flows. These estimates are based on the management's best view, but it is possible that the actual results will differ from the estimates used.

Testing for goodwill impairment

Goodwill is tested annually for possible impairment. The recoverable amounts of cash-generating units are based on calculations of value in use. The cash flows in the value in use calculations are based on management's best estimate of profit and market development. The estimates used to test goodwill are presented in Note 10.

New and revised standards and interpretations

New and revised IFRS standards and interpretations not yet applied

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

1. Revenue

EUR 1,000	2022	2021
Homes	179,095	139,397
Multifunctional premises	45,606	65,888
Services	1,535	3,392
Total	**226,236**	**208,677**

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 arising from or related to customer contracts include trade receivables, incomplete projects, advances received and project revenues. Asset items that had not yet been recognised in revenue on the balance sheet closing date will be mostly recognised during the following financial period.

On 31 December 2022, trade receivables amounted to EUR 8.0 million (EUR 9.7 million on 31 December 2021).

On 31 December 2022, the value of incomplete customer projects in inventories totalled EUR 5.0 million (EUR 4.3 million on 31 December 2021).

On 31 December 2022, advances received related to customer contracts totalled EUR 11.4 million (EUR 12.1 million on 31 December 2021).

Geographical information

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

EUR 1,000	2022	2021
Finland	208,220	185,699
EU	12,780	16,484
Outside the EU	5,236	6,494
Group total	**226,236**	**208,677**

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	2022	2021
Proceeds from sale of property, plant and equipment and intangible assets	36	6
Compensations received	437	7
Other income	55	106
Total	**528**	**119**

3. Other operating expenses

Other operating expenses

EUR 1,000	2022	2021
Rental expenses	-571	-464
Voluntary indirect personnel expenses	-571	-464
Premises expenses	-2,204	-1,927
Machinery and equipment expenses	-1,289	-1,174
Travel expenses	-3,125	-2,419
Representation expenses	-1,893	-1,334
Marketing expenses	-18	-2
Research and development expenses	-2,872	-2,288
Administrative expenses	-25	-7
Other operating expenses	-6,016	-2,029
Total	**-20,271**	**-15,003**

In 2022, the expensed amount of small and short-term leases was EUR 820,000 and the corresponding amount in 2021 was EUR 679,000.

Auditors' fees

Total	2022	2021
Audit fees	-132	-140
Tax consultancy services	-12	-12
Other services	-460	-73
Total	**-604**	**-225**

4. Depreciation, amortisation and impairment

EUR 1,000	2022	2021
Intangible assets		
Intangible assets	-1,053	-1,603
Property, plant and equipment		
Buildings and structures	-970	-993
Buildings, right-of-use assets	-763	-807
Machinery and equipment	-166	-118
Total depreciation and amortisation	**-2,953**	**-3,521**

5. Employee benefit expenses

Personnel expenses

EUR 1,000	2022	2021
Salaries	-28,314	-27,755
Share-based rewards	-181	-94
Pensions, defined contribution schemes	-4,894	-4,657
Other indirect personnel expenses	-1,194	-1,122
Total	**-34,584**	**-33,628**

Effect of share-based remuneration on the balance sheet

EUR 1, 000	2022	2021
Debt connected to share-based rewards	-275	-94
Yhteensä	**-275**	**-94**

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

Arrangement	Option 2021A	Option 2021B
Nature of arrangement	Option	Option
Option valuation principles	Black-Scholes	Black-Scholes
Expected average volatility %	30%	30%
Grant date	24/06/2021	24/06/2021
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 employees

Average number of Group personnel during the financial period	2022	2021
Salaried employees	332	309
Non-salaried employees	211	187
Total	**543**	**496**

Number of Group personnel on the closing date	2022	2021
Salaried employees	328	316
Non-salaried employees	191	202
Total	**519**	**518**

6. Research expenses

The Group's research expenses totalled EUR 25,000 in 2022 (EUR 7,000 in 2021). 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	2022	2021
Other financial income	95	51
Total	**95**	**51**

Financial expenses		
Interest expenses	-713	-635
Interest expenses, leases	-80	-75
Other financial expenses	-992	-470
Total	**-1,785**	**-1,180**
Exchange rate differences (net)	-590	-186
Total financial income and expenses	**-2,280**	**-1,315**

8. Income taxes

EUR 1,000	2022	2021
Taxes on the taxable income for the financial period	-615	-1,316
Change in deferred tax assets	-190	-645
Change in deferred tax liabilities	192	202
Total	**-614**	**-1,759**

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

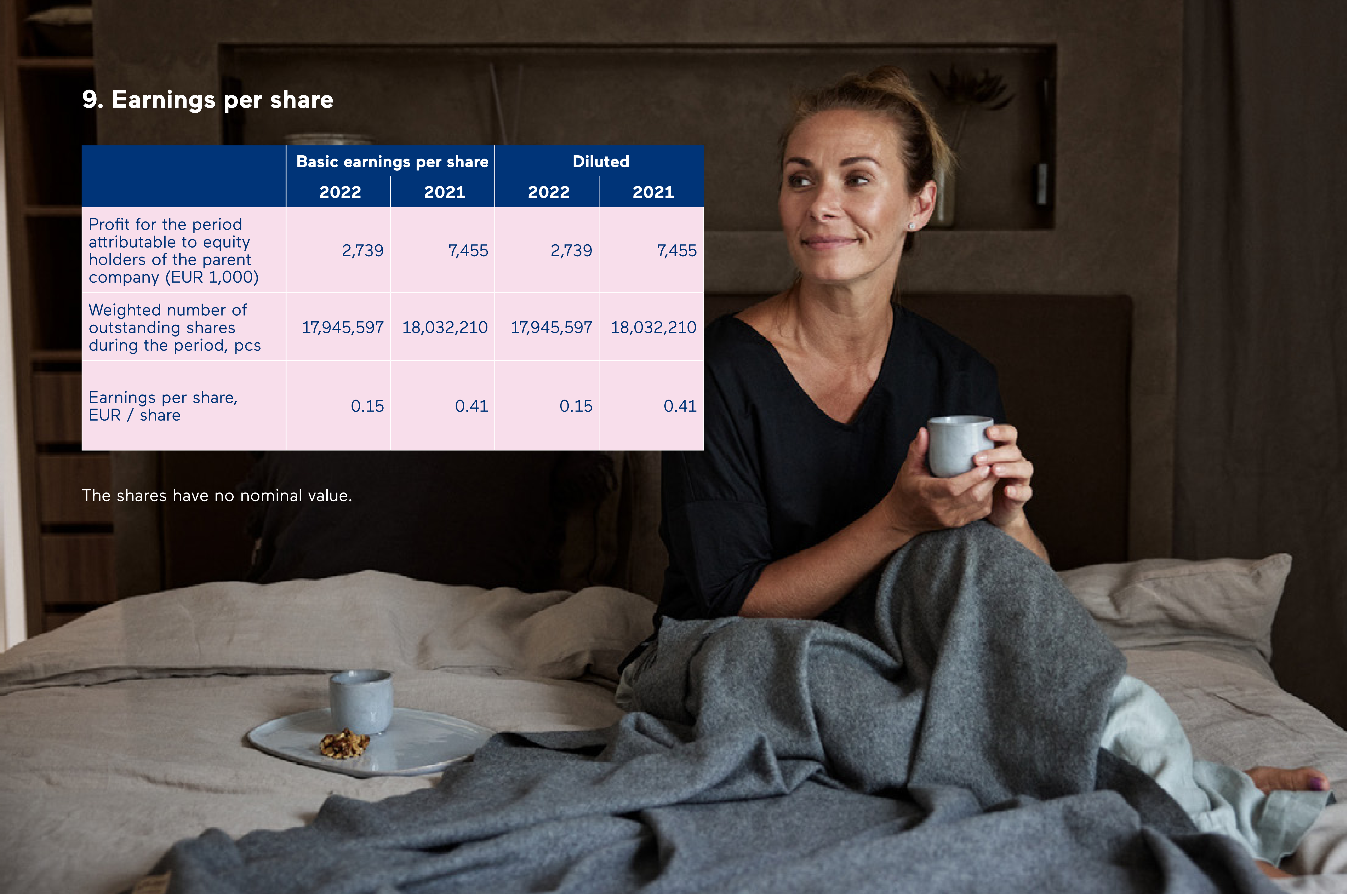
EUR 1,000	2022	2021
Profit before taxes	3,353	9,214
Income taxes at the tax rate in Finland (20.0%)	671	1,843
Tax-exempt income	-338	-238
Non-deductible expenses	4	16
Differences resulting from business acquisitions	0	-57
Taxes not entered for the loss of the financial period	365	266
Taxes for previous financial periods	-10	-59
Other items	-77	-12
Total	**614**	**1,759**

The effective tax rate was 18.3% in 2022 and 19.1% in 2021.

9. Earnings per share

	Basic earnings per share		Diluted	
	2022	2021	2022	2021
Profit for the period attributable to equity holders of the parent company (EUR 1,000)	2,739	7,455	2,739	7,455
Weighted number of outstanding shares during the period, pcs	17,945,597	18,032,210	17,945,597	18,032,210
Earnings per share, EUR / share	0.15	0.41	0.15	0.41

The shares have no nominal value.



10. Intangible assets

Intangible assets

2022

EUR 1,000	Goodwill	Brand	Customer relations	Intangible assets	Total
Acquisition cost 1 Jan	117,028	7,598	790	3,198	128,614
Increases	0			174	174
Acquisition cost 31 Dec	**117,028**	**7,598**	**790**	**3,372**	**128,788**
Accumulated depreciation and impairment 1 Jan	-29,117	-5,425	-790	-2,573	-37,906
Depreciation		-689	0	-300	-989
Accumulated depreciation 31 Dec	**-29,117**	**-6,114**	**-790**	**-2,873**	**-38,895**
Carrying value 1 Jan	87,911	2,173	0	625	90,709
Carrying value 31 Dec	**87,911**	**1,484**	**0**	**499**	**89,892**

2021

EUR 1,000	Goodwill	Brand	Customer relations	Intangible assets	Total
Acquisition cost 1 Jan	117,028	7,598	790	3,079	128,495
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**

In the 2021 financial 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 thecash-generating unit.

EUR 1,000	2022	Discount rate 2022, % (WACC before taxes)
Homes unit	75,052	12,6 %
Multifunctional Premises unit	12,859	14,0 %
Total goodwill	**87,911**	

Impairment testing

Goodwill has been allocated to cash-generating units, which in 2022 and 2021 were the Homes and Multifunctional Premises units. 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. Cash flow forecasts are based on management-approved forecasts covering a five-year period. Cash flows after the management-approved forecast period 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 variables used in value-in-use calculation were the following:

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

Budgeted net sales - Determined based on the development of 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 of impairment testing

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

11. Property, plant and equipment

Property, plant and equipment

2022

EUR 1,000	Buildings and structures	Machinery and equipment	Incomplete acquisitions	Total
Acquisition cost 1 Jan	6,575	12,538	0	19,113
Increases	296	1,190	833	2,319
Decreases		-11	-951	-962
Acquisition cost 31 Dec	**6,575**	**12,538**	**0**	**19,113**
Accumulated depreciation and impairment 1 Jan	-4,262	-8,716	0	-12,978
Depreciation	-970	-929		-1 899
Accumulated depreciation and impairment 31 Dec	**-5,232**	**-9,645**	**0**	**-14,877**
Carrying value 1 Jan	2,017	2,643	118	4,778
Carrying value 31 Dec	**1,343**	**2,893**	**0**	**4,236**

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**

Leases

Property, plant and equipment include leases as follows:

2022

(EUR 1,000)*	Buildings and structures	Machinery and equipment	Total
Acquisition cost 1 Jan	6,248	1,214	7,462
Increases	296	221	517
Decreases		-11	-11
Acquisition cost 31 Dec	**6,544**	**1,425**	**7,968**
Accumulated depreciation and impairment 1 Jan	-4,231	-894	-5,125
Depreciation	-970	-166	-1,136
Accumulated depreciation and impairment 31 Dec	**-5,201**	**-1,060**	**-6,261**
Carrying value 1 Jan	2,017	321	2,338
Carrying value 31 Dec	**1,343**	**364**	**1,707**

2021

(EUR 1,000)*	Buildings and structures	Machinery and equipment	Total
Acquisition cost 1 Jan	5,953	891	6,844
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**

* 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 factory properties in Nivala and Alajärvi as well as the premises in Vantaa. In addition, leased plots in right-of-use assets are included in inventories, which are itemised in Note 13.

Lease liabilities (EUR 1,000)**	2022	2021
Short-term	1,156	942
Long-term (maturity 1 to 5 years)	804	1,667
Long-term (maturity over 5 years)	344	577
Total	**2,303**	**3,186**

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

In addition to the above, the Group has other short-term and low-value leases, which have not been capitalised on the balance sheet and which are of insignificant value. For all leases, the Group's lease payments in 2022 totalled EUR 2,026,000 (the corresponding figure in 2021 was EUR 1,844,000).

12. Deferred tax assets and liabilities

Deferred tax assets and liabilities, net

EUR 1,000	2022	2021
Deferred tax assets	1,219	1,409
Deferred tax liabilities	-508	-699
Deferred taxes, net	**711**	**710**

Changes entered in deferred taxes (EUR 1,000)	2022	2021
Deferred tax assets, net 1 Jan	710	1,154
Changes entered in the income statement	1	-444
Changes entered in the statement of comprehensive income	0	0
Deferred taxes, net 31 Dec	**711**	**710**

Change in deferred tax assets and liabilities during the financial period before the offset

2022

EUR 1,000	1 Jan	Increase	Recognised in the statement of comprehensive income	31.12.
Deferred tax assets				
Business acquisitions	193	0	-37	156
Provisions	464	0	-111	353
Recognition timing differences	653	0	-185	468
Intangible assets	61	0	95	156
Other items	38	0	48	86
Total	**1,409**	**0**	**-190**	**1,219**
Deferred tax liabilities				
Business acquisitions	462	0	-165	297
Inventories	237	0	-26	211
Total	**699**	**0**	**-191**	**508**

2021

EUR 1,000	1 Jan	Increase	Recognised in the statement of comprehensive income	31.12.
Deferred tax assets				
Business acquisitions	230	0	-37	193
Provisions	148	0	316	464
Recognition timing differences	1,659	0	-1,006	653
Intangible assets	0	0	61	61
Other items	18	0	19	37
Total	**2,055**	**0**	**-646**	**1,409**
Deferred tax liabilities				
Business acquisitions	693	0	-231	462
Inventories	208	0	29	237
Total	**901**	**0**	**-202**	**699**

13. Inventories

EUR 1,000	2022	2021
Raw materials and consumables used	7,002	5,348
Work in progress	18,767	24,879
Right-of-use assets, inventories, plots	392	654
Land areas and real estate companies	13,186	11,893
Inventory shares	19,125	8,856
Other inventories	948	884
Total inventories	**59,420**	**52,514**

14. Trade receivables and other receivables

EUR 1,000	2022	2021
Trade receivables	8,003	9,704
Loan receivables	0	0
Tax assets based on the taxable income for the financial period	392	0
Other receivables	2,290	668
Accrued income	**1,753**	**1,205**
Total	12,438	11,577
Analysis of trade receivables	**2022**	**2021**
Not past due	3,227	6,607
Due in		
less than 30 days	2,927	1,941
30-60 days	615	315
61-90 days	263	112
over 90 days	972	729
Total	**8,003**	**9,704**

The Group will apply the simplified procedure for expected credit losses to trade receivables, whereby expected credit losses are recognised based on historical information with adjustment concerning future expectations. The amount of expected credit losses on the balance sheet date of 31 December 2022 totalled EUR 0.2 million (EUR 0.2 million on 31 December 2021). Credit risk is described in Note 21.

15. Cash and cash equivalents

EUR 1,000	2022 Carrying value	2021 Carrying value
Bank accounts	8,232	16,911
Total	**8,232**	**16,911**

The carrying value and fair value of cash and cash equivalents are equal.

16. Notes concerning equity

	2022	2021
Number of shares 1 Jan	18,032,210	18,032,210
Number of shares 31 Dec	18,032,210	18,032,210
	2022	**2021**
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 company had 18,032,210 shares. The company has one share class and all shares have the same right to dividend and company assets. The trading on the company shares is restricted by the redemption clause and the acquisition of company shares by the consent clause set out in the Articles of Association. During the financial period 2022, the company redeemed a total of 87,648 treasury shares at an average price of EUR 4.88 per share. At the end of the financial period, the company held 87,648 shares.

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 Annual General Meeting held on 29 April 20211 authorised the Board of Directors to decide, at its discretion, on an additional return of capital from the invested non-restricted equity reserve. Based on the authorisation, a maximum of EUR 0.10 per share may be paid as return of capital 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 Board of Directors of DEN Group Oy decided to use the authorisation on 20 January 2022 and to pay EUR 0.10 per share from the invested non-restricted equity reserve as return of capital for a total of EUR 1,794,766.80.

The Extraordinary General Meeting held on 14 December 2021 authorised the Board of Directors to decide on the acquisition of a maximum of 250,000 of the company's treasury shares in one or more tranches. The authorisation will be valid until the next Annual General Meeting, however, no later than 30 June 2022. In accordance with the authorisation, the Board of Directors of DEN Group Oy decided to carry out a directed acquisition of the company's treasury shares for a total of 87,648 shares.

The Annual General Meeting held on 10 May 2022 authorised the Board of Directors to decide on the distribution of funds from the invested non-restricted equity reserve to the company's shareholders in one or more instalments. The maximum amount of funds distributed may be EUR 0.10 per share and EUR 1,794,766.80 in total. The authorisation is valid until the next Annual General Meeting.

The Board of Directors of DEN Group Oy decided to use the previous authorisation for the return of capital on 20 January 2022 and to pay a return of capital from the invested non-restricted equity reserve of EUR 0.10 per share for a total of EUR 1,794,766.80.

In addition, the Annual General Meeting of DEN Group Oy decided on 10 May 2022 to pay a return of capital from the invested non-restricted equity reserve of EUR 0.20 per share for a total of EUR 3,595,513.44.

17. Provisions

EUR 1,000	2022	2021
Provisions 1 Jan	4,325	2,187
Increases	1,328	2,992
Decreases	-1,279	-854
Provisions 31 Dec	**4,374**	**4,325**

The Group's provisions are mostly guarantee provisions based on estimated guarantee work expenses of completed construction contracts. The amount of a guarantee provision is estimated on the basis of experience of the materialisation of such guarantee expenses. Provisions are recognised as an expense under the item on which they are expected to be realised.

18. Financial liabilities

Non-current financial liabilities, EUR 1,000	2022	2021
Loans from financial institutions	0	12,500
Total	**0**	**12,500**
Current financial liabilities, EUR 1,000	**2022**	**2021**
Loans from financial institutions	24,717	11,989
Company loans of real estate companies	12,685	8,641
Total	**37,402**	**20,630**
Total financial liabilities	**37,402**	**33,130**

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

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

19. Trade payables and other liabilities

Non-current, EUR 1,000	2022	2021
Lease liabilities	1,148	2,244
Other liabilities	-13	0
Total	**1,134**	**2,244**

Current, EUR 1,000	2022	2021
Trade payables	9,878	8,592
Other liabilities		
Lease liabilities	1,156	942
Value added tax and withholding tax liabilities	5,539	4,200
Other liabilities	2,473	1,136
Advances		
Advances from customers	11,406	12,087
Tax liabilities		
Income tax liabilities	5	1,381
Accrued liabilities		
Accrued liabilities relating to employee benefits	5,953	7,954
Other accrued liabilities	2,488	2,908
Total	**38,899**	**39,200**

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 and derivatives are measured at fair value. As a result of the adoption of IFRS 9, financial assets previously classified as loans and receivables were classified at 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 that changes in the financial markets cause to the Group's financial performance.

The company's principal capital resources consist of cash flow from ordinary business operations and project-based loan financing. In addition, the Group has loan facilities available. At the end of the 2022 financial period, the Group's cash and cash equivalents totalled EUR 8.232 million (at the end of 2021, EUR 16.911 million).

Currency 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 price 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. There were no interest rate swaps during 2022 and 2021, and on the balance sheet dates, the financial liabilities have variable interest rates. The table below shows the sensitivity of the Group's results to interest rate fluctuations.

Sensitivity analysis for variable-rate loans EUR 1,000	2022		2021	
Change, %	1 %	3 %	1 %	3 %
Impact on profit/ loss after taxes	-198	-594	-197	-590

Credit risk

Credit risk is managed, for example, by checking customers' credit information, with credit insurance policies and by only granting customers standard payment terms. The payment terms used vary by 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 2021) and a credit facility of EUR 15 million (EUR 10 million in 2021) earmarked for the purchase of plots. At the end of 2022, EUR 0.0 million of the loan facility was committed for guarantees (EUR 0.1 million in 2021). At the end of 2022, a total of EUR 12.3 million of the credit facility for building plots was in use (EUR 10.2 million in 2021). In addition, in 2020, the company entered into an agreement regarding a credit facility of EUR 20 million for financing Talliosake premises during their construction which was in force during the financial year 2022.

Analysis of debt maturity 2022 (EUR 1,000)	31 Dec 2022	less than 1 year	1-5 years	over 5 years
Financial liabilities	37,402	37,402	0	0
Trade payables and other liabilities	17,890	17,903	-13	0

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

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. Secured loans include covenant terms. The terms and conditions in force on the balance sheet 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	2022	2021
Interest-bearing liabilities	39,705	36,316
Cash and cash equivalents and interest-bearing receivables	8,232	16,911
	31,473	19,405

Total equity	94,856	98,531
Gearing	41.9 %	36.9 %
Net gearing	33.2 %	19.7 %
Net gearing excluding the company loans of real estate companies	33.2 %	19.7 %

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**
Cash flows	-8,679	6,146	-1,875	12,950
Lease liabilities	0	214	-1,096	-882
Other changes without cash flow	0	0	0	0
Net liabilities 31 Dec 2022	**8,232**	**28,651**	**11,054**	**31,473**

The amounts of lease liabilities are presented on a net basis. During 2022, liabilities decreased by EUR 1,127,000, determined using the cash flow method (EUR 1,091,000 in 2021).

22. Guarantees and liabilities

Loans covered by pledges on assets EUR 1,000	2022	2021
Loans from financial institutions	24,717	24,489
Total	**24,717**	**24,489**

Guarantees	2022	2021
Enterprise mortgages	254,100	254,100
Property mortgages	8,427	10,562
Pledges	280	400
Absolute guarantees	15,369	6,670
Total	**278,176**	**271,732**

Contract guarantees	2022	2021
Production guarantees	52	50
Warranty guarantees	391	647
Payment guarantee	232	613
Total	**676**	**1,310**

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 provided absolute guarantees relating to the loans of its real estate companies.

The Group has negotiated a EUR 25 million loan facility, 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 the Talliosake projects. At the end of 2022, a total of EUR 12.3 million was committed of the latter credit facility and EUR 0.0 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%
Shares in subsidiaries held 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.

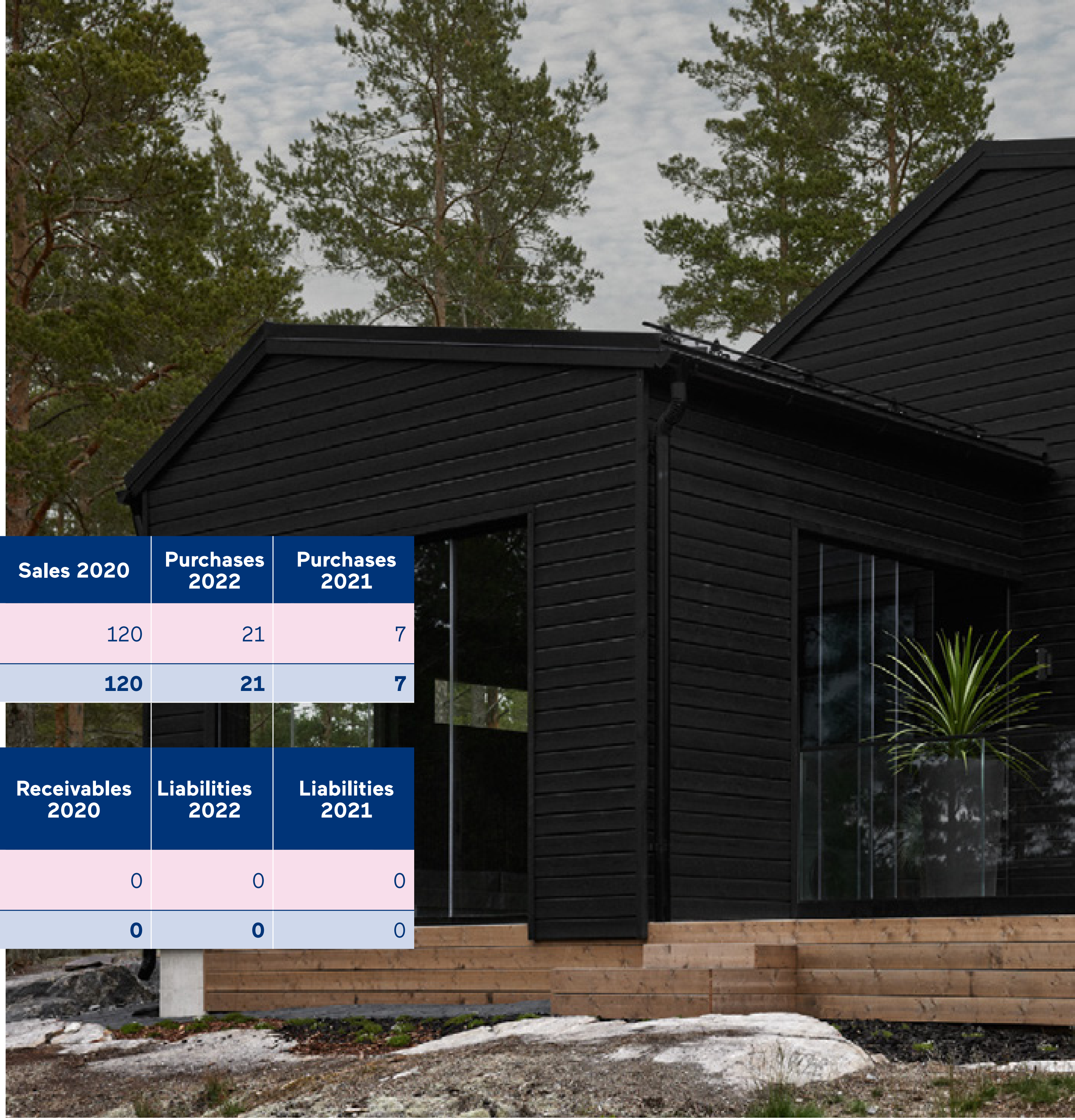
24. Related party transactions

The Group's related parties include, in addition to Group companies, as management key personnel the members of the Board of Directors of the parent company 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 2022	Sales 2021	Sales 2020	Purchases 2022	Purchases 2021
Management key personnel	19	18	120	21	7
Total	**19**	**18**	**120**	**21**	**7**

EUR 1,000	Receivables 2022	Receivables 2021	Receivables 2020	Liabilities 2022	Liabilities 2021
Management key personnel	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	0



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

Management employee benefits

Management team employee benefits, EUR,1 000	2022	2021
Salaries and other short-term employee benefits	1,538	2,342
Total	**1,538**	**2,342**

Salaries and remuneration	2022	2021
Members of the Board of Directors	170	124
Total	**170**	**124**

'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 expense entries for the share-based incentive scheme. Details of the scheme are presented in Note 5.

25. Events after the review period

1.On 1 January 2023, Den Group Oy divided Den Finland Oy's Homes and Premises businesses into separate companies. The Homes business will remain in Den Finland Oy and the Premises business formed Talliosake Oy. DEN Sweden AB's name was changed to Talliosake Sweden AB, a subsidiary of Talliosake Oy.

On 2 January 2023, Den Group renewed its senior financing with Osuuspankki. The renewed senior financing package is valid until 31 January 2025 and is equal to the volume of the previous funding package. New amortisation programmes were agreed for different financial instruments, and financing margins increased to reflect the current market situation.

Due to the change in the market situation, the Group conducted change negotiations, which ended on 18 January 2023 for DEN Finland Oy and on 13 February 2023 for Talliosake Oy. Based on the change negotiations, the number of personnel in both companies decreased and layoffs will be implemented according to business needs during 2023. In addition, operations were streamlined and cost savings were implemented by other means.

FINANCIAL STATEMENTS, PARENT COMPANY

Income statement, parent company (FAS)

EUR	1.1.-31.12.2022	1.1.-31.12.2021
Revenue	2,303,147.72	1,475,014.15
Personnel expenses		
Salaries and remuneration	-577,387.17	-826,485.60
Indirect personnel expenses		
Pension expenses	-66,922.14	-91,302.92
Other indirect personnel expenses	-15,198.10	-21,574.57
Other operating expenses	-1,574,545.92	-491,400.62
Operating profit	**69,094.39**	**44,250.44**
Financial income and expenses		
Dividend income		
From group companies	5,388,713.52	3,973,218.54
Other interest income and financial income		
From others	25.03	6,438.61
Interest expenses and other financial expenses	0,00	-9,45
To others	0.00	-9.45
Total financial income and expenses	**5,388,738.55**	**3,979,647.70**
Profit/loss before appropriations and taxes	**5,457,832.94**	**4,023,898.14**
Income taxes	-14,025.71	-8,848.26
Profit/loss for the period	**5,443,807.23**	**4,015,049.88**

Balance sheet, parent company (FAS)

EUR	31.12.2022	31.12.2021
ASSETS		
Non-current assets		
Investments		
Shares in group companies	71,613,018.15	71,613,018.15
Total non-current assets	**71,613,018.15**	**71,613,018.15**
Current assets		
Current receivables		
Receivables from group companies	474,522.27	168,190.54
Other receivables	163,902.39	805,545.94
Cash and cash equivalents	0.00	0.00
Total current assets	**638,424.66**	**973,736.48**
TOTAL ASSETS	**72,251,442.81**	**72,586,754.63**

EUR	31.12.2022	31.12.2021
EQUITY AND LIABILITIES		
Equity		
Share capital	65,002,500.00	65,002,500.00
Invested non-restricted equity reserve	25,086,728.96	30,904,973.96
Retained earnings	-23,606,791.39	-27,621,841.27
Profit/loss for the period	5,443,807.23	4,015,049.88
Total equity	**71,926,244.80**	**72,300,682.57**
Liabilities		
Current liabilities		
Trade payables	170,604.07	26,554.26
Other liabilities	50,827.22	57,672.24
Accrued liabilities	103,766.72	201,845.56
Total current liabilities	**325,198.01**	**286,072.06**
Total liabilities	**325,198.01**	**286,072.06**
TOTAL EQUITY AND LIABILITIES	**72,251,442.81**	**72,586,754.63**

Cash flow statement, parent company (FAS)

EUR	2022	2021
Cash flow from operating activities		
Profit before appropriations and taxes	5,457,832.94	4,023,898.14
Adjustments		
Financial income and expenses	-5,388,738.55	-3,979,647.70
Cash flow from operating activities before changes in working capital	**69,094.39**	**44,250.44**
Changes in working capital		
Increase (+), decrease (-) of short-term non-interest-bearing receivables	335,311.82	-444,464.80
Increase (+), decrease (-) of short-term non-interest-bearing liabilities	40,359.02	17,817.26
Cash flow from operating activities before financial items and taxes	**444,765.23**	**-382,397.10**
Interest expenses and fees paid on other financial expenses	0.00	-9.45
Financial income from operating activities	25.03	6,438.61
Dividends from operating activities	5,388,713.52	3,973,218.54
Taxes paid / direct tax refunds received	-15,258.78	184,547.20
Net cash flow from operating activities	**5,818,245.00**	**3,781,797.80**

EUR	2022	2021
Cash flow from investment activities		
Acquisitions of subsidiaries, adjustment	0.00	284,000.00
Net cash flow from investment activities	**0.00**	**284,000.00**
Cash flow from financing activities		
Repayment of long-term loans	0.00	-820,000.00
Dividends paid and other profit distribution	-5,390,280.24	-3,245,797.80
Acquisition of treasury shares	-427,964.76	0.00
Net cash flow from financing activities	**-5,818,245.00**	**-4,065,797.80**
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 provisions laid down 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, loan 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 sector	2022	2021
Intra-group service charges	2,303,147.72	1,475,014.15
Total	**2,303,147.72**	**1,475,014.15**

Auditors' fees	2022	2021
Statutory audits	-20,000.00	-60,000.00
Tax consultancy services	0.00	-4,987.50
Other services	-459,855.56	-24,000.00
Total	**-479,855.56**	**-88,987.50**

Financial income and expenses, EUR	2022	2021
Dividend income from Group companies	5,388,713.52	3,973,218.54
Interest income from others	25.03	6,438.61
Interest expenses to others	0.00	-9.45
Total	**5,388,738.55**	**3,979,647.70**

Notes to the balance sheet, assets

Investments, EUR	2022	2021
Acquisition cost 1 Jan	100,730,018.15	101,014,018.15
Decreases	0.00	-284,000.00
Acquisition cost 31 Dec	**100,730,018.15**	**100,730,018.15**
Accumulated impairment 1 Jan	-29,117,000.00	-29,117 ,000.00
Kertyneet arvonalentumiset 31.12.	**-29,117,000.00**	**-29,117,000.00**
Carrying value 1 Jan	71,613,018.15	71,897,018.15
Carrying value 31 Dec	**71,613,018.15**	**71,613,018.15**

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.

Current receivables from group companies, EUR	2022	2021
Trade receivables	474,522.27	168,190.54
Total	**474,522.27**	**168,190.54**

Current receivables, EUR	2022	2021
Other receivables	163,902.39	805,545.94
Total	**163,902.39**	**805,545.94**

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

Notes to the balance sheet, equity and liabilities

EUR	2022	2021
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	30,904,973.96	34,150,771.76
Distribution of funds	-5,390,280.24	-3,245,797.80
Acquisition of treasury shares	-427,964.76	0
Invested non-restricted equity reserve 31 Dec	**25,086,728.96**	**30,904,973.96**
Retained earnings 1 Jan	-27,621,841.27	-27,657,230.55
Profit for the previous period	4,015,049.88	35,389.28
Retained earnings 31 Dec.	**-23,606,791.39**	**-27,621,841.27**
Profit/loss for the financial period	**5,443,807.23**	**4,015,049.88**
Total equity	**71,926,244.80**	**72,300,682.57**

Calculation of distributable funds, EUR	2022	2021
Invested non-restricted equity reserve	25,086,728.96	30,904,973.96
Retained earnings	-23,606,791.39	-27,621,841.27
Profit/loss for the period	5,443,807.23	4,015,049.88
Total	**6,923,744,80**	**7 298 182,57**

Information on the acquisition of treasury shares during the financial period pursuant to chapter 3, section 12 of the Government Decree on the information presented in the financial statements of a small undertaking and micro-undertaking

During the financial year 2022, Den Group Oy has acquired a total of 87,648 of its treasury shares in two tranches at an average price of EUR 4.88 per share, totalling EUR 427,722.24.

The repurchases of the treasury shares have been carried out by a directed redemption as referred to in chapter 15, section 6 of the Limited Liability Companies Act and in accordance with these terms and conditions with the consent of all shareholders.

The completed acquisitions of the treasury shares are based on a shareholders' agreement between the owners.

The shares have no nominal value. Their book value is EUR 3.60 per share, determined by dividing the entire share capital by the number of registered shares.

The repurchased shares represent 0.49% of equity. These repurchased treasury shares are held by the company at the balance sheet date 31 December 2022.

Material items included in accrued liabilities	2022	2021
Salary debt	0.00	155,350.00
Holiday pay debt	62,029.69	25,920.00
Non-wage labour cost debt	36,558.56	14,164.02
Income tax liabilities	5,178.47	6,411.54
Total	**103,766.72**	**201,845.56**

Guarantees and contingent liabilities

Shares in subsidiaries pledged as security, EUR	2022	2021
Shares in subsidiaries pledged as security	71,613,018.15	71,613,018.15

Guarantees given on behalf of other group companies	2022	2021
Guarantees and other commitments given	11,751,026.58	4,354,829.97

Enterprise mortgages	2022	2021
Enterprise mortgages 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 bodies

Average number of company personnel during the financial period	2022	2021
Salaried employees	1	1
Total	1	1

Salaries and remuneration of the members of the Board of Directors are itemised 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 6,923,744.80, of which the profit for the financial year is EUR 5,443,807.23. 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 on the balance sheet.

There have been no significant changes in the company's financial position 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 March 2023

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

Maija Joutsenkoski
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 March 2023

Deloitte Oy
Audit firm

Jonas Vuorela
APA

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