Nordic all-stars in local property service.

Report by the Board of Directors and Financial Statements 2021

Financial review 2021

Board of Directors’ Report

PHM in brief

PHM Group is a Nordic market leader in local property services. Our unique operating model is based on having the best boots on the ground close to our customers supported by a strong Nordic organization and partner network. PHM Group is made up of strong local companies that take care of their clients’ properties and yards locally with a proactive approach. The entrepreneurial spirit lives strong in our values and ways of working guaranteeing a personal, goal orientated and flexible service for our local customers. The Group offers a wide range of services according to its customer needs, and our versatile professionals with decades of experience in the property maintenance industry together with local management guarantee the quality of our service.

We operate in Finland, Sweden, Norway and Denmark across 60 cities, and we are continuously growing. Currently the Group has an employee base of nearly 4,800 professionals. Our like for like net sales in 2021 was 417 MEUR.

PHM Group is majority owned by funds managed by Norvestor. Other significant owners are Intera Partners as well as the Group’s senior management and key employees.

Operating environment

PHM Group provides necessary day to day services, and therefore the operating environment is characterized by stability and predictability. PHM’s business showed fairly limited impact from the Covid-19 pandemic during 2021. The main impact from the unusual situation has been on postponement of some non-essential additional and on demand works, as well as especially in the fourth quarter on elevated sickness absence and related staffing issues causing increased costs and occasionally lower possibilities to execute on add on sales opportunities. The technical maintenance and other on demand work postponed by property owners during the Covid-19 pandemic is expected to positively impact market demand of these add on services going forward. In the short term, however, the development of the Covid-19 pandemic might still impact some parts of PHM’s operations. As in many other industries, finding skilled personnel poses a challenge also for PHM. The M&A market remained active throughout the year and access to financing was good.

The long-term market trends showed no signs of changing. Urbanization continues, the building stock ages and interest towards upgrading homes and residential buildings has increased. Additionally, sustainability driven demand is increasing demand for additional services, for example as property owners improve the energy efficiency of their buildings and demand for electric car charging stations grows. The highly fragmented market continues to offer good opportunities for consolidation.

The war in Ukraine has little impact on the business operation of the PHM Group companies. PHM has no business in Ukraine or Russia. Some seasonal workers and support staff from Ukraine are employed by PHM Group companies, but no material impact is expected on the business operations from the ongoing crisis. The main impact from the crisis comes from cost inflation on fuel, energy and other consumables, which increases costs also for the PHM Group companies and may impact the result in the short term. Also the potential economic slowdown could postpone customer decision for some additional services, mainly construction and renovation projects. The impact on financial markets could also weaken access to financing at favorable terms.

Strategy

PHM Group's vision is to be the leading local partner for real estate services. PHM's strategy for reaching this target is to grow both organically and through acquisitions, simultaneously providing best-in-class services through our local operating units. The cornerstones for PHM's strategy are organic growth, employee experience, M&A, operating efficiency, sustainability and good corporate governance. The implementation of the Groups' strategy is also driven through initiatives built around these cornerstones.

Organic growth is sought by growing both sales of new contract and increasing additional sales. By combining structured Group sales processes with local know-how of our operating units we can have the best service offering for both private and professional customers. Additional sales revenue is grown by leveraging cross selling opportunities of services from all operating companies within the Group as well as utilizing standardized seasonal and ad hoc sales calendars.

PHM Group is the leading consolidator of the fragmented real estate services market in the Nordics. The low consolidation rate in the market enables PHM to be selective when doing acquisitions and supports healthy acquisition pricing. The focus of M&A is on growing our operations in Sweden, Norway, and Denmark, and widening our service offering and presence in selected geographical areas in Finland. The Group has extensive M&A experience in-house and utilizes external consultants especially in pre-acquisition tasks. The Group's local operating model enables fast and low risk integration of acquired entities and fast extraction of synergies.

As property maintenance services is a personnel intense industry, our people are central for our strategy execution. By being the best employer in the industry, we strengthen our competitive edge and secure our growth resources. We provide a safe and an equal opportunity workplace in an industry where the employees regularly have low education or have immigrated. As part of PHM Group, the local operating companies can provide personnel development opportunities to their employees that they were unable to do on their own, while at the same time being able to offer the intimate workplace culture of a small entrepreneur driven company.

By constantly developing the operations to gain operational efficiency, the Group secures profitable growth and reliable service delivery to it's customers, as well as a strong cash flow to its investors. Operational efficiency is gained through sharing best practices of operating units inside the Group, optimizing the personnel and machinery resources, and improving the operating efficiency of acquired entities by introducing the Group's common business practices. Furthermore, the Group provides efficient support function services and progressive digital solutions to the operating units, enabling cost efficient and reliable support for business operations.

Sustainability is at the core of our business. PHM Group provides numerous property maintenance services that enable safe and smooth living for our customers and employees. Our rigorous corporate governance rules and ethical principles protect both our customers and our employees. We require that our sub-contractors keep the same high standards in these matters as we require from our selves. As a large group of companies, we can make a material impact on the environment by choosing low-carbon alternatives always when possible.

Mergers and Acquisitions

The year 2021 has been characterized by considerable M&A activity as PHM has been successful in completing several larger strategic acquisitions including a platform acquisition in the Danish market, two strategic acquisitions in Finland and several larger acquisitions in Sweden greatly widening the Group's geographical coverage. In Norway PHM has been successful in entering Stavanger as well as strengthen-

Completed acquisitions 1-12/2021

Target company	Country	Region	Closing	Currency	Revenue *)	EBITDA *)
Tomina AB	Sweden	Stockholm	January	SEKm	39.0	3.9
Montasjelaget AS	Norway	Stavanger	February	NOKm	18.9	1.9
Olies Renhold AS	Norway	Stavanger	February	NOKm	4.9	0.7
Meranti Siivouspalvelut Oy	Finland	Oulu	March	EURm	3.6	0.5
Janitor Oy	Finland	Hyvinkää	March	EURm	0.8	0.1
Kiinteistöhuolto 3J Oy	Finland	Paimio	April	EURm	1.2	0.1
QSC Group	Finland	Oulu, Joensuu, Rovaniemi	April	EURm	16.8	2.2
Viherkehä Oy	Finland	Capital region	April	EURm	1.5	0.2
Ejendomsvirke A/S	Denmark	Copenhagen	April	DKKm	67.5	6.7
Höga Kusten Skog & Fastighet AB	Sweden	Northern Sweden	April	SEKm	63.7	6.7
Vihdin Rakennustekniikka VRT Oy	Finland	Vihti	May	EURm	1.7	0.2
Optimal Service Sverige AB **)	Sweden	Göteborg	May	SEKm	31.2	2.9
Gröna Gården AB	Sweden	Landskrona	May	SEKm	27.7	5.1
Ostkustens Trädgårdsservice AB	Sweden	Kalmar	May	SEKm	18.7	1.3
Trondheim Renholdsservice AS	Norway	Trondheim	June	NOKm	12.7	1.0
Uterom Entreprenør AS **)	Norway	Oslo	June	NOKm	28.1	9.1
Kiinteistöhuolto Lyijynen Oy	Finland	Lappeenranta	June	EURm	4.3	0.9
Kiinteistöpalvelu Tim Turunen Oy	Finland	Savonlinna	June	EURm	1.6	0.2
Flow Fastighetsvärden AB	Sweden	Stockholm, Mälardalen and Southern Sweden	July	SEKm	231.9	9.4
Mark & Fastighetsservice i Kalmar Ab	Sweden	Kalmar	July	SEKm	27.5	1.3
Uudenmaan Huoltokeskus Oy	Finland	Capital region	September	EURm	1.6	0.2
Økonomiske Løsninger AS	Norway	Oslo	September	NOKm	19.3	4.0
Bromma Fönsterputs Ab and Fönsterputs-kåren i Stockholm Ab	Sweden	Stockholm	October	SEKm	8.8	0.5
Raahen Kiinteistönhoito Oy and Raahen Talonhoito Oy	Finland	Raahe	November	EURm	1.2	0.1
993 Hjelp As	Norway	Stavanger	November	NOKm	11.2	1.3
Fastighet Mark Teknik Förvaltning Norr Ab	Sweden	Umeå	November	SEKm	18.0	-0.8
Puhdas Tuuli Oy	Finland	Oulu	December	EURm	0.3	0.0
Pirkanmaan Talotoimi Oy	Finland	Pirkanmaa	December	EURm	1.3	0.4
Duo Siivouspalvelut Oy	Finland	Tampere	December	EURm	2.6	0.5
Kouvolan Talohuolto Oy	Finland	Kouvola	December	EURm	0.7	0.1
Kiinteistöhoito Juhala Oy	Finland	Turku	December	EURm	0.8	0.1
Kiinteistöhuolto Honkapää Oy	Finland	Pirkanmaa	December	EURm	0.7	0.2
TIP TOP Ejendomsservice ApS	Denmark	Copenhagen	December	DKKm	14.9	1.4
Trappevask Service As	Norway	Oslo	December	NOKm	9.2	3.7

*) Presented financials are based on latest available local GAAP audited financial statements in local currency

**) Unofficial consolidation of group entities ing its position in both Oslo and Trondheim where it already had a presence since fall 2020. Additionally, the acquisition of Flow Fastighetsvärden AB, which is PHM's largest acquisition outside Finland to date, gave PHM access to a proprietary digital property management system in addition to strengthening PHM's position as the leading consolidator in Sweden. The highly complementary combination of PHM and Flow will create a unique platform enabling an accelerated growth and enhanced client service in Sweden.

In 2021, PHM Group completed 33 acquisitions, of which sixteen were in Finland, nine in Sweden, seven in Norway and two in Denmark. Together the acquired entities had a 104.3 MEUR positive impact on LTM like-for-like revenue and 16.0 MEUR positive impact on LTM like-for-like adjusted EBITDA, respectively.

Financial review

The Group's revenue was 364.2 MEUR (122.2) in 2021. The Group was established in March 2020 and ramped up its operations in April 2020 when the Group acquired PHM Holding Oy and its subsidiaries from funds managed by Intera Partners and former management in an acquisition completed on 30th April 2020. Hence the comparison period only includes eight operating months for the Group at its former scale. Further the Group acquired Kotikatu Group at the end of September 2020, which materially increased the scale of PHM's operations. Kotikatu Group profit and loss has been consolidated to the group from October 2020 onwards. This together with the several add on acquisitions completed in 2021 saw revenues increase materially compared to the comparison period. The Group's adjusted EBITDA during the period was 62.8 MEUR (15.0).

The Group's result for the financial period amounted to -4.8 MEUR (-6.9 MEUR). The result is impacted by amortization of customer and marketing related intangible assets from acquisitions -11.6 MEUR (-5.3 MEUR), as well as unusually high financial expenses recorded due to the bond issue and subsequent refinancing in June 2021.

The Group's like-for-like revenue was 416.7 MEUR (373.4). LFL revenue increase was driven by an active winter season, increased contract customer base and increased additional sales revenue. Finland accounted for approximately 61% (63%) of LFL revenue, Sweden for 31% (30%), Norway for 6% (5%) and Denmark for 3% (3%). LFL sales increased in all geographies where the Group operates.

The Group's like-for-like adjusted EBITDA was 70.4 MEUR (63.5). LFL adjusted EBITDA increased clearly due to increased revenues and efficient utilization of the Group's resources during the busy winter season in Q1/21, as well as improved efficiency and synergies gained from acquired entities. Like-for-like adjusted EBITDA margin weakened by 0.1 pp to 16.9% due to increased external services used in work-load peaks and project deliveries, as well as investments into the PHM organization to manage future growth.

The integration project of the legacy PHM Group and Kotikatu launched in late 2020 progressed according to set plans during the review period. Integration of support functions and systems was completed during 2021 as planned and synergies are realizing in accordance with expectations. Unrealized synergies from actions taken to date still amounted to 0.5 MEUR as of December 2021, even though these are not tracked as part of the 1.2 MEUR unrealized synergies reported from add on acquisitions completed during 2021.

The Group's operating cash flow before acquisitions and financial items for the financial period was 42.0 MEUR. The operating cash flow excludes the intra group cash pool debt to the ultimate parent PHM Group Topco Oy. Cash used for acquisitions of subsidiaries amounted to 86.0 MEUR, and in addition the ultimate parent PHM Group Topco Oy has received 17.5 MEUR of funds as re-investments from the sellers of the acquired entities and other key employees, which are at the Group's disposal through a cash pool arrangement. Out of these funds PHM Group Topco Oy has invested 15.0 MEUR into the unrestricted equity of PHM Group Holding Oy in 2021. At the end of the period interest bearing net debt was 346.3 MEUR and leverage was at 4.84x. The Groups liquidity is solid as cash and cash equivalents amounted to 18.3 MEUR, and on top of that the Group had unutilized super senior RCF facilities of 22 MEUR at year end. The long-term debt comprising of a senior secured callable fixed rate note and a super senior RCF, accounting for 90% of total debt financing, mature in 2026.

During the year 2021, the Group took significant steps to strengthen the financing position to secure continued strategy execution. The Group completed a refinancing by successfully placing on the market a 300 MEUR senior secured callable fixed rate note, which is currently listed on the Frankfurt open market exchange and will be listed on the Nasdaq Helsinki exchange in June 2022. The bond was heavily oversubscribed showing the markets conviction towards PHM's strategy and business model. Simultaneously the Group negotiated a new 50 MEUR super senior RCF to cater for its short-term financing needs. The proceeds of the bond issue were used to refinance existing debts and finance a one-time distribution to shareholders.

Employees

As at end of December 2021, PHM employed 4,781 people across the four countries where the Group operates. Personnel expenses in January–December totaled 168.0 MEUR (54.8). More detailed information on wages and other personnel benefits can be found in the notes to the financial statements.

Governance and corporate responsibility

The Board of Directors of PHM Group in 2021 comprised:

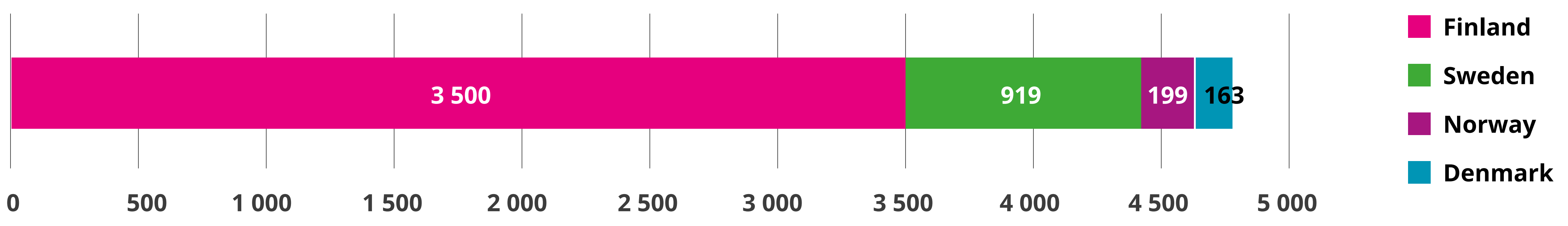
- Karl Svozilik (Chairman)
- Marika Af Enehjelm
- Tuomas Sarkola
- Ståle Angel
- Svein Olav Stölen
- Janne Näränen (Resigned 15 September 2021)

The Group management team of PHM Group in 2021 comprised:

- Ville Rantala, Group CEO
- Petri Pellonmaa, Group CFO
- Eeva Tielinen, HR Director
- Juha Allonen, CIO
- Joni Paananen, Group legal counsel
- Toni Mannila, CM Finland (Starting from 05 April 2021)

In the last quarter of 2021, PHM Group updated its materiality analysis and identified corporate responsibility and sustainability focus areas. Based on these focus areas, the company will develop a corporate responsibility strategy during the first half of 2022. In the end of 2021, PHM Group also developed good

Number of employees



governance by updating the group's Code of Conduct and Ethical Guidelines and introduced a whistleblowing channel.

As an employer, PHM Group is committed to offering a safe and equal opportunity workplace for people of all ages, genders, and nationalities. We support all of our nearly 4,800 employees to develop themselves at work and to foster longer than average duration of employment.

Shares and shareholders

The parent company PHM Group Holding Oy has one issued share and one class of shares. The only issued share is held by PHM Group Topco Oy. PHM Group Topco Oy is majority owned by funds managed by Norvestor Equity AS. Other major owners include funds managed by Intera Partners together with the Group's senior management and key employees.

Board of Directors' proposal concerning the distribution of profits

The Board of Directors proposes that the loss of EUR 225,02 shown on the company's non-restricted shareholders' equity be covered with subsequent earnings and that no separate measures to adjust the shareholders' equity be taken.

Subordinated loans

PHM Group Holding Oy has paid back the subordinated loan during financial period of 2021, which included interest payments of EUR 1,476 thousand for PHM Group TopCo Oy. The loan had an interest of 8%. The parent company has no subordinated loans at the balance sheet date.

Loans, liabilities and contingent liabilities to related parties

Related-party transactions are accounted for in Note 6.1

Events after the review period

In February 2022, the Group completed a tap issue of its senior secured callable fixed rate notes in a nominal amount of 40 MEUR under the existing 450 MEUR notes' framework. After the tap issue the total value of outstanding notes is 340 MEUR. The proceeds were used to repay existing super senior RCF commitments as well as increase liquidity to enable faster reaction to upcoming M&A opportunities.

The Group has continued its strategy of growing through acquisitions even after the year end and continues to have a strong pipeline of active dialogues. None of the closed transactions are such that it would have a material impact on the Group's business or financial position.

The Board of Directors has assessed the impacts of the COVID-19 virus pandemic on the Group's market, employees and business. So far, the virus epidemic has not had a significant impact on the demand for the company's services or its ability to execute them. The company's Board of Directors and management closely monitor the development of the COVID-19 situation and will update their assessment of the impacts of the epidemic as the situation progresses.

The Board of Directors has also evaluated that the war in Ukraine does not have any significant impacts on the Group's operations or financial position or on the Group's operating environment. The Group's Board of Directors and management closely monitor the development of the situation and are prepared to react to changing circumstances as needed.

Key Figures

EUR million, unless otherwise specified	2021	2020
Reported		
Revenue (net sales)	364.2	122.2
EBITDA	57.0	15.0
Adjusted EBITDA	62.8	24.3
Adjusted EBITDA margin -%	17.2%	19.9%
Adjusted EBITA	36.1	14.0
Adjusted EBITA margin -%	9.9%	11.5%
Profit for the period	-4.8	-6.9
Like-for-like (LFL)		
LFL Revenue (net sales)	416.7	373.4
LFL EBITDA	64.6	54.1
LFL adjusted EBITDA	70.4	63.5
LFL adjusted EBITDA margin -%	16.9%	17.0%
LFL adjusted EBITA	40.9	37.1
LFL adjusted EBITA margin -%	9.8%	9.9%
LFL synergy adjusted EBITDA	71.6	-
Financial position		
Equity ratio, %	23.2%	41.4%
Net interest bearing debt (NIBD)	346.3	199.2
Leverage, x	4.84	-
Operating cash flow before acquisitions	42.0	8.7
Cash conversion, %	73.7%	58.3%
Other		
Number of employees at the end of period	4 781	3 191
Average number of employees	4 138	1 410

Alternative Performance Measures (APM)

Company applies ESMA (European Securities and Markets Authority) guidelines on alternative performace measures effective from 2016.

Company uses and presents the following alternative performance measures to better illustrate the operative development of its business: operating profit before amortisation of PPA (EBITA), EBITDA, Adjusted EBITA, Adjusted EBITDA, like-for-like figures, LFL synergy adjusted EBITDA. PPA amortizations arise from assets recognised in fair value in acquired business combinations.

The items included in the aforementioned APM's consist of the following:

Adjusted EBITA and EBITDA	2021	2020
EBIT	**18.7**	**-0.6**
Amortisation of intangible assets identified in PPA	11.6	5.3
EBITA	**30.3**	**4.7**
M&A related consultancy costs	3.5	6.2
Business related non-recurring items	1.7	3.0
Other non-recurring items	0.6	0.1
Adjusted EBITA	**36.1**	**14.0**
LFL impact of acquisitions made	4.9	23.1
LFL adj EBITA	**40.9**	**37.1**
EBIT	**18.7**	**-0.6**
Depreciations	26.7	10.3
Amortisation of intangible assets identified in PPA	11.6	5.3
EBITDA	**57.0**	**15.0**
M&A related consultancy costs	3.5	6.2
Business related non-recurring items	1.7	3.0
Other non-recurring items	0.6	0.1
Adjusted EBITDA	**62.8**	**24.3**
LFL impact of acquisitions made	7.6	39.2
LFL adj EBITDA	**70.4**	**63.5**
Run rate adjustment of unrealised synergies	1.2	-
LFL synergy adjuste EBITDA	**71.6**	**-**

Formulas of Key Figures

EBITDA	=	Operating profit + depreciations and amortisation	
EBITDA margin -%	=	$\dfrac{\text{Operating profit + depreciations and amortisation}}{\text{Net sales}}$	x 100
Operating profit before amortisation of intangible assets identified in PPA and impairment of goodwill (EBITA)	=	Operating profit + amortisation of intangible assets identified in PPA + impairment of goodwill	
Operating profit before amortisation of intangible assets identified in PPA and impairment of goodwill (EBITA) margin -%	=	$\dfrac{\text{Operating profit + amortisation of intangible assets identified in PPA + impairment of goodwill}}{\text{Net sales}}$	x 100
Adjusted EBITDA	=	EBITDA + non-recurring items	
Adjusted EBITDA margin -%	=	$\dfrac{\text{Adjusted EBITDA}}{\text{Net sales}}$	x 100
Adjusted EBITA		EBITA + non-recurring items	
Adjusted EBITA margin -%	=	$\dfrac{\text{Adjusted EBITA}}{\text{Net sales}}$	x 100
LFL Revenue (net sales)	=	Net sales + like-for-like adjustments	
LFL EBITDA	=	EBITDA + like-for-like adjustments	
LFL adjusted EBITDA	=	Adjusted EBITDA + like-for-like adjustments	
LFL adjusted EBITDA margin -%	=	$\dfrac{\text{LFL adjusted EBITDA}}{\text{Net sales}}$	x 100
LFL adjusted EBITA	=	EBITA + like-for-like adjustments	
LFL adjusted EBITA margin -%	=	$\dfrac{\text{LFL adjusted EBITA}}{\text{Net sales}}$	x 100
LFL synergy adjusted EBITDA	=	LFL adjusted EBITDA + run rate synergies	

Equity ratio, %	=	Shareholders equity / Balance sheet total – advances received	x 100
Net interest bearing debt (NIBD)	=	Interest bearing liabilities - cash and cash equivalents	
Leverage, x	=	Net interest bearing debt (NIBD) / LFL synergy adjusted EBITDA	x 100
Operating cash flow before acquisitions	=	EBITDA + change in working capital (excluding intra group liability to ultimate parent) + Proceeds from sale of tangible and intangible assets + Purchase of tangible and intangible assets	
Cash conversion, %	=	EBITDA / Operating cash flow before acquisitions	x 100
Number of employees at the end of period	=	The number of employees at the end of the review period	
Average number of employees	=	The average number of employees at the end of previous financial year and of each calendar month during the accounting period	

Consolidated Financial Statements (IFRS)

Consolidated Statement of Financial Position

EUR thousand	Note	31.12.2021	31.12.2020
Assets			
Non-current assets			
Goodwill	4.2	350 561	277 441
Intangible assets other than goodwill	4.3	122 758	112 225
Tangible assets	4.4	45 295	38 045
Right-of-use assets	4.5	22 285	19 448
Other shares and investments	5.8	2 965	2 547
Other receivables	4.6	273	258
Deferred tax assets	3.5	2 202	1 222
Total non-current assets		**546 338**	**451 186**
Current assets			
Trade receivables	4.6	37 086	21 178
Inventories		1 112	971
Loan receivables	5.3	15 086	22
Other current assets	4.6	10 174	5 869
Cash and cash equivalents	5.2; 5.4	18 331	17 530
Total current assets		**81 789**	**45 570**
Total assets		**628 127**	**496 756**
Equity and liabilities			
Equity			
Translation differences		343	978
Fund for unrestricted equity	5.7	158 318	193 910
Subordinated loan	5.6	0	17 934
Retained earnings		-13 219	-6 948
Equity attributable to equity holders of the parent		**145 442**	**205 874**
Non-controlling interests	1.1; 1.2		
Total equity		**145 442**	**205 874**
Non-current liabilities			
Interest-bearing loans and borrowings	5.1-5.3; 5.5	303 971	187 401
Other non-current liabilities	4.7	1 457	0
Lease liabilities	4.5; 5.5	13 494	12 845
Deferred tax liabilities	3.5	27 982	24 821
Total non-current liabilities		**346 905**	**225 066**
Current liabilities			
Trade payables and other payables	4.7	90 553	50 294
Interest-bearing loans and borrowings	5.1-5.3; 5.5	33 584	6 914
Lease liabilities	4.5; 5.5	9 362	6 821
Income tax payable	3.5	2 281	1 786
Total current liabilities		**135 780**	**65 815**
Total liabilities		**482 685**	**290 882**
Total equity and liabilities		**628 127**	**496 756**

Consolidated Statment of Profit and Loss

EUR thousand	Note	1.1.-31.12.2021	6.3.-31.12.2020
Revenue (net sales)	**3.1.**	**364 215**	**122 173**
Other operating income	3.2.	3 488	674
Materials and services	3.2.	-96 480	-33 011
Employee benefit expenses	3.3.	-167 978	-54 837
Depreciations, amortisations and impairment	4.2.; 4.3.; 4.4.	-38 327	-15 570
Other operating expenses	3.2.	-46 260	-20 014
Operating profit (EBIT)		**18 658**	**-585**
Financial income	3.4.	794	612
Financial expenses	3.4.	-23 534	-6 543
Profit before tax		**-4 082**	**-6 515**
Income tax	3.5.	-680	-433
Profit for the financial period		**-4 762**	**-6 948**

Consolidated Statement of Other Comprehensive Income

Profit for the financial period		**-4 762**	**-6 948**
Items that may be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations, net of tax		-636	978
Items that will not be reclassified to profit or loss in subsequent periods (net of tax):			
Remeasurement gains/(losses) on defined benefit plans, net of tax		0	0
Other comprehensive income/(loss) for the year, net of tax		**-636**	**978**
Total comprehensive income for the financial period		**-5 398**	**-5 970**
Profit for the period attributable to			
Equity holders of the parent		-4 762	-6 948
Non-controlling interests		0	0
Total comprehensive income attributable to			
Equity holders of the parent		-5 398	-5 970
Non-controlling interests	1.1.-1.2.	0	0

Consolidated Statement of Changes in Equity

2021									
EUR thousand	Note	Fund for unrestricted equity	Subordinated loans	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
Equity on 1.1.2021	**5.7.**	**193 910**	**17 934**	**978**	**-6 948**	**205 874**		**205 874**
Profit for the period					-4 762	-4 762		-4 762
Other comprehensive income				-636		-636		-636
Total comprehensive income		**0**	**0**	**-636**	**-4 762**	**-5 398**	**0**	**-5 398**
Acquisition of a subsidiary (Note 4.1)		-35 592				-35 592		-35 592
Change in subordinated loans			-17 934		-1 476	-19 409		-19 409
Other changes					-33	-33		-33
Equity on 31.12.2021		**158 318**	**0**	**343**	**-13 219**	**145 442**	**0**	**145 442**

2020								
EUR thousand	Note	Fund for unrestricted equity	Subordinated loans	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
Equity on 6.3.2020 before IFRS adjustments	**5.7.**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
IFRS adjustments					**0**	**0**		
Adjusted equity on 6.3.2020		**0**	**0**	**0**	**0**	**0**	**0**	**0**
Profit for the period					-6 948	-6 948		
Other comprehensive income				978		978		
Total comprehensive income		**0**	**0**	**978**	**-6 948**	**-5 970**	**0**	**-5 970**
Acquisition of a subsidiary (Note 4.1)		193 910				193 910		193 910
Change in subordinated loans			17 934			17 934		17 934
Other changes						0		0
Equity on 31.12.2020		**193 910**	**17 934**	**978**	**-6 948**	**205 874**	**0**	**205 874**

Consolidated Statement of Cash Flows

EUR thousand	2021	2020
Operating activities		
Profit before tax	-4 082	-6 515
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and impairment	38 327	15 570
Finance income and expenses	22 740	5 930
Other adjustments	-695	92
Change in working capital	14 923	2 882
Income tax paid	-2 569	329
Net cash flow from operating activities	**68 644**	**18 289**
Net cash flow from investing activities		
Acquisition of tangible and intangible assets	-13 052	-9 009
Acquisition of a subsidiary, net of cash acquired	-85 999	-256 104
Net cash flow from investing activities	**-99 050**	**-265 114**
Net cash flow from financing activities		
Increase in fund for unrestricted equity	-	211 843
Equity refund	-68 524	-
Net change in borrowings	132 630	65 193
Net interests and finance costs paid	-22 489	-9 446
Payments of lease liabilities	-10 409	-3 235
Net cash flow from financing activities	**31 208**	**264 354**
Net increase in cash and cash equivalents	**801**	**17 530**
Cash and cash equivalents at 1.1. (6.3.)	17 530	-
Cash and cash equivalents at 31.12.	**18 331**	**17 530**

Notes to the consolidated financial statements

1. Key Accounting Policies and Consolidation

1.1. General information

Corporate information

PHM Group Holding Oy ("PHM" or "Group") is a limited company incorporated and domiciled in Finland and whose shares are not publicly listed. The registered office is located in Helsinki, Uusimaa, Finland.

PHM principally provides services within property maintenance. Information about the PHM's group structure is provided below. Information on other related party relationships of PHM is provided in Note 6.1.

The consolidated financial statements for the year ended 31.12.2021 were authorised for issue in accordance with a resolution of the Board of Directors on 28.4.2022. PHM's financial statements, Board of Directors' report and Auditor's report are available at the website www.phmgroup.fi/for-investors and in the Group's head office at Takomotie 1-3, 00380 Helsinki, Finland. In accordance with Finnish Limited Liability Act, shareholders may adopt or reject the financial statements at the Annual General Meeting held after the publication.

Group information

PHM Group Holding Oy consists of two subgroups, PHM Holding Oy and Kotikatu Holding Oy, which were acquired after the founding date of the parent on 6.3.2020. PHM Group Holding Oy is consolidated into PHM Group TopCo Oy. The ultimate parent of this Group is PHM Group TopCo Oy.

Information about subsidiaries

The consolidated financial statements of PHM include the following subsidiaries and associated companies, which all provide property maintenance services to its customers. More information about the consolidation principles is presented in Note 1.2 Basis of preparation.

The consolidated financial statements of the Group include:

Name	Country of incorporation	% equity interest 2021	% equity interest 2020
Aluetalonmies A. Koskela Oy***	Finland	-	100
AN-Palvelu Oy	Finland	100	100
Cateva Oy	Finland	100	100
EPV Kiinteistöpalvelu Oy	Finland	100	100
Eurajoen Kiinteistöpalvelu Oy	Finland	100	100
Helmi Saneerauspavelut Oy	Finland	100	100
Huittisten TRH Palvelu Oy***	Finland	***	100
Janitor Oy	Finland	100	
Kanta-Hämeen Kiinteistöala Oy	Finland	100	100
Kiinteistö Oy Porrassalmenkatu 1	Finland	50	50
Kiinteistö Oy Timpurinkatu 4	Finland	100	100
Kiinteistöhoito Juhala Oy	Finland	100	
Kiinteistöhuolto 3 J Oy	Finland	100	
Kiinteistöhuolto Honkapää Oy	Finland	100	
Kiinteistöhuolto J Rusanen Oy	Finland	100	100
Kiinteistöhuolto J.J. Tuomi Oy***	Finland	-	100
Kiinteistöhuolto Jurvelin Oy	Finland	100	
Kiinteistöhuolto Kantola Oy	Finland	100	100
Kiinteistöhuolto Kirvesniemi Oy***	Finland	-	100
Kiinteistöhuolto Koskela Oy***	Finland	-	100
Kiinteistöhuolto Lyijynen Oy	Finland	100	
Kiinteistöhuolto Paldanius Oy***	Finland	-	100
Kiinteistöhuolto Rantanen Oy	Finland	100	100
Kiinteistöpalvelu Kariniemi Oy***	Finland	-	100
Kiinteistöpalvelu Lintula Oy	Finland	100	
Kiinteistöpalvelu Tim Turunen Oy	Finland	100	
Kirkas-Siivous Oy	Finland	100	
Kotikatu Group Oy	Finland	100	100
Kotikatu Hallintopalvelut Oy	Finland	100	100

Kotikatu Holding Oy	Finland	100	100
Kotikatu Jokilaakso Oy	Finland	100	100
Kotikatu Oy	Finland	100	100
Kotkan Kiinteistöpalvelu Oy	Finland	100	100
Kouvolan talohuolto Oy	Finland	100	
Lappeen Huoltomestarit Oy	Finland	100	100
Luotsi Kiinteistöpalvelut Oy	Finland	100	100
Meranti Siivouspalvelut Oy	Finland	100	
Merstolan Huolto Oy***	Finland	-	100
Moxley Oy	Finland	100	100
Nokian Kiinteistöhuolto Oy	Finland	100	100
PHM Finland Oy	Finland	100	100
PHM Group Holding Oy	Finland	100	100
PHM Group Oy	Finland	100	100
PHM Holding Oy	Finland	100	100
Pirkanmaan Duo Siivouspalvelut Oy	Finland	100	
Pirkanmaan Talotoimi Oy	Finland	100	
Puhdas Tuuli Oy	Finland	100	
Purkat Oy	Finland	100	100
QSC Group Oy	Finland	100	
Raahen Kiinteistöhoito Oy	Finland	100	
Raahen Talohoito Oy	Finland	100	
Savon Talohoito STH Oy	Finland	100	100
Siivouslinja Oy***	Finland	-	100
Talohuolto Multanen Oy	Finland	100	
Talosyke Oy	Finland	100	100
Tankkipojat Oy	Finland	100	100
TL-Maint Oy	Finland	100	100
Tuiran Kiinteistöpalvelut Oy***	Finland	-	100
Turun Kiinteistöässä Oy	Finland	100	100
Uudenmaan Huoltokeskus Oy	Finland	100	
Valkeakosken Kiinteistöpalvelu Oy	Finland	100	100
Vihdin Rakennustekniikka VRT Oy	Finland	100	
Viherkehä Oy	Finland	100	
Ympäristöpalvelut Knuutila Oy	Finland	100	100
Aquam Resources AB	Sweden	100	100
Berga Lås &Larm AB	Sweden	100	100
Bromma Fönsterputs AB	Sweden	100	
Cemi Ab	Sweden	100	100
Cemi Specialfastigheter AB	Sweden	100	100
Crendo Fastighetsförvaltning Ab	Sweden	100	100
Crendo i Växjö Ab**	Sweden	**	100
Crendo Redovisningsbyrån AB	Sweden	100	**
Driftia EL AB	Sweden	100	
Driftia Förvaltning Aktiebolag	Sweden	100	
F.T Drift Ab	Sweden	100	100
Fastighet Mark Teknik Förvaltning Norr AB	Sweden	100	
Fastighet- och Underhållservice Lyckan***	Sweden	-	100
FF - Fastighetsservice AB	Sweden	100	
Flow fastighetsvärden AB	Sweden	100	
Fönsterputskåren i Stockholm AB	Sweden	100	
Förvaltnings AB Graden	Sweden	100	
Gröna Gården AB	Sweden	100	
Gutens Fastighetsservice AB	Sweden	100	
Hemma Bäst BidCo AB (uct Flow Fastighetsvärden IT AB)	Sweden	100	

Höga Kusten Skog & Fastighet AB	Sweden	100	
Lövets Ab	Sweden	100	100
Mark & Fastighetsservice i Kalmar AB	Sweden	100	
Miljö & Trädgårdsservice i Stockholm AB	Sweden	100	100
Norstaden Stockholm Ab	Sweden	100	100
Optimal Elservice Sverige AB	Sweden	100	
Optimal FM Syd AB	Sweden	100	
Optimal Service Sverige AB	Sweden	100	
Optimal Service Väst AB	Sweden	100	
Ostkustens Trädgårdsservice AB	Sweden	100	
Part Halmstad Fastighetsförvaltning AB	Sweden	100	
PHM Sweden Ab	Sweden	100	100
Renew Service Ab	Sweden	100	100
Svealands Fastighetsteknik Ab	Sweden	100	100
Tingvalla Mark AB	Sweden	100	100
Tomina AB	Sweden	100	
Västerås Service & Anläggning Ab	Sweden	100	100
Västmanlands Byggtjänst Ab	Sweden	100	100
Västmanlands Fastighetsservice Ab	Sweden	100	100
993Hjelp AS	Norway	100	
Din Vaktmester As	Norway	100	100
Montasjelaget AS	Norway	100	
Myja AS	Norway	100	
Olies Renhold AS	Norway	100	
PHM Norge As	Norway	100	100
Rene Bygårder As	Norway	100	100
Rene Trapper As	Norway	100	100
Trappervsak Service AS	Norway	100	
Tronheim Renholdsservice AS	Norway	100	
Uterom Entreprenør AS	Norway	100	
Økonomiske Løsninger AS	Norway	100	
Ejendomsvirke A/S	Denmark	100	100
PHM Danmark ApS	Denmark	100	
Tip Top Ejendomsservice ApS	Denmark	100	

** Entity name has changed. New entity names are presented below the former name.
*** Entity was merged during the 2021 financial period.

1.2. Basis of preparation

Basis of preparation and adoption of IFRS

The consolidated financial statements of PHM Group Holding Oy have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC Interpretations as adopted by European Union as of 31.12.2021. The notes to the financial statements also comply with the Finnish accounting and corporate legislation. These financial statements are prepared on a going concern basis. The condition of the assumption is that the group has adequate resources to continue its operations and that the management will continue the operations for at least one financial year from the end of the previous reporting period.

The consolidated financial statements have been prepared on a historical cost basis, unless otherwise stated in the accounting policies below. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand, except when otherwise indicated. Therefore, the sum of individual numbers may deviate from the presented sum figure due to rounding differences. The comparative year information is presented in brackets after the information for the current financial year.

The consolidated financial statements as of 31.12.2021 are PHM Group Holding's first consolidated financial statements prepared in accordance with International Financial Reporting Standards and the date of transition to IFRS being 6.3.2020. The consolidated IFRS financial statements as of 31.12.2021 contain comparative information for the period ended 31.12.2020. PHM Group Holding was established on 6.3.2020. Previously PHM has applied Finnish Accounting standards. Note 2. First Time Adoption of IFRS Standards the group discloses the impact of the transition to IFRS on The Group's reported financial position and financial performance. The opening balance sheet from the transition date is zero, which was not impacted by the transition. Based on this, no separate IFRS bridge for the opening balance has been presented.

Consolidation principles

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by PHM Group (its subsidiaries). PHM has control of an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Acquired subsidiaries are consolidated from the date on which control is transferred to PHM, and are no longer consolidated from the date that control ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the PHM's accounting policies. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests are presented in the consolidated statement of financial position as within equity, separately from equity attributable to shareholders. Non-controlling interests are separately presented in the statement of other comprehensive income.

Non-controlling interests

Transactions with non-controlling interests are regarded as transactions with equity owners. In the case of purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets acquired in the subsidiary is recorded in shareholders' equity. Gains or losses on disposal to non-controlling interests are also recorded directly in shareholders' equity.

Segment reporting

PHM has one reportable segment. The reported segment comprises of the Group, PHM Group Holding, and the segment numbers are consistent with PHM Group Holding numbers. See further information in the note 3.1 Revenue from contracts with customers.

Currencies

PHM's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, PHM determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. PHM uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions in foreign currencies are initially recorded by PHM's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of PHM's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Impacts of COVID-19 Pandemic

The Board of Directors has assessed the impacts of the COVID-19 virus pandemic on the Group's market, employees and business. So far, the virus pandemic has not had a significant impact on the demand for the company's services or its ability to execute them. The company's Board of Directors and management closely monitor the development of the COVID-19 situation and will update their assessment of the impacts of the epidemic as the situation progresses.

War in Ukraine

The Board of Directors has also evaluated the impacts on PHM's business from the war in Ukraine and assessed that it will not have any significant impacts on the Group's operations, financial position or operating environment. The Group's Board of Directors and management closely monitor the development of the situation and are prepared to react to changing circumstances as needed.

Current versus non-current classification

PHM presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is expected to be realised or intended to be sold or consumed in the normal operating cycle, is held for trading or, is expected to be realised within 12 months. Cash and cash equivalent items are presented as current assets unless restricted from being exchanged or used to settle a liability for longer than 12 months.

A liability is current when it is expected to be settled in normal operating cycle, is held primarily for trading or it is due to be settled within 12 months or there is no unconditional right to defer the settlement over a period of 12 months.

1.3. Accounting estimates and judgements applied in the preparation of the financial statements

The preparation of PHM's consolidated financial statements requires management to use judgement, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The actual values may differ from these estimates and assumptions.

In the process of applying PHM's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the consolidated financial statements have been discussed in the individual notes of the related financial statement line items.

The most significant accounting policies requiring judgement by the management and the key factors of uncertainty related to estimates are presented in the following notes:

- Business combinations, value of net assets acquired and contingent considerations (Note 4.1)
- Impairment testing (Note 4.2)
- Expected credit losses (Note 5.1)
- Leases (Note 4.5)

1.4. New and updated IFRS standards

PHM adopts the new and amended standards and interpretations, if applicable, when they become effective. The new and amended standards that become effective of 1 January 2021 or later are not expected to have an impact on PHM's consolidated financial statements.

The following new and amended standards have been issued and become effective on 1 January 2022 or later. PHM's perspective about the relevancy of each amended standard have been included in the summary below.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use

Under the amendment, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract

Under the amendment, when assessing whether a contract is onerous or loss-making, an entity needs to include both the direct costs as well as incremental costs and an allocation of costs directly related to contract activities.

Amendments to IFRS 9 Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment to IFRS 9 clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability to determine whether to derecognise the existing financial liability.

Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, to an updated version issued in 2018 without significantly changing its requirements. This amendment will not have an impact on PHM's financial statements.

Amendments to IAS 1 *Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current

The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. This amendment will not have an impact on the classification of the liabilities.

Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosures of Accounting Policies*

The amendments intend to assist entities in determining which accounting policies to disclose. It has been previously stated in IAS 1 Presentation of Financial Statements that an entity shall disclose its significant accounting policies without providing the Board a defintion for the term 'significant'. Therefore, the Board decided to develop these amendments to IAS 1 to require entities to disclose their material accounting policies rather than their significant ones. Additionally, IFRS Practice Statement 2 has been amended by adding guidance to explain the application on the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1. This amendment will not have an impact on PHM's financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments are intended to clarify the difference between accounting policies and accounting estimates since companies sometimes struggle to distinguish between these. Earlier application of these amendments are permitted but they are effective for annual periods beginning or after 1 January 2023 and changes that occur on or after the start of that period. This amendment will not have an impact on PHM's financial statements

Amendments to IAS 12 *Deferred Tax Assets and Liabilities arising from a Single Transaction*

The amendment narrows the scope of the initial recognition exception of deferred taxes so that it no longer applies to transactions which give rise to an equal temporary difference between taxable and deductible taxes. It would apply to assets and liabilities arising from individual transactions, such as right-of-use assets and lease liabilities or asset retirement obligations and corresponding asset components, if their deferred taxes are not equal. The effect on deferred taxes would be presented from the beginning of the earliest comparison year.

Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendment provides temporary reliefs related to financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR).

Amendments to IFRS 17 Insurance contracts

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. This amendment will not have an impact on PHM's financial statements.

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. This amendment will not have an impact on PHM's financial statements.

Amendments to IAS 41 *Agriculture*

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. This amendment will not have an impact on PHM's financial statements.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.

2. First-time adoption of IFRS standards

2.1. IFRS impact: The transition effects and exemptions applies

First-time adoption of IFRS

PHM has listed a publicly traded bond in Frankfurt stock exchange (Börse Frankfurt). As part of the listing process, PHM has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) for the financial period ending 31.12.2021, including the comparative figures for the financial year ended 31.12.2020.

PHM Group Holding was established at 6.3.2020. The Group published its first financial statements for the period ending 31.12.2020 following Finnish GAAP (FAS). The transition to IFRS was made for the period ending 31.12.2021 and thus the comparatives for the period ending 31.12.2020 have been presented in this IFRS 1 note. PHM Group was founded 6.3.2020 without any share capital. The first acquisition was made in 30.4.2020. Hence, the opening balance sheet does not contain any items to be presented. Based on this, no separate IFRS bridge for the opening balance has been prepared or presented in this FTA disclosure.

The following tables present the most significant adjustments made between Finnish GAAP (FAS) and IFRS for the balance sheet date 31.12.2020.

The alphabets in topics (A-G) refer to the columns in the first time adoption bridge calculations in notes 2.2. and 2.3.

1) Reclassification of subordinated loan (A)

PHM Group Holding has received a subordinated loan from PHM TopCo Oy. The subordinated loan is recognised as a liability in FAS in the financial period ending 31.12.2020. The instrument does not have a maturity date and it does not require any interest payments or any other financial obligation. Thus, based on the IAS 32 classification criteria the instrument meets the IFRS classification and recognition criteria of an equity instrument. PHM has reclassified the instrument as an equity instrument for IFRS purposes.

The adjustment for the reclassification of subordinated loan has been presented in adjustment column A, "Reclassification of subordinated loan". The impact of the reclassification of the closing balance as of 31.12.2020 was EUR 17,934 thousand classified to equity. Interest expense of EUR 777 thousand and tax expense of EUR 155 thousand were recognised in the statement of profit and loss and a total of EUR 621 thousand in retained earnings. Correspondingly, EUR 17,934 thousand was derecognised from other non-current liabilities and EUR 155 thousand was recognised as deferred tax liabilities.

2) Goodwill reversal (B)

PHM has reversed the FAS amortisation between 6.3.-31.12.2020 by adjusting the goodwill amortization in the income statement against the goodwill recognised in the balance sheet. In accordance with IFRS, goodwill shall no longer be amortized over its useful life but it will be tested for impairment in accordance with IAS 36 annually or whenever there are indications of impairment in the assets. Goodwill has been tested for impairment as of 31.12.2020 and 31.12.2021 and has not resulted in any impairment recognition.

The adjustment for reversal of goodwill amotizations has been presented in adjustment column B, "Goodwill reversal". The goodwill amortizations of EUR 18,762 thousand recognised in FAS financial statements for 6.3.-31.12.2020 have been reversed as an IFRS adjustment in the statement of profit and loss 6.3.-31.12.2020. In the statement of financial position the reversal of goodwill amortization increased the goodwill EUR 18,762 thousand.

3) Business combinations (C)

PHM Group Holding has restated the business combinations, from the transition date 6.3.2020 onwards, to comply with the requirements of IFRS. The significant acquisitions made by PHM Group Holding Oy during 2020, which have been recorded in accordance with IFRS 3, are Rene Trapper AS, Kotikatu Holding Oy and PHM Holding Oy.

PHM has measured the cost of the acquisitions at the fair value of the considerations paid, allocated that cost to the acquired identifiable assets and liabilities on the basis of their fair values and the rest of the cost has been recorded as goodwill. For the 2020 acquisitions of Rene Trapper AS, Kotikatu Holding Oy and PHM Holding Oy, PHM has identified customer relationships and marketing related intangibles as key intangible assets and allocated the cost accordingly to these identified intangible assets. The fair value of identified intangible assets in connection with the acquisitions were customer relationships related intangibles of EUR 99,830 thousands and marketing related intangibles of EUR 12,027 thousand. PHM recognised contingent considerations from these acquisitions amounting to EUR 2,747 thousand. As a result of the recognised intangible assets EUR 91,300 was reclassified and derecognised from goodwill. Thus, the goodwill has been recorded as as the residual of the net assets acquired and the purchase price paid.

These identified intangible assets are amortised within their underlying useful life. The amortisation period for customer relationships is between 10-12 years and for marketing related intangibles 15 years. The reversed amortizations during the period of 6.3.-31.12.2020 amounted to EUR 5,148 thousand.

Furthermore, PHM has recognised EUR 22,438 thousand as deferred tax liabilies for the above mentioned PPA adjustments.

The adjustments for business combinations recalculated in accordance with IFRS 3, have been presented in the column C, "Business combinations" in the Statement of Profit and Loss and in the Statement of Financial Position.

4) Transaction costs from business combinations (D)

Under FAS, transaction costs are included in the acquisition cost of the acquired company, while these items are expensed when incurred under IFRS. Accordingly, when preparing the PPAs for the business combinations in the conversion period, the transaction costs have been expensed for IFRS purposes. Transaction costs adjusted were EUR 4,443 thousand recognised as other operating expenses.

A deferred tax asset of EUR 892 thousand has been recognised for the adjustment above as of 31.12.2020.

The adjustments for transaction costs from business combinations are recalculated in accordance with IFRS 3, have been presented in the column D. 'Transaction Costs from Business combinations' in the Statement of Profit and Loss and in the Statement of Financial Position.

5) Leases (E) - PHM Group Holding as a lessee

PHM has mainly leased office premises, cars and machinery and equipment. Under FAS, lease expenses have been recognized as other operating expenses in the statement of profit and loss on a straight-line basis over the lease period. The Group has not capitalized the leases in FAS and has thus not followed the option to apply IFRS 16 Leases in FAS. Under FAS, the commitments relating to the lease agreements have been disclosed in the notes to the financial statements as off-balance sheet items as part of contingent liabilities.

In adoption of the IFRS 16 standard, the Group has measured the lease liability and right-of-use-asset at the date of each acquisition, as the group did not have any valid lease contracts at the transaition date 6.3.2020.

The right-of-use asset and the lease liability are calculated by discounting the future lease payments. Lease liabilities have been measured at the present value of the remaining lease payments, discounted using PHM's internal incremental borrowing rate at 6.3.2020. Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately after 6.3.2020.

The impact on the balance sheet for righ-of-use assets on 31.12.2020 was EUR 19,448 thousand and the amount of lease liabilities was EUR 19,667 thousand. The amount of current lease liabilities was EUR 6,821 thousand and non-current lease liabilities EUR 12,845 thousand. During the reporting period the lease payments in total were EUR 3,669 thousand, from which the interest portion was EUR 389 thousand and depreciation of the right-of-use assets was EUR 5,261 thousand. The recognised deferred tax liability was EUR 44 thousand.

In applying IFRS 16, the lease expenses presented in FAS are replaced with the depreciation of the right-of-use asset. In addition, the interest expenses of the lease liabilities are recognised as finance costs in the statement of profit and loss.

PHM Group Holding has applied the exemption of IFRS 1 standard, which allows a first-time adopter that is a lessee not to apply the requirements of IFRS 16 standard for low-value leases and short-term leases (lease term 12 months or less).

The effect of leases has been presented in column E "Leases" in the Statement of Profit or Loss and Statement of Financial Position.

Please, see note 4.5. for additional information.

6) Transaction costs from financial liabilities (F)

Under FAS, PHM has expensed transaction costs related to loans from financial institutions. According to IFRS 9 the transaction costs are recorded applying the effective interest rate method and loans are classified at amortized cost. Directly attributable transaction costs for the period 6.3.-31.12.2020 amounted to EUR 6,332 thousand, which was derecognised from the total amount of the financial liability and and reclassified as reduction of finance cost of EUR 6,046 thousand and other operating expense of EUR 286 thousand.

The related impact on deferred tax assets for the period was EUR 1,266 thousand.

7) Other FAS adjustments (G)

PHM has adjusted the FAS goodwill by EUR 1,612 thousand resulting from aligning accounting policies of the acquisitions related to Swedish entities. The adjusments impact the accumulated translation differences relating to depreciation differences from the Swedish entities. This resulted in an currency translation adjustment of EUR 1,027 thousand. The other adjustments are mainly related to the reconciliation of group entities in group reporting.

The impact on profit and loss is a loss of EUR 93 thousand related to FAS adjusments made for the period.

2.2. IFRS impact: Consolidated Statement of Financial Position as at 31.12.2020 and 6.3.2020

Consolidated Statement of Financial Position as at 31.12.2020

EUR thousand	Note	FAS as at 31.12.2020	A. Reclassification of subordinated loan	B. Goodwill reversal	C.Business combinations	D. Transaction costs from business combinations	E. Leases	F. Transaction costs from financial liabilities	G. Other FAS adjustments	Effects of IFRS adjustments, Total	IFRS as at 31.12.2020
Assets											
Non-current assets											
Goodwill	B, C, D, G	352 387		18 762	-90 877	-4 443			1 612	-74 946	277 441
Intangible assets other than goodwill	D	369			111 857					111 857	112 225
Tangible assets	G	38 133							-88	-88	38 045
Right-of-use assets	E	0					19 448			19 448	19 448
Investments		2 547								0	2 547
Other receivables		258								0	258
Deferred tax assets	D, G	116				892			214	1 106	1 222
Total non-current assets		**393 810**	**0**	**18 762**	**20 979**	**-3 551**	**19 448**	**0**	**1 737**	**57 376**	**451 186**
Current assets											
Trade receivables	G	21 177							0	0	21 178
Inventories		971								0	971
Loan receivables		22								0	22
Other current assets	G	5 884							-15	-15	5 869
Cash and cash equivalents	G	17 531							-1	-1	17 530
Total current assets		**45 586**	**0**	**0**	**0**	**0**	**0**	**0**	**-16**	**-16**	**45 570**
Total assets		**439 395**	**0**	**18 762**	**20 979**	**-3 551**	**19 448**	**0**	**1 721**	**57 360**	**496 756**

EUR thousand	Note	FAS as at 31.12.2020	A. Reclassification of subordinated loan	B. Goodwill reversal	C.Business combinations	D. Transaction costs from business combinations	E. Leases	F. Transaction costs from financial liabilities	G. Other FAS adjustments	Effects of IFRS adjustments, Total	IFRS as at 31.12.2020
Equity and liabilities											
Equity											
Capital loan	A	0	17 934							17 934	17 934
Translation differences	E, G	-46					-3		1 028	1 025	978
Fund for unrestricted equity		193 910								0	193 910
Profit for the period	Sum below										
Retained earnings from previous periods	Sum below										
Retained earnings	A, B, C, D, E, F, G	-23 289	622	18 762	-4 206	-3 551	-259	5 065	-93	16 341	-6 948
Total equity		**170 574**	**18 555**	**18 762**	**-4 206**	**-3 551**	**-262**	**5 065**	**935**	**35 299**	**205 874**
Non-current liabilities											
Interest-bearing loans and borrowings	G	187 210							190	190	187 401
Other non-current liabilities	A	18 710	-18 711							-18 711	0
Lease liabilities	E	0					12 845			12 845	12 845
Deferred tax liabilities	A, C, E, F, G	865	155		22 438		44	1 266	52	23 956	24 821
Total non-current liabilities		**206 786**	**-18 555**	**0**	**22 438**	**0**	**12 889**	**1 266**	**243**	**18 280**	**225 066**
Current liabilities											
Trade payables and other payables	C, G	47 406			2 747				141	2 889	50 294
Interest-bearing loans and borrowings	E, G	13 222						-6 332	24	-6 308	6 914
Lease liabilities	E	0					6 821			6 821	6 821
Income tax payable	G	1 408							378	378	1 786
Total current liabilities		**62 035**	**0**	**0**	**2 747**	**0**	**6 821**	**-6 332**	**543**	**3 780**	**65 815**
Total liabilities		**268 821**	**-18 555**	**0**	**25 185**	**0**	**19 711**	**-5 065**	**786**	**22 061**	**290 882**
Total equity and liabilities		**439 395**	**0**	**18 762**	**20 979**	**-3 551**	**19 448**	**0**	**1 721**	**57 360**	**496 756**

2.3. IFRS impact: Consolidated Statement of Profit and Loss and Other Comprehensive Income 6.3.-31.12.2020

EUR thousand	Note	FAS 6.3.-31.12.2020	A. Reclassification of subordinated loan	B. Goodwill reversal	C.Business combinations	D. Transaction costs from business combinations	E. Leases	F. Transaction costs from financial liabilities	G. Other FAS adjustments	Effects of IFRS adjustments, Total	IFRS 6.3.-31.12.2020
Revenue (net sales)	**G**	**122 176**							**-3**	**-3**	**122 173**
Other operating income	G	671							3	3	674
Materials and services	G	-33 052							41	41	-33 011
Employee benefit expenses	G	-54 807							-29	-29	-54 837
Depreciations, amortisations and impairment	B, C, E, G	-25 962		18 762	-5 261		-3 032		-78	10 391	-15 570
Other operating expenses	D, E, F, G	-19 034				-4 443	3 205	286	-28	-980	-20 014
Operating profit (EBIT)		**-10 008**	**0**	**18 762**	**-5 261**	**-4 443**	**173**	**286**	**-95**	**9 423**	**-585**
Financial income		612							0	0	612
Financial expenses	A, E, F, G	-12 981	777				-389	6 046	4	6 439	-6 543
Profit before tax		**-22 377**	**777**	**18 762**	**-5 261**	**-4 443**	**-215**	**6 332**	**-91**	**15 862**	**-6 515**
Income tax	A, D, E, F, G	-912	-155		1 055	892	-44	-1 266	-2	479	-433
Profit for the financial period		**-23 289**	**622**	**18 762**	**-4 206**	**-3 551**	**-259**	**5 065**	**-93**	**16 341**	**-6 948**
Other Comprehensive Income											
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods											
Exchange differences on translation of foreign operations		976							2	2	978
Other comprehensive income, net of tax		**976**	**0**	**0**	**0**	**0**	**0**	**0**	**2**	**2**	**978**
Total comprehensive income for the financial period		**-22 313**	**622**	**18 762**	**-4 206**	**-3 551**	**-259**	**5 065**	**-91**	**16 343**	**-5 970**

3. Group Performance

3.1. Revenue from contracts with customers

Accounting principles

Segment information

PHM reports its business operations as one segment, which is in line with the internal reporting delivered to the chief operating decision maker. The chief operating decision maker of PHM is the board of directors and the management group.

The Group is in the business of providing property maintenance and additional technical services. In addition, PHM provides short-term refurbishment projects. The maintenance services have similar financial characteristics and are also similar in terms of nature of service production processes, type of customer, and methods used in service distribution.

Since PHM is managed as one segment by the chief operating decision maker and the management reporting only consist of Group level reporting, PHM only has one operating segment.

Revenue recognition

In accordance with IFRS 15, revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which PHM expects to be entitled in exchange for those goods or services. The control is transferred over time. PHM acts mainly as a principal in its revenue arrangements, as it typically controls the goods or services being transferred to the customers.

Performance obligations

PHM's customer contracts include mainly property maintenance and technical services. PHM recognises revenue from the property maintenance services over time as the services are rendered. The property maintenance services are invoiced monthly based on services rendered. The additional services are invoiced separately based on hourly fees and the revenue is recognised accordingly over time when services are rendered.

In addition to property maintenance services, PHM provides short-term projects, e.g. sauna and playground refurbishments. The short-term projects typically last for 1-6 months in all operating countries. PHM periodises the revenue of short-term projects for each month work has been performed and thus, recognises revenue over time. The revenue from the short-term projects has not been significant during the conversion period.

Variable consideration

Rendering of services may include variable consideration e.g. discounts, penalties for delay and customer claims. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

PHM's contracts with customers do not include significant variable considerations.

Contract balances

Trade receivables

A receivable represents PHM's right to an amount of consideration that is unconditional, i.e., only the passage of time is required before payment of the consideration is due. Further information is disclosed in note 4.6. Trade and other receivables.

Other principles

PHM's contracts with customers do not include significant financing components.

PHM's contracts with customers do not include non-cash considerations.

PHM does not provide any warranties to its customers that would be considered as separate performance obligations. PHM's short-term project customer contracts include warranties, which guarantee to the customer that services performed comply with the agreed specifications. Typically, the contracts contain standard warranties in accordance with the overall industry practice and no service-type warranties are provided to the customers.

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

EUR thousand	For the year ended 31 December 2021		
	Fixed contractual revenue	**Additional services**	**Total**
Type of goods or service			
Sale of property services	169 730	194 485	364 215
Total revenue from contracts with customers	**169 730**	**194 485**	**364 215**
Geographical markets			
Finland	121 940	111 727	233 667
Sweden	34 852	69 023	103 875
Norway	6 668	12 409	19 077
Denmark	6 269	1 326	7 595
Total revenue from contracts with customers	**169 730**	**194 485**	**364 215**
Timing of revenue recognition			
Services transferred over time	169 730	194 485	364 215
Total revenue from contracts with customers	**169 730**	**194 485**	**364 215**

EUR thousand	For the year ended 31 December 2020		
Segments	**Fixed contractual revenue**	**Additional services**	**Total**
Type of goods or service			
Sale of property services	57 175	64 997	122 173
Total revenue from contracts with customers	**57 175**	**64 997**	**122 173**
Geographical markets			
Finland	40 230	40 802	81 032
Sweden	15 386	22 938	38 324
Norway	1 559	1 257	2 816
Denmark	-	-	-
Total revenue from contracts with customers	**57 175**	**64 997**	**122 173**
Timing of revenue recognition			
Services transferred over time	57 175	64 997	122 173
Total revenue from contracts with customers	**57 175**	**64 997**	**122 173**

3.2. Other operating income and expenses

Other operating income

Other operating income includes income that does not directly relate to income from PHM's operating activities.

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. Government grants have been recognised within other income. There has not been any material grants during the financial period of 2021 or the comparison period.

Description of the contents of other operating income during the periods presented include mainly annual rebates, rent income and Covid-19 related cost compensations.

EUR thousand	2021	2020
Insurance compensations	383	45
Capital gains on fixed assets	937	233
Other income	2 168	396
Total other operating income	**3 488**	**674**

Other operating expenses

Other operating expenses include other operating expenses, which are not considered to be cost of good sold.

The other operating expenses consist mainly of lease expenses, IT expenses and research and development costs. Additionally, derecognition and impairment of assets is recognised in other operating expenses.

EUR thousand	2021	2020
Short-term and low value leases	524	191
IT expenses	6 083	1 928
Machinery and equipment expenses	20 173	7 230
Marketing and administrative expenses	11 879	9 668
Expenses for premises	2 153	636
Other operating expenses	5 971	361
Total other operating expenses	**46 260**	**20 014**

Audit fees

EUR thousand	2021	2020
Audit fees	544	179
Consulting services	233	-
Total fees to auditors	**768**	**179**

Materials and services

Materials and services consists of acquisitions of typical equipment and materials related to the inventory and services provided to customers. Inventory value is lower of the acquisition cost or net realised value.

3.3. Employee benefit expenses

Accounting principles

Short-term employee benefits

PHM provides pension benefits in accordance with local statutory regulation.The current plans are defined contribution based plans and therefore the contributions payable are recognised as expenses in the statement of profit and loss for the period to which the payments relate.

PHM has an annual bonus plan and PHM accrues for the bonus on a monthly basis.

Post employment benefit

The post-employment benefit plans in PHM are contribution-based arrangements. PHM does not have legal obligations to pay any additional amounts related to the defined contribution plans. The payments made to the defined contribution plans are recognized in the statement of profit and loss during a financial period to which they relate.

Employee benefit expenses

EUR thousand	2021	2020
Wages and salaries	135 813	45 566
Social security costs	13 869	4 648
Pension expenses	18 296	4 621
Total employee benefit expenses	**167 978**	**54 836**

Average number of employees

	2021	2020
Average number of employees during the period	4 138	1 410

Salaries, fees and benefits paid for the Board of Directors and for the Group management

Please see the note 6.1. Related party transactions for information regarding compensation to Board and Directors and the Group management.

3.4. Financial income and financial expenses

Accounting principles

Financial income and expenses are recognised in the period during which they are incurred. Interest income and expenses are recognised using the effective interest method. More information regarding the financial instruments is presented in the sections 5.1, 5.2 and 5.4. Accounting policies relating to lease agreements are presented in the note 4.5.

The financial income of PHM consist mainly of interest income and foreign currency exchange gains. The financial expenses relate mostly to loans' interest payments and foreign currency exchange losses.

Financial income

EUR thousand	2021	2020
Interest income	-	50
Foreign currency exchange gains	686	-
Dividends received	2	4
Other finance income	107	557
Total financial income	**794**	**612**

Financial expenses

EUR thousand	2021	2020
Interest on debts and borrowings	13 704	4 620
Interest expenses from leases	971	389
Foreign currency exchange losses	723	-
Group contributions	669	
Other finance costs	7 467	1 534
Total financial expenses	**23 534**	**6 543**

3.5. Income tax

Accounting principles

Current income tax

Income taxes comprise of tax recognized on the taxable income for the financial year as well as deferred taxes. Taxes for the items recognised in the statement of profit and loss are included in income taxes in the statement of profit and loss. For items recognised directly in the other comprehensive income statement (OCI) the respective tax effect is recognised in other comprehensive income (OCI).

Taxes based on taxable income are recorded according to the local tax rules of each country using the applicable tax rate. If there is uncertainty included in interpretations of the income tax rules, company estimates if a company is able to fully utilize the tax position that is stated in income tax computation. If necessary, tax bookings are adjusted to reflect the changes in tax position.

Deferred tax

Deferred tax asset or liability is recognised on temporary differences arising between the tax bases of assets and liabilities and their financial statement carrying amounts at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Typical temporary differences arise mainly from leases, business combinations and fair valuation of financial assets and liabilities through profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax liabilities are recognised in the balance sheet in full.

The Group offsets the deferred tax assets and deferred liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on either the same taxable entity.

Direct taxes

The major components of income tax expense for the years ended 31 December 2021 and 2020 are:

EUR million	2021	2020
Income tax on operations	- 3 251	- 942
Tax for previous accounting periods	- 110	39
Deferred taxes	2 681	470
Income tax total	**- 680**	**- 433**

Tax rate reconciliation

EUR million	2021	2020
Profit before income tax	**-4 082**	**-6 515**
Tax calculated at parent's tax rate of 20% (2020 20%)	- 695	- 1 458
Tax for previous years	- 110	39
Effect on different tax rates in foreign subsidiaries	- 156	- 9
Non-deductible expenses	1 500	-
Income not subject to tax	- 1 242	-
Confirmed losses and other tax items	22	996
Income taxes	**- 680**	**- 433**

Income tax receivables and payables

EUR million	2021	2020
Income tax receivables	67	116
Income tax payable	2 281	1 786

Effective tax rate

	2021	2020
Effective tax rate for the period	-17 %	-7 %

Deferred tax

Deferred tax assets 2021

EUR thousand	1.1.2021	Recognised in profit or loss	31.12.2021
Leases	0	153	153
Transaction costs from financial instruments	0	447	447
Business combinations	892	458	1 350
Other	329	-78	251
Total	**1 222**	**980**	**2 202**

Deferred tax assets 2020

EUR thousand	6.3.2020	Recognised in profit or loss	31.12.2020
Business combinations	0	892	892
Other	0	329	329
Total	**0**	**1 222**	**1 222**

The income tax assets recognised from derecognition of trade receivables includes both the amounts from expected credit losses and write-off amounts for 2020. The deferred tax assets are recognised on a company level and included in profit and loss.

Deferred tax liabilities 2021

EUR thousand	1.1.2021	Recognised in profit or loss	Business acquisitions	31.12.2021
Reclassification of subordinated loan	155	140	-	295
Business combinations	22 438	-2 303	4 169	24 304
Leases	44	-	-	44
Transaction costs from financial instruments	1 266	240	-	1 506
Other	918	915	-	1 833
Total	**24 821**	**-1 008**	**4 169**	**27 982**

Deferred tax liabilities 2020

EUR thousand	6.3.2020	Recognised in profit or loss	Business acquisitions	31.12.2020
Reclassification of subordinated loan	-	155	-	155
Business combinations	-	-	22 438	22 438
Leases	-	44	-	44
Transaction costs from financial instruments	-	1 266	-	1 266
Other	-	-	918	918
Total	**-**	**1 466**	**23 355**	**24 821**

4. Capital Employed

4.1. Business Combinations

Accounting principles

Acquired subsidiaries are consolidated in the Group financial statements from the date when PHM obtained control over the acquired entity. Business combinations are accounted for using the acquisition method in accordance with IFRS 3. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. The Group measures the identifiable assets acquired and the liabilities assumed at their acquisition date fair values.

Acquisition-related costs are expensed as incurred and included in the statement of profit and loss as other operating expenses.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to Group's cash-generating unit that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to that unit. More information about goodwill and imparment testing is provided in the note 4.2. Goodwill and impairment testing.

A contingent consideration recognised in a business combination is initially measured at its fair value. Subsequently, it is measured in accordance with the requirements in IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Acquisitions in 2021

During 2021, the Group completed 33 acquisitions, of which 16 were in Finland, 9 were in Sweden, 6 were in Norway and 2 in Denmark. Please see details in the table below of the acquisitions in 2021. In addition, the main acquisitions in each country have been presented in more detail below.

Acquisitions in Sweden

In Sweden, the Group managed to acquire one of its main competitors, Flow Fastighetsvärden AB with a transaction that was signed in June 2021 and subsequently executed in July 2021 after competition authority clearance was received. Flow Group, formerly owned by MVI Advisors and key management, comprises of four operating entities with a wide geographical coverage that greatly complements PHM's current geographical presence in Sweden. In addition, the acquisition will give PHM access to a proprietary digital property management system that can be used widely also in PHM's other operations. PHM also widened its geographical footprint and strengthened its position in many geographical areas during 2021 especially in the southern and northern parts of Sweden and Stockholm.

Acquisitions in Finland

In Finland the Group strengthened its market position in and around major growth centers outside the capital region with several acquisitions, thus widening the geographical scope of the operations. The largest acquisition in Finland was the acquisition of Quality Service Group (QSC Group), which comprised four operating entities operating in Oulu, Rovaniemi and Joensuu. Other larger acquisitions included Kiinteistöhuolto Lyijynen in Lappeenranta and Meranti Siivouspalvelut Oy in Oulu.

Acquisitions in Norway and Denmark

In Norway, the Group was successful in entering Stavanger as well as strengthening its position in both Oslo and Trondheim where it already had a presence since fall 2020. In April, the Group made its first acquisition in Denmark by acquiring Ejendomsvirke A/S , which is based in Copenhagen, but provides property management and maintenance services nationwide in Denmark. Subsequently in December, the Group also acquired TIP TOP Ejendomsservice ApS, a fast-growing property maintenance company focusing on the residential market.

Acquired company	Country	Acquisition date	Currency	Revenue *)	EBITDA *)
Tomina AB	Sweden	January	SEKt	39 000	3 900
Montasjelaget AS	Norway	February	NOKt	18 900	1 900
Olies Renhold AS	Norway	February	NOKt	4 900	700
Meranti Siivouspalvelut Oy	Finland	March	EURt	3 600	500
Janitor Oy	Finland	March	EURt	800	100
Kiinteistöhuolto 3J Oy	Finland	April	EURt	1 200	100
QSC Group	Finland	April	EURt	16 800	2 200
Viherkehä Oy	Finland	April	EURt	1 500	200
Ejendomsvirke A/S	Denmark	April	DKKt	67 500	6 700
Höga Kusten Skog & Fastighet AB	Sweden	April	SEKt	63 700	6 800
Vihdin Rakennustekniikka VRT Oy	Finland	May	EURt	1 700	200
Optimal Service Sverige AB **)	Sweden	May	SEKt	31 200	2 900
Gröna Gården AB	Sweden	May	SEKt	27 700	5 100
Ostkustens Trädgårdsservice AB	Sweden	May	SEKt	18 700	1 300
Trondheim Renholdsservice AS	Norway	June	NOKt	12 700	1 000
Uterom Entreprenør AS **)	Norway	June	NOKt	28 100	9 100
Kiinteistöhuolto Lyijynen Oy	Finland	June	EURt	4 300	1 900
Kiinteistöpalvelu Tim Turunen Oy	Finland	June	EURt	1 600	200
Flow Fastighetsvärden AB	Sweden	July	SEKt	231 900	9 400
Mark & Fastighetsservice i Kalmar Ab	Sweden	July	SEKt	27 500	1 400
Uudenmaan Huoltokeskus Oy	Finland	September	EURt	1 600	200
Økonomiske Løsninger AS	Norway	September	NOKt	19 300	4 000
Bromma Fönsterputs Ab and Fönsterputskåren i Stockholm Ab	Sweden	October	SEKt	8 800	500
Raahen Kiinteistönhoito Oy and Raahen Talonhoito Oy	Finland	November	EURt	1 200	100
993 Hjelp As	Norway	November	NOKt	11 200	1 300
Fastighet Mark Teknik Förvaltning Norr Ab	Sweden	November	SEKt	18 000	- 800
Puhdas Tuuli Oy	Finland	December	EURt	300	-
Pirkanmaan Talotoimi Oy	Finland	December	EURt	1 300	400
Duo Siivouspalvelut Oy	Finland	December	EURt	2 600	500
Kouvolan Talohuolto Oy	Finland	December	EURt	700	100
Kiinteistöhoito Juhala Oy	Finland	December	EURt	800	100
Kiinteistöhuolto Honkapää Oy	Finland	December	EURt	700	200
TIP TOP Ejendomsservice ApS	Denmark	December	DKKt	14 900	1 400
Trappevask Service As	Norway	December	NOKt	9 200	3 700

*) Presented financials are based on latest available local GAAP audited financial statements in local currency.

**) Unofficial consolidation of group entities

EUR thousand	Acquisitions in 2021
Purchase price	
Consideration paid in cash	97 572
Consideration paid in shares	-
Contingent considerations	4 228
Fair value of assets and liabilities recognised on acquisitions	
Assets	
Intangible assets	
Customer related intangibles	20 212
Marketing related intangibles	-
Other intangible assets	1 431
Intangible assets	**21 643**
Tangible assets	10 575
Land and water areas	189
Buildings	1 407
Machinery & equipment	8 791
Construction in progress	188
Other equipment	-
Other assets	18 557
Cash and cash equivalents	11 574
Total assets	**62 349**

Liabilities	
Non-interest bearing liabilities	30 475
Interest bearing liabilities	9 418
Deferred tax liability	4 179
Total liabilities	**44 072**
Total identifiable net assets at fair value	18 277
Goodwill arising on acquisition	73 064
Purchase consideration transferred	**91 341**
Cash flow impact of acquisitions	
Paid in cash	
Cash and cash equivalents	97 572
Expenses related to the acquisition	- 3 145
Net cash flow on acquisition	**94 427**

Acquisitions in 2020

Acquisition of PHM Holding Oy

On 30 April 2020, the Group acquired 100% of the shares of PHM Holding Oy, a Finnish company operating in the property maintenance sector. With the acquisition, PHM Group Holding strengthened its position with core competencies; property maintenance and management, cleaning, landscaping and outdoor maintenance and snow piloting and transaction. The acquisition was paid in cash based on purchase price of shares totaling to value EUR 42.3 million and reinvestments from former shareholders to the new holding company (non-cash item) of EUR 32.9 million. The identifiable assets acquired and liabilities assumed are measured at fair value as of the acquisition date. As a part of the allocation of fair values, PHM recognised customer relationships of PHM Holding Oy as intangible assets identified in connection with the acquisition of PHM Holding Oy. Please see details in the table below. Residual goodwill EUR 93.4 million includes e.g. assembled workforce, future customer relationships and buyer-specific synergies.

The Group has expensed acquisition related transaction costs of EUR 1.3 million. Transaction costs are included in other operating expenses in the statement of profit and loss.

Acquisition of Kotikatu Holding Oy

On 24 September 2020, the Group acquired 100% of the shares of Kotikatu Holding Oy, a Finnish company operating mostly in property and maintenance services as well as technical services. With the acquisition, PHM Group Holding strengthened its position in the property maintenance sector and simultaneously acquiring organizational knowledge and processes. The acquisition was paid partly in cash and partly as a locked-box interest. The cash payment was based on the price of shares EUR 157.3 million and locked-box interest of EUR 7.7 million. The identifiable assets acquired and liabilities assumed are measured at fair value as of the acquisition date. As a part of the allocation of fair values, PHM Group Holding recognised customer relationships and trademarks of Kotikatu are identified as intangible assets in connection with the acquisition of Kotikatu Holding Oy. Please see details in the table below. Residual goodwill EUR 160.8 million includes e.g. assembled workforce, future customer relationships and buyer-specific synergies such as cross-selling to Kotikatu's existing customers and expansion to other cities in the Finnish property and maintenance service market.

The Group has expensed acquisition related transaction costs of EUR 2.8 million. Transaction costs are included in other operating expenses in the statement of profit and loss.

Other acquisitions in 2020

During 2020, the Group completed 11 acquisitions in addition to the acquisitions of Kotikatu Holding Oy and PHM Holding Oy. One was in Finland, seven were in Sweden and three were in Norway. With the acquisitions, the Group strengthened its position in the property maintenance sector within the Nordic countries.

One of the large acquisitions of 2020 was the acquisition of Rene Trapper As. On 31 August 2020, the Group acquired 100% of the shares of Rene Trapper As, a Norwegian company operating in the property maintenance sector. With the acquisition, PHM Group Holding strengtened its position in the property maintenance sector, especially in the cleaning services. PHM recognised customer relationships of Rene Trapper As intangible assets identified in connection with the acquisition of Rene Trapper As.

The Group has expensed acquisition related transaction costs for the other acquisitions in 2020 of EUR 0.3 million. Transaction costs are included in other operating expenses in the statement of profit and loss.

Table below specifies the purchase prices and the fair value of the identifiable assets and liabilities of the acquisitions and the cash flow impact of the acquired companies in 2020:

EUR thousand	Kotikatu Holding Oy	PHM Holding Oy	Other acquisitions in 2020
Purchase price			
Consideration paid in cash	165 030	42 317	24 444
Reinvestments	-	32 855	-
Adjustments	-	32 855	-
Contingent liabiliy	-	-	2 747
Fair value of assets and liabilities recognised on acquisitions			
Assets			
Intangible assets			
Customer related intangibles	51 016	50 325	3 493
Marketing related intangibles	12 277	-	
Other intangible assets	210	90	59
Intangible assets	**63 503**	**50 415**	**3 552**
Tangible assets	31 886	24 237	
ROU assets	9 624	9 641	
Land and water areas		60	
Buildings	276	730	
Machinery & equipment	21 984	13 808	1 060
Construction in progress			
Other tangible assets	2	- 1	53
Other assets	7 341	16 696	8 225
Cash and cash equivalents	1 547	6 657	1 914
Total assets	**104 277**	**98 006**	**14 805**
Liabilities			
Non-interest bearing liabilities	53 924	35 753	6 840
Interest bearing liabilities	46 124	78 938	1 514
Deferred tax liability	12 659	10 733	769
Total liabilities	**100 048**	**114 691**	**8 354**
Total identifiable net assets at fair value	**4 229**	**-16 685**	
Goodwill arising on acquisition (Note 4.2)	160 801	93 433	18 537
Purchase consideration transferred	**165 030**	**76 748**	**18 537**
Cash flow impact of acquisitions			
Paid in cash			
Cash and cash equivalents	165 030	76 748	24 444
Expenses related to the acquisition	2 827	1 297	319
Net cash flow on acquisition	**167 857**	**78 045**	**24 763**

Contingent considerations from business combinations

As part of business combinations PHM has recognised contingent considerations purchase price from acquisitions in 2021 and 2020. The total amount of contingent considerations arise from multiple acquisitions. For more details about the amounts and accounting details in relation to contingent considerations, please see notes 5.1, 5.3 and 5.5.

Accounting estimates and the management's judgement

Net assets aqcuired in the business combinations are measured at fair value, which is determined based on the market value of similar assets (tangible assets) or an estimate of the expected future cash flows (intangible assets). This valuation is based on the current repurchase values, expected cash flows or estimated selling prices and it has required management's judgement. PHM Group Holding's management believes that the estimates and assumptions used are sufficiently reliable for determination of fair values.

4.2. Goodwill and impairment testing

Accounting principles

Goodwill arises from the business combinations, and it corresponds to the amount that the consideration transferred exceeds the fair value of identifiable net assets as of the acquisition date.

Goodwill from business combinations is allocated for impairment testing to the cash generating unit that is expected to gain benefit from the synergies created by the business combination.

Goodwill is reviewed for impairment annually or whenever events or changes in circumstances indicate to a possible impairment. The carrying amount of the cash-generating unit (CGU) including goodwill is compared to the recoverable amount which is the higher of the fair value less costs of disposal or the value in use. Possible impairment is recognised as an expense in the statement of profit and loss with immediate effect, and it will not be reversed later.

If the recoverable amount of an asset is less than its carrying amount, the impairment loss is recorded so that the carrying amount of the asset is equal to its recoverable amount.

EUR thousand	31.12.2021	31.12.2020
Acquisition cost at 1.1. (6.3.2020)	**274 694**	**0**
Goodwill from business acquisitions	75 867	274 694
Acquisition cost at 31.12.	**350 561**	**274 694**

Goodwill is tested following the IFRS guidance for impairment testing. PHM does not possess any intangible assets that have indefinite useful life. Impairment testing is carried out at group level as the identified cash generating unit (CGU) also follows the method how the management follows the operative business. PHM Group Holding monitors goodwill internally at Group level and as PHM Group Holding only has identified one CGU, all goodwill recognised is allocated to this cash generating unit.

The Group has in the reporting period tested goodwill for impairment at 31.12.2021 and 31.12.2020. Goodwill has not been tested for impairment at 6.3.2020 since the Group was founded on the transition date, when the first acquisition was made. The recoverable amount from the cash generating unit is determined based on value-in-use calculations. The calculations are prepared following the discounted cash flow method using the management approved estimates for the following year and subsequent development derived from the strategic plans. Terminal year value has been defined based on the long-term strategic plans.

Cash flows beyond the 5-year period are calculated using the terminal value method. The terminal growth rate of 0.5% percent (0.5%) used in projections is based on management's assessment on conservative long term growth. Key driver for the valuation is the revenue growth based on the Group's performance and future strategic growth plans, market position as well as the potential in key markets.

The applied discount rate is the weighted average pre-tax cost of capital (WACC). The components of the WACC are risk-free rate, market risk premium, company specific factor, and industry specific beta, cost of debt and debt/equity ratio. The WACC of 10.15% percent (9.10%) has been used in the calculations.
As a result of the impairment test, no impairment loss for the CGU was recognized for the financial periods ended 31.12.2021 and 31.12.2020.

When assessing the recoverable amounts of cash generating units, management believes that no reasonably possible change in any of the key variables used would lead to a situation where the recoverable amount of the units would fall below their carrying amount.

Sensitivity analysis

The impact of the sensitivity analysis to the CGU's value in use was the following:

%	WACC increased by 1.0%	Terminal growth rate from 2.0% to 3.0%
2021	-15%	18%
PHM total	**-15%**	**18%**

%	WACC increased by 1.0%	Terminal growth rate from 2.0% to 3.0%
2020	-13%	15%
PHM total	**-13%**	**15%**

The sensitivity analysis also includes several EBITDA level projections, WACC and sales growth based on reasonable change in the future performance of the CGU. However, the impact on the present value obtained is limited as long as there is no permanent weakening expected for the business, which would affect the terminal value. Based on these sensitivity analyses, the management believes that no reasonably possible change of the key assumptions used would cause the carrying value of any cash generating unit to exceed its recoverable amount.

Accounting estimates and determinations based on management's judgements

The management uses significant estimates and judgement when determining whether there are indications of impairment of goodwill. Management judgement has also been used when defining the amount of cash generating units but since one cash generating unit has been identified, no further allocation of goodwill is required.
The cash flow projections are based on budgets and financial estimates approved by management covering a 5-year period. Cash flow forecasts are based on Group's existing business structure, actual results and the management's best estimates on future sales, cost development, general market conditions and applicable tax rates. The growth rates are based on the management's estimates on future growth of the business.

Management tests the impacts of changes in significant estimates used in forecasts by sensitivity analyses as described above in this note.

4.3. Intangible assets

Accounting principles

PHM's intangible assets arise from separately acquired or developed intangible assets. Separately acquired intangible assets are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is measured at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are recorded as expenses and the expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. However, PHM does not have any intangible assets with indefinite life.

For PHM's accounting policy on impairment for goodwill, refer to Note 4.2. Goodwill and impairment testing.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

A summary of the policies applied to the PHM's intangible assets is, as follows:

	Customer related intangibles	**Marketing related intangibles**
Useful lives (years)	Finite (12 and 10 years)	Finite (15 years)
Amortisation principle	Amortised on a straight-line basis over the period of the customer relationships	Amortised on a straight-line basis over the period of the trademark
Internally generated or acquired	Acquired	Acquired

EUR thousand	Customer related intangibles	Marketing related intangibles	Other intangible assets excluding goodwill	Total excluding goodwill	Goodwill	Total intangible assets
Cost						
6.3.2020	-	-	-	-	-	-
Additions		-	81	81	-	81
Business combinations	104 816	12 300	360	117 475	277 442	394 917
31.12.2020	**104 816**	**12 300**	**440**	**117 556**	**277 442**	**394 997**
Additions	158	-	849	1 007	-	1 007
Business combinations	20 212	-	1 431	21 643	73 119	94 762
31.12.2021	**125 186**	**12 300**	**2 720**	**140 206**	**350 561**	**490 766**
Amortisation and impairment						
6.3.2020	-	-	-	-	-	-
Amortisation	-4 987	-273	-72	-5 332	-	-5 332
31.12.2020	**-4 987**	**-273**	**-72**	**-5 332**	**-**	**-5 332**
Amortisation	-10 792	-820	-503	-12 115	-	-12 115
31.12.2021	**-15 779**	**-1 093**	**-575**	**-17 447**	**-**	**-17 447**
Net book value						
31.12.2021	109 406	11 207	2 145	122 758	350 561	473 319
31.12.2020	99 828	12 027	369	112 223	277 442	389 665
6.3.2020	-	-	-	-	-	-

Customer related intangibles

PHM has recognised customer relationships as intangible assets. The majority of intangible assets in connection to business acquisitions are customer relationships due to importance of the customer base to PHM's operations.

Marketing related intangibles

PHM has been granted the right to use the Kotikatu trademark. The trademark has been valued using the relief from royalty method.

4.4. Tangible Assets

Accounting principles

PHM's property, plant and equipment consist mainly of buildings, machinery & equipment and land and water areas. Tangible assets mainly consist of machines and equipment which include cars, vans, trucks, office equipment and furniture and other equipment.

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. The costs comprises directly attributable incremental costs incurred. Indirect acquisition costs are not included in the capitalised acquisition costs.

Depreciation of property, plant and equipment is charged on a straight-line basis over the estimated useful lives to their residual value, as follows:

- Land areas (are not depreciated)
- Buildings 5-25 years
- Machinery and equipment 3-10 years
- Other tangible assets 3-5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

Sales gains and losses on disposal or transfer of tangible assets are presented in other operating income and expenses. Sales gains or losses are calculated as the difference between the sales price and the remaining acquisition cost.

PHM estimates the recognised amounts of the tangible assets, when the internal or external events or changes in the conditions of the operations indicate that the recognised value may not be retained. PHM also takes into account the age of the assets and their remaining useful lives. If any such indication exists, the entity estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the difference is recognized in profit or loss.

EUR thousand	Land and water areas	Buildings	Machinery & equipment	Construction in progress	Other equipment	Total
Acquisition cost						
6.3.2020	-	-	-	-	-	-
Additions	3	-	5 834	564	1 298	7 699
Business combinations (Note 4.1)	60	1 006	36 853	-	54	37 971
Disposals	-	-348	-	-	-	-348
Transfers	-	-	-	-	-	-
Depreciation charge for the year	-	-	-7 206	-	-72	-7 277
Translation differences	-	-	-	-	-	-
31.12.2020	**63**	**657**	**35 481**	**564**	**1 280**	**38 045**
Additions	-	-	13 194	-	45	13 247
Business combinations (Note 4.1)	189	1 407	8 798	188	-7	10 575
Disposals	-101	-235	-	-	-	-336
Transfers	-	-	752	-752	-	-
Depreciation charge for the year	-	-122	-16 035	-	-79	-16 235
Translation differences	-	-	-	-	-	-
31.12.2021	**150**	**1 707**	**42 190**	**-**	**1 247**	**45 295**

4.5. Leases

Accounting principles

Group as a lessee

The lease contracts of PHM consist mainly of cars, machinery and equipment and office premises. The majority of PHM's leasing contracts are valid until further notice with notice periods of 3, 6 or 12 months respectively. Lease contracts are valid for a fixed period or until further notice. The Group does not have any service contracts that contain an asset for which a right-of-use asset should be recognized in accordance with IFRS 16.

PHM assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

Right-of-use assets are measured at aqcuisition cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date (less any incentives received), any initial direct costs incurred by PHM, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Subsequently, the right-of-use assets are measured at initial measurement less accumulated depreciation and impairment losses. The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

Lease liabilities

At the inception of the lease, PHM measures the lease liability at the present value of the lease payments over the lease term. The lease payments included in the measurement of the lease liability comprise the following payments:

- fixed payments;
- variable lease payments that depend on an index or a rate;
- the price of the purchase option if it is reasonably certain that the option will be exercised by the Group; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The fixed payments consist of the minimum lease payments. In some of the contracts the lease payments are increased annually based on index. The non-lease components are separated from leases payments in case they can be measured reliably.

Lease payments are discounted by using the lessee's incremental borrowing rate since the interest rates are not easily available in the lease contracts. PHM's incremental borrowing rate is determined based on financing offers received and market conditions and it is reviewed annually. Further information regarding the incremental borrowing rate has been disclosed in the note 5.1 Financial risk management.

Interest expense on lease liabilities are recognized in financial items in the statement of profit and loss over the lease term. The lease liabilities are subsequently measured at initial recognition less lease payments that are allocated to the principal.

For the contracts with extension options, PHM applies judgement to evaluate whether it is reasonably certain that the extension option will be exercised. Extensions for the leases are included in the lease liability when the lease term is reasonably certain to be extended.

When determining the lease term for the contracts that are valid until further notice, PHM takes into account similar contracts with fixed lease period and their typical lease terms. The estimates of the lease terms are updated at each reporting date.

Interest expense on lease liabilities are recognized in financial items in the statement of profit and loss over the lease term. The lease liabilities are subsequently measured at initial recognition less lease payments that are allocated to the principal.

Short-term lease contracts and contracts of low-value assets

PHM applies the exemptions applicable to short-term lease contracts (lease period 12 months or less), and for lease contracts for which the underlying asset is of low value. The lease assets are considered to be low value when the underlying asset value is estimated to be under the threshold of EUR 200 on a monthly basis. However, car leases under EUR 200 are included to the lease calculations. These low value lease contracts, which are not included to the lease calculations, are not recognized in the statement of financial position but recorded as expense when the costs are incurred. Lease expenses recognised for short-term leases and low-value assets are presented in more detail in note 3.2. Other operating income and expenses.

These lease contracts are not recognised in the statement of financial position but recognised as expense when the costs are incurred.

Right-of-use assets

EUR thousand	Right-of-use assets, buildings	Right-of-use assets, vehicles	Right-of-use assets, machinery	Total
At 6.3.2020	-	-	-	-
Additions	17 837	3 569	1 074	22 480
Disposals	-	-	-	-
Depreciations for the financial year	-2 068	-714	-250	-3 032
At 31.12.2020	**15 769**	**2 855**	**824**	**19 448**
1.1.2021	**15 769**	**2 855**	**824**	**19 448**
Additions	23 371	6 230	2 665	32 267
Disposals	-	-	-	-
Depreciations for the financial year	-6 608	-2 305	-1 069	-9 983
31.12.2021	**32 532**	**6 780**	**2 420**	**22 285**

Lease liabilities

EUR thousand	2021	2020
6.3.	-	-
Additions	33 485	23 724
Lease payments	-9 659	-3 669
Interest expenses	-971	-389
31.12.	**22 856**	**19 667**

EUR thousand	31.12.2021	31.12.2020
Long-term lease liabilities	13 494	12 845
Short-term lease liabilities	9 362	6 821
31.12.2021	**22 856**	**19 667**

The maturity analysis of lease liabilities is disclosed in Note 5.3. Borrowings and lease liabilities.

Impact of leases on profit and loss statement

EUR thousand	1.1.-31.12.2021	6.3.-31.12.2020
Short-term leases	-179	-118
Low value assets	-345	-73
Depreciations of right-of-use assets	-9 977	-3 032
Interest expenses from lease liabilities	-971	-389
Total	**-10 948**	**-3 421**

The cash flows arising from lease contracts during the financial period 2021 were EUR 10,409 thousand (2020: EUR 3,235 thousand).

Accounting estimates and management's judgements

The most significant management judgment relates to open-ended lease agreements. For these contracts, management needs to estimate the length of the lease term, which may significantly affect the amounts of right-of-use asset and lease liability as well as the related depreciation and interest expense. Management judgment is also applied in defining the incremental borrowing rate used to calculate the present value of the future lease payments.

4.6. Trade and other receivables

Accounting principle

Trade and other receivables arise from typical business transactions and are non-interest-bearing receivables. A trade receivable is recognised if an amount of consideration that is unconditional is due from the customer. Trade receivables are initially recognised at fair value at inception and recognised as subsequently measured at amortised cost following the classification of financial assets. Other receivables are recognised as cost and are typically including tax receivables and other short-term accruals, which are not considered as financial assets.

PHM does not typically enter into agreement to sell trade receivables. Refer to accounting policies of financial assets in note 5.3. Financial assets and liabilities.

Trade receivables

EUR thousand	2021	2020
Trade receivables from external customers	38 160	21 509
Provision for expected credit losses	-1 074	-331
Total trade receivables	**37 086**	**21 178**

Trade receivables are non-interest bearing and are generally on payment terms of 14 to 45 days. Trade receivables which are over 360 days past due are considered as defaulted. Past due trade receivables are subject to enforcement activity and collection. The collection process is managed by the PHM 's credit control unit.

For terms and conditions relating to related party receivables, refer to Note 6.1. At the reporting date there were no open receivables from the related parties.

Other current assets consist of other receivables, which include VAT receivables, prepayments and accrued income and other related items. Other receivables considered as non-current assets amount to EUR 273 thousand for 2021 and EUR 258 thousand for 2020. The receivables under other current assets are presented below.

Other receivables & other current assets

EUR thousand	2021	2020
Other receivables	10 174	5 869
Other current assets	**10 174**	**5 869**

Expected Credit Loss (ECL) calculation

The expected credit loss calculation is based on historical data adjusted by forward-looking parameters based on customers' payment behavior. PHM has analyzed its trade receivables as one portfolio, because the payment behavior is homogeneous. The management estimates the customers' payment behavior and economic events in every reporting period. PHM estimates the timeliness of the payment alongside the customers' payment profile in order to recognize the time value of money effect for the credit receivables. As PHM does not use financing as part of their sales contracts in accordance with IFRS 15, the clients' time value of money is discounted separately for each past due bracket as presented in the ECL table above. PHM applies the simplified approach to calculate the estimated credit losses for each period.

The expected credit losses for contract assets include the expected credit losses from accrued revenues at each quartely reporting period. The expected credit loss rate of contract assets is assumed to match the rate used for current trade receivables.

In order to avoid excessive concentrations of risk, the PHM 's Group policies and procedures include specific guidelines to focus on the maintenance of a diversified customer portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Set out below is the information about the credit risk exposure on Group's trade receivables using a provision matrix:

Expected Credit Loss 31.12.2021

EUR thousand	%	Gross value	Expected credit loss	Net value
Current	0.1%	32 727	-33	32 694
Overdue 1-30 days	0.5%	2 841	-14	2 827
Overdue 31-90 days	2.0%	712	-14	697
Overdue 91-180 days	10.0%	545	-54	490
Overdue 181-360 days	50.0%	754	-377	377
Overdue > 360 days	100.0%	581	-581	0
Total		**38 160**	**-1 074**	**37 086**

PHM has recognised an expense that combines expected credit losses and write-offs of sales receivables amounting to EUR 331 thousand for 2020. The expected credit losses for period ending at 31.12.2020 is not presented separately in tabular format.

There are no changes in the expected credit loss valuation methods or assumptions between the comparison periods. Due to immaterial amount of the loan receivables to and loan payables to the parent of the group, the expected credit loss was not calculated for either financial period.

4.7. Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within 12 months or less. If not, they are presented as non-current liabilities.

Other payables are obligations e.g. accrued personnel costs, including holiday pay that are settled in accordance with local laws and regulations.

EUR thousand	31.12.2021	31.12.2020
Other non-current payables		
Other liabilities	1 457	0
Other non-current payables total	**1 457**	**0**

EUR thousand	31.12.2021	31.12.2020
Current trade and other payables		
Trade payables	19 366	10 036
Personnel related liabilities	28 379	17 803
Other payables	31 667	14 401
Accrued interest	502	1 470
Accrued expenses and deferred income	10 639	6 585
Current trade and other payables total	**90 553**	**50 295**

Other payables consist of contingent considerations, cash pool payables, VAT liabilities, withholding tax and social security pay. The accrued expenses consist mainly of accrued costs and personnel related expenses.

The definitions for contract liabilities is presented in note 3.1 Revenue from contracts with customers.

Accrued expenses and other liablities mainly consist of short-term payments for a business acquisition from 2020, payroll and interest liabilities.

5. Financial Instruments and Capital Structure

5.1. Financial risk management

Financial instruments risk management objectives and policies

PHM's principal financial instruments are exposed to various financial risks. Financial risks include market risk, credit risk and liquidity risk. Market risk covers foreign exchange risk and interest rate risk. In addition, PHM's financial assets are exposed to counterparty's credit risk. PHM's management monitors and manages its financial risks in accordance to its Risk Management Policy. PHM has appropriate policies and procedures and financial risks are identified, measured and managed in accordance with PHM's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks.

Currently, PHM does not use derivatives to hedge its risks associated with market risk. PHM does not apply hedge accounting. However, PHM key management has the mandate from the Board of Directors to use derivatives if deemed necessary. The objective of PHM is to monitor and minimize financial risk exposures if needed. PHM has centralized management for its funding arrangements.

The Group considers Covid-19 impact on it's financial instruments to be insignificant due to the nature of it's business.

Market risk

Market risk is the risk that the fair value or future cash flows arising from financial instruments will fluctuate because of changes in market prices or market conditions. Market risk is comprised of: interest rate risk and currency risk. Sensitivity analysis of the market risks is presented below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. PHM's exposure to interest rate fluctuations relates primarily to the debt obligations which have floating interest rate linked to euribor. Changes in market interest rates have a direct effect on PHM's future interest payments. The majority of PHM external loans are having fixed interest rate and hence variable interest rate risk is considered insignificant.

In 2021, PHM secured financing for enabling continued strategy execution by successfully placing a 300 MEUR senior secured fixed interest rate bond that is currently listed on the Frankfurt open market exchange. Maturity date of the bond is 18.6.2026. Simultaneously, PHM Group Holding Oy agreed on a new super senior RCF of 50 MEUR which has a floating interest rate.

Interest-bearing loans

Debt Instrument	Interest	Interest type	Fiscal Year
Super senior RCF	Euribor + Margin	Floating	2021
External loan	Reference rate + Margin	Floating/Fixed	2020-2021
Bond	4.75%	Fixed	2021

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. Sensitivity analysis has been calculated assuming 0.5% variation in the market interest rate with other variables remaining constant. The changes in the interest rate level are shown in full without considering the effects of possible contractual interest rate floors related to loans.

		2021
EUR thousand	Profit of the year	Equity
+0.5% change in market interest rate	-140.0	-140.0
-0.5% change in market interest rate	140.0	140.0

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate because of changes in foreign exchange rates. PHM's exposure to the foreign currency risk relates primarily to the operating activities, when revenue or expense is denominated in a foreign currency.

PHM operates in Finland, Sweden, Norway and Denmark. All entities in the group has local currency as their functional currency. All entities operates with their functional currency without any significant foreign currency transactions and hence the significant foreign currency transaction risk does not exist. PHM Group does not have financial instrument position according to IFRS 7 in other than their functional currencies.

PHM Group has translation risk related to Swedish krona, Norwegian krone and Danish krone. Foreign currency translation risk is presented in translation difference in equity. The most significant part of the translation risk arises in SEK. PHM Group has not hedged its equity risk in its group.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial credit loss. PHM is exposed to credit risk from its operating activities, which primarily includes trade receivables.

In relation to the credit risk PHM is exposed to a counterparty risk, which is managed alongside the credit risk, by recognising the customer prior the trading for the services. PHM operates only with recognised, creditworthy parties. Receivable balances are monitored and collected on an ongoing basis. The maximum exposure to credit risk at the reporting date is the carrying value of financial assets. There are no significant concentrations of credit risk within PHM. Please, see note 4.6 Trade and other receivables regarding credit risk.

Liquidity risk

PHM monitors its available funds and maturity analysis as the basis for concluding the cash requirements. Management assesses the business forecast and the related cash flows to maintain the liquidity requirements.

PHM's objective is to maintain a balance between continuity of funding and flexibility through the use of bank balances, and if necessary bank loans. PHM assessed the concentration of risk with respect to refinancing its debt and concluded it to be low.

PHM has a considerable head room for covenants at their current position. The Group has not had any repayment events caused by breaches of covenants.

Please see further information regarding the liquid assets in the note 5.4. Cash and cash equivalents.

The maturity analysis of the financial liabilities is presented in the note 5.5. Borrowings and lease liabilities, Maturity distribution table, which presents the relevant cash outflows for the forseeable future.

Maturity Distibution of Financial liabilities

The maturity distribution of the financial liabilities is presenting the cash outflows in relation to PHM's financial liabilities. The objective is to present the liquidity requirements for meeting the upcoming outflows on an annual basis. The maturity analysis involves the interest-bearing financial liabilities and IFRS 16 lease liabilities in order to present the actual out flows in relation to all PHM's liabilities.

Based on the maturity distribution position PHM's management facilitates the credit position and liquidity requirement and adjusts the company's credit risk policy.

31.12.2021

EUR thousand	Carrying amount	Due in less than a year	Due in 1-5 years	Over 5 years	Total Cash Outflows
Interest-bearing loans and borrowings incl. Interest	354 551	-47 834	-360 971	-	-408 805
Lease liabilities	22 856	-10 335	-14 971	-	-25 306
Trade and other payables (incl. financial instruments)	18 864	-18 864	-	-	-18 864
Contingent considerations	4 228	-3 127	-1 101	-	-4 228
Total	**400 499**	**-80 160**	**-377 043**	**-**	**-457 203**

31.12.2020

EUR thousand	Carrying amount	Due in less than a year	Due in 1-5 years	Over 5 years	Total Cash Outflows
Interest-bearing loans and borrowings	194 314	-6 914	-187 401	-	-194 314
Lease liabilities	19 667	-10 409	-24 475	-	-34 884
Trade and other payables (incl. financial instruments)	11 506	-11 506	-	-	-11 506
Contingent considerations	2 747	-2 747	-	-	-2 747
Total	**228 234**	**-31 575**	**-211 876**	**-**	**-243 451**

5.2. Fair value measurement

PHM measures financial instruments at fair value at each balance sheet date. Aside from this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in note 4.1. Business combinations.

Accounting principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by PHM.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

PHM uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair value estimation

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1:
The fair value of these assets or liabilities is based on available quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2:
The fair value of these assets or liabilities is based on valuation techniques, for which the lowest level input that is significant to the fair value measurement and it is directly or indirectly observable. The inputs for the valuation are based on quoted or other readily available source.

Level 3:
Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable and require independent consideration and judgement from the valuation perspective.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, PHM determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the PHM's management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the PHM's accounting policies.

For the purpose of fair value disclosures, PHM has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair values

Set out in the Financial instruments tabular presentation (Note 5.3. Financial assets and liabilities) is a comparison, by class, of the carrying amounts and fair values of PHM's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values.

5.3. Financial assets and liabilities

Accounting principles

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

PHM's financial assets are measured at fair value at initial recognition at trade date, and are classified and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss. The classification is based on the contractual cash flow characteristics of the financial asset and PHM's business model for managing the instruments. The impairment of the financial assets is discussed in detail in the risk management section in Note 5.1 Financial risk management

Amortised cost

Financial assets are classified at amortized cost, if the objective of holding the asset is to collect contractual cash flows and if the cash flows are solely payments of principal and interest. Financial assets which fulfill both of the conditions are subsequently measured using the effective interest rate method (EIR) and are subject to impairment. Any gains or losses from these financial assets are recognized in profit or loss when the asset is derecognized, modified or impaired.

PHM's financial assets at amortized cost include cash and cash equivalents, trade and loan receivables.

Financial assets at fair value through profit and loss

Financial assets are classified at fair value through profit and loss when the financial assets are held for trading and when the collection of cash flows are not based on payments of principal and interest and do not pass the SPPI test. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

PHM does not have financial assets classified at fair value through profit and loss.

Financial assets at fair value through Other comprehensive income (OCI)

Financial assets are classified at fair value through other comprehensive income if the objective of holding the financial asset is both to collect contractual cashflows and to sell the financial asset, and if the cash flows are solely payments of principal and interest. Financial assets at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

At initial recognition PHM can make an irrevocable election to classify and measure its equity investments as equity instruments designated at fair value through other comprehensive income when these instruments are not held for sale and when these financial instruments fulfill the requirements of investments to equity instruments under IAS 32.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

PHM does not have financial assets classified at fair value through other comprehensive income.

Derecognition of financial assets

PHM derecognises a financial assets when, and only when the contractual rights to the cash flows from the financial asset expires or it transfers the financial asset and the transfer qualifies for derecognition.

When PHM has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, PHM continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions (1.2.-1.3.)
- Goodwill and impairment test (4.2.)
- Trade receivables (4.6.)

PHM recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

Further information about ECL is presented in the Note 5.1. Financial Risk Management.

Financial liabilities

PHM recognises a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provision of the instrument. PHM's financial liabilities are measured at fair value at initial recognition at trade date, and are classified as subsequently measured at amortised cost and fair value through profit or loss. The financial liabilities are classified to their respective current and non-current accounts.

At Amortised cost

PHM's financial liabilities classified at amortized cost, such as interest-bearing loans and borrowings are initially recognized at fair value less any related transaction cost, and are subsequently measured using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss

Financial liabilities classified at amortized cost include loans from financial institutions, bond and trade payables.

Financial liabilities at fair value through profit and loss

Financial liabilities measured at fair value through profit and loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit and loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by PHM that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Financial liabilities at fair value through profit and loss includes contingent considerations arising from business combinations. Contingent consideration is based on business combinations related to IFRS 3.

Derecognition of financial liabilities

PHM derecognizes financial liabilities when, and only when the obligation of a financial liability specified in its respective contract is discharged, cancelled or it expires. This includes a situation where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss. The Group has not derecognized any liabilities during the financial period or the comparable financial periods.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. PHM does not offset its financial instruments.

Financial instruments by classification 31.12.2021

Financial assets, 2021

EUR thousand	Note	Level	Fair value through profit and loss	Fair value through OCI	At amortized cost	Book value	Fair value
Current financial assets							
Trade receivables	**4.6.**	**2**	-	-	37 086	37 086	37 086
Loan receivables	**5.3.**	**2**	-	-	15 086	15 086	15 086
Cash and cash equivalents	**5.4.**	**2**	-	-	18 331	18 331	18 331
Current financial assets total			**-**	**-**	**70 503**	**70 503**	**70 503**
Financial assets total			**-**	**-**	**70 503**	**70 503**	**70 503**

Financial liabilities, 2021

EUR thousand	Note	Level	Fair value through profit and loss	Fair value through OCI	At amortized cost	Book value	Fair value
Non-current financial liabilities							
Interest-bearing loans and borrowings	**5.5.**	**2**	-	-	303 971	303 971	303 971
Contingent consideration	**5.5.**	**3**	1 101	-	-	1 101	1 101
Non-current financial liabilities total			**1 101**	**-**	**303 971**	**305 072**	**305 072**
Current financial liabilities							
Interest-bearing loans and borrowings	**5.5.**	**2**	-	-	33 584	33 584	33 584
Trade payables	**4.7.**	**2**	-	-	19 366	19 366	19 366
Other current financial liabilities	**4.7. & 5.5.**	**2**	-	-	17 498	17 498	17 498
Contingent consideration	**5.5.**	**3**	3 127	-	-	3 127	3 127
Current financial liabilities total			**3 127**	**-**	**70 448**	**73 575**	**73 575**
Financial liabilities total			**4 228**	**-**	**374 419**	**378 647**	**378 647**

Financial instruments by classification 31.12.2020

Financial assets, 2020

EUR thousand	Note	Level	Fair value through profit and loss	Fair value through OCI	At amortized cost	Book value	Fair value
Current financial assets							
Trade receivables	**4.6.**	**2**	-	-	21 178	21 178	21 178
Loans receivable	**5.3.**	**2**	-	-	22	22	22
Cash and cash equivalents	**5.4.**	**2**	-	-	17 530	17 530	17 530
Current financial assets total			**-**	**-**	**38 729**	**38 729**	**38 729**
Financial assets total			**-**	**-**	**38 729**	**38 729**	**38 729**

Financial liabilities, 2020

EUR thousand	Note	Level	Fair value through profit and loss	Fair value through OCI	At amortized cost	Book value	Fair value
Non-current financial liabilities							
Interest-bearing loans and borrowings	**5.5.**	**2**	-		187 401	187 401	187 401
Contingent consideration	**5.5.**	**3**	-		-	-	-
Non-current financial liabilities total			**-**		**187 401**	**187 401**	**187 401**
Current financial liabilities							
Interest-bearing loans and borrowings	**5.5.**	**2**	-	-	6 914	6 914	6 914
Trade payables	**4.7.**	**2**	-	-	10 036	10 036	10 036
Other current financial liabilities	**4.7. & 5.5.**	**2**	-	-	1 451	1 451	1 451
Contingent consideration	**5.5.**	**3**	2 747	-	-	2 747	2 747
Current financial liabilities total			-	-	18 401	21 148	21 148
Financial liabilities total			-	-	205 801	208 549	208 549

5.4. Cash and cash equivalents

Cash and cash equivalents comprise of cash at banks and on hand with a maturity of three months or less. Cash and cash equivalents are subject to an insignificant risk of changes in value. The Groups cash deposits are deposited to banks with a low credit risk and funds with a low risk profile.

EUR thousand	2021	2020
Cash at banks and on hand	18 331	17 530
Total	**18 331**	**17 530**

5.5. Interest-bearing loans and borrowings

Interest-bearing liabilities and net interest-bearing debt

Net interest-bearing debt

EUR thousand	2021	2020
Non-current interest-bearing liabilities	303 971	187 401
Current interest-bearing loans and borrowings	33 584	6 914
Lease liabilities	22 856	19 667
Contingent consideration	4 228	2 747
Cash and cash equivalents	-18 331	-17 530
Net interest-bearing debt total	**346 308**	**199 199**

Changes in the interest-bearing liabilities

31.12.2021

EUR thousand	Opening balance 1.1.	Net changes	Reporting date balance 31.12.
Non-current interest-bearing liabilities	187 401	116 570	303 971
Current interest-bearing liabilities	6 914	26 670	33 584
Lease liabilities	19 667	3 189	22 856
Contingent considerations	2 747	1 481	4 228
Total changes in interest-bearing liabilities	**216 728**	**147 910**	**364 639**

31.12.2020

EUR thousand	Opening balance 6.3.	Net changes	Reporting date balance 31.12.
Non-current interest-bearing liabilities	-	187 401	187 401
Current interest-bearing liabilities	-	6 914	6 914
Lease liabilities	-	19 667	19 667
Contingent considerations	-	2 747	2 747
Total changes in interest-bearing liabilities	**-**	**216 728**	**216 728**

Contingent considerations

PHM has contingent considerations related to its acquisition. PHM recognises contingent considerations at fair value through profit or loss. Revaluation is made on each reporting date based on the likelihood meeting the predetermined targets set at acquisition. The earn-out is based on an agreed performance target of the acquired entity, which is typically an agreed EBITDA target for the entity.

In connection with the acquisitions from financial period ending 31.12.2021, PHM has agreed on contingent consideration based on the performance of the acquired companies. PHM has estimated the contingent consideration to an amount of EUR 4,228 thousand 31.12.2021 included in the acquisition price at the acquisition date, of which EUR 1,101 thousand will mature in less than five years and EUR 3,127 thousand will mature in less than a year.

In connection with acquisitions from financial period ending 31.12.2020, PHM had agreed on contingent considerations based on the performance of several acquired companies. These contingent considerations of EUR 2,747 thousand is included in the acquisition price at the acquisition date, and were paid during 2021.

Publicly traded bond

PHM issued a publicly traded bond instrument of EUR 300 million in June 2021. The bond is traded in Frankfurt stock exchange (Börse Frankfurt). The instrument was used to pay back prior loans from financial institutions and from the parent company. More details about the bond can be found on Frankfurt stock exchange and section 5.1. Financial Risk Management.

5.6. Capital management

The primary objective of the Group's capital management is to ensure continuity of operations (going concern) and increase the shareholder value.

PHM manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, PHM may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. PHM monitors its capital structure by following its equity and net debt levels. PHM includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits, excluding discontinued operations.

Interest-bearing net debt is presented separately in note 5.5. Borrowings and lease liabilities.

EUR thousand	**2021**	**2020**
Net debt (note 5.5.)	346 308	199 199
Equity	145 442	205 874

In order to achieve this overall objective, PHM's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31.12.2021 and 31.12.2020.

5.7. Equity

Equity and capital reserves

Equity consists of reserve for unrestricted equity and exchange differences on translation of foreign operations.

Dividends

The Board of Directores proposes to the Annual General Meeting that for the financial year ended 31.12.2021 no dividend will be distributed and that the profit for the period shall be recorded within retained earnings.

PHM Group Holding Oy has not paid any dividends during the financial year of 2021 and 2020.

Fund for unrestricted equity

The fund for unrestricted equity contains the other equity-related investments and share subscription prices to the extent not to be credited to the share capital.

Exchange differences on translation of foreign operations

Exchange differences relating to the translation of the results and net assets of the PHM's foreign operations from their functional currencies to the Group's presentation currency (i.e. euro) are recognised in other comprehensive income and accumulated in the equity.

Shares

PHM Group Holding Oy has one share outstanding, which is owned by PHM Group TopCo Oy.

Subordinated loan

PHM Group Holding Oy has paid back the subordinated loan during financial period of 2021, which included interest payments of EUR 1,476 thousand for PHM Group Topco Oy.

5.8. Other shares and investments

PHM's investments in other shares consist of shares of housing co-operative and other equity shares. Shares in housing co-operative company is a typical ownership structure for Finnish apartments and commercial space, where the acquirer owns the shares allowing for tenure in a specific unit and the company around housing co-operative facilitates the maintenance and public spaces. Other shares and investments are initially measured at cost and are subsequently measured at cost less any impairment.

EUR thousand	2021	2020
Other shares and investments	**2 964**	**2 547**

6. Other Notes

6.1. Related party transactions

PHM's related parties comprise of the Board of Directors, the CEO as well as the other members of the management team and the close members of the family of said persons as well as their controlled entities and joint ventures and associates.

Balances and transactions between the parent and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

Compensation of key management personnel

Key management personnel consist of the members of the Board of Directors, Group CEO and members of the Group management team.

Compensation of the members of the Board of Directors

EUR thousand	2021	2020
Chairman of the Board	0	0
Other Board Members	29	0
Total	**29**	**0**

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Group management team

EUR thousand	2021	2020
Salaries and short-term employee benefits	1 432	453
Post-employment pension and medical benefits	5	-
Termination benefits	-	-
Share-based payment transactions	-	-
Total compensation paid to key management personnel	**1 437**	**453**

Service provided to

EUR thousand	2021	2020
to Companies held by CEO or to CEO	361	187
Total	**361**	**187**

Services Purchased from

EUR thousand	2021	2020
Real-estate leases from Mivi Capital (CEO)	675	434
Total	**675**	**434**

6.2. Contingent liabilities, Commitments & Report of the Board of Directors referred to in the limited liability companies act

Primary terms and conditions of subordinated loans and non-expensed interest accrued on the loans.

EUR thousand	2021	2020
Subordinated loans		
Non-current subordinated loans	-	18 710

Terms and conditions:

The subordinated loan meets all of the criteria laid down in chapter 12 of the Limited Liability Companies Act.

Interest:

The agreed annual interest rate on the subordinated loan is 8%.

Other commitments and obligations for the Group

EUR thousand	2021	2020
Liabilities with pledges, mortgages or other assets pledged as collateral		
Liabilities	39 500	215 000
Total	**39 500**	**215 000**
Securities pledged as collateral for own commitments regarding the above-mentioned liabilities		
Business mortgages	650 000	253 500
Total	**650 000**	**253 500**

Obligations for leases

EUR thousand	2021	2020
Liabilities payable in the following financial year	1 389	39
Liabilities payable in later financial years	4 166	117
Total	**5 554**	**156**

Obligations for lease liabilities

EUR thousand	2021	2020
Liabilities payable in the following financial year	278	40
Liabilities payable in later financial years	833	120
Total	**1 111**	**160**

Legal claim contingency

PHM has not had any material outstanding or ongoing juridical cases with employees, former employees, customers, or other parties to the companies from which PHM would be liable to compensate the other party.

6.3. Events after reporting period

In February 2022, the Group completed a tap issue of its senior secured callable fixed rate notes in nominal amount of 40 MEUR under the existing 450 MEUR notes' framework. After the tap issue the total value of outstanding notes is 340 MEUR.

The Group has continued its strategy of growing through acquisitions even after the year end and continues to have a strong pipeline of active dialogues. None of the closed transactions are such that it would have a material impact on the Group's business or financial position.

The Board of Directors has assessed the impacts of the COVID-19 virus pandemic on the Group's market, employees and business. So far, the virus pandemic has not had a significant impact on the demand for the company's services or its ability to execute them. The company's Board of Directors and management closely monitor the development of the COVID-19 situation and will update their assessment of the impacts of the pandemic as the situation progresses.

The Board of Directors has also evaluated the impacts on PHM's business from the war in Ukraine and assessed that it will not have any significant impacts on the Group's operations, financial position or operating environment. The Group's Board of Directors and management closely monitor the development of the situation and are prepared to react to changing circumstances as needed.

PHM's publicly traded bond will be listed in Helsinki stock exchange (Nasdaq Helsinki) in June 2022.

Parent Company Income Statement (FAS)

EUR thousand	1.1.-31.12.2021	6.3.-31.12.2020
Revenue (net sales)	0	0
Other operating expenses	- 772	- 0
Operating profit (loss)	**- 772**	**- 0**
Financial income and expenses		
Other interest and financial income	11 371	777
Interest and other financial expenses	- 14 531	- 777
Financial income and expenses, total	- 3 160	- 0
Profit (loss) before appropriations and taxes	**- 3 932**	**- 0**
Group contribution	3 932	
Profit for the financial period	**- 0**	**- 0**

Parent Company Balance Sheet (FAS)

EUR tousand	2021	2020
Assets		
Non-current assets		
Investments	224 410	193 910
Holdings in Group companies	20 207	18 710
Subordinated loan receivable	198 000	0
Receivables from Group companies		
Total investments	442 617	212 620
Total non-current assets	**442 617**	**212 620**
Current assets		
Current receivables	80	0
Receivables from Group companies	24 753	1
Total current receivables	24 833	1
Total current assets	**24 833**	**1**
Total assets	**467 450**	**212 620**
Equity and liabilities		
Equity		
Other reserves (Ltd)		
Other reserves (Ltd)	158 318	193 910
Other reserves (Ltd), total	158 318	193 910
Retained earning	- 0	0
Profit (loss) for the financial year	- 0	- 0
Total shareholder's equity attributable to equity holders of the parent	**158 318**	**193 910**
Liabilities		
Non-current liabilities		
Subordinated loan	0	18 711
Bond	300 000	0
Total non-current liabilities	**300 000**	**18 711**
Current liabilities		
Liabilities to Group companies	3 422	0
Loans from financial institutions	5 000	0
Short term liabilities	710	0
Total Current liabilities	9 132	0
Total liabilities	**309 132**	**18 711**
Total equity and liabilities	**467 450**	**212 620**

Cash Flows Statement of the Parent Company

EUR thousand	2021	2020
Operating activities		
Profit before tax	-3 932	-0
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and impairment	-	-
Finance income and expenses	3 160	0
Change in working capital	-4 114	-
Net cash flow from operating activities	**-4 886**	**-0**
Net cash flow from investing activities		
Acquisition of a subsidiary, net of cash acquired	-30 500	-193 910
Net cash flow from investing activities	**-30 500**	**-193 910**
Net cash flow from financing activities		
Loans granted	-197 999	-18 710
Net change in borrowings	286 289	18 711
Change in equity	-50 592	193 910
Net interests and finance costs paid	-2 312	-
Net cash flow from financing activities	**35 386**	**193 910**
Net increase in cash and cash equivalents	**0**	**0**
Cash and cash equivalents at 1.1.	-	-
Cash and cash equivalents at 31.12.	**0**	**0**

Accounting policies

The financial statements have been prepared in accordance with the Small Business Act (in accordance with Chapters 2 and 3 of the PMA).

Valuation and accrual principles and methods

The company's valuation principles and methods as well as accrual principles and methods are in accordance with sections 3: 1.2–3 of the PMA (Small Business Acts), therefore no separate notes are presented on these.

Notes concerning the parent company's balance sheet

Asset breakdown

EUR thousand	2021	2020
Holdings in Group companies		
PHM Group Oy	224 410	193 910

EUR thousand	2021	2020
Breakdown of receivables		
Subordinated loan receivable PHM Group Oy	20 207	18 710
Loan receivable PHM Group Oy	198 000	
	218 207	18 710

Breakdown of Equity items

Restricted equity

EUR thousand	2021	2020
Share capital 1st of January 2021 & 6th of March 2020	0	0
Increase	0	0
Decrease	0	0
Share capital 31 December	0	0
Total restricted equity	0	0

Unrestricted equity and other equity reserves

EUR thousand	2021	2020
Other reserves 1st of January 2021 & 6th of March 2020	193 910	
Increase	0	193 910
Decrease	35 592	0
Other reserves 31 December		193 910
Total unrestricted equity	**158 318**	**193 910**

Retained earnings	0	0

EUR thousand	2021	2020
Retained earnings 1st of January 2021 & 6th of March 2020	0	0
Profit (loss) for the period	0	0
Retained earnings 31 December	**0**	**0**

Non-restricted equity attributable to the owners of the parents

EUR thousand	2021	2020
Retained earnings/losses	0	0
Dividend paid	0	0
Share repurchase	0	0
Total unrestricted equity	158 318	193 910
Total Equity	**158 318**	**193 910**

Distributable funds attributable to the owners of the parents and subordinated loans

EUR thousand	2021	2020
Other reserves	158 318	193 910
Retained earnings/losses	0	0
Total	**158 318**	**193 910**

EUR thousand	2021	2020
Subordinated loan liability PHM Group Topco Oy		
PHM Group Topco Oy	0	-18 711

Notes concerning the parent company's income statement

Total amounts of dividend income, interest income and interest expenses

EUR thousand	2021	2020
Other interest and financial income	11 371	777
Interest and other financial expenses	- 14 531	- 777
Total	**- 3 160**	**- 0**

Parent company's notes concerning personnel and members of the organs

Number and groups of personnel

The company did not have any employees during the financial year.

Loans and securities granted to the CEO, Board of members and other related parties

EUR thousand	2021	2020
Subordinated loan to PHM Group Holding Oy	0	18 710
Accounts payable to PHM Group Oy	407	0
Other liabilities to PHM group Topco Oy	669	0
Nordea Cash Pool account assets/ liabilities to PHM Finland Oy	2 346	1

Holdings in other companies	**2021**	**2020**
PHM Group Oy	100 %	100 %

Notes concerning reporting entity included in the Group

The company's parent company is PHM Group Topco Oy. The consolidated financial statements are available from Takomotie 1-3, FI-00380 Helsinki, Finland

Report of the Board of Directors referred to in the limited liability companies act

Board of Directors' proposal for measures concerning the company's profit and any other distribution of non-restricted equity

The Board of Directors proposes that the loss of EUR 225.02 shown on the company's non-restricted shareholders' equity be covered with subsequent earnings and that no separate measures to adjust the shareholders' equity be taken.

Primary terms and conditions of subordinated loans and non-expensed interest accrued on the loans

	2021	2020
Subordinated loans		
Non-current subordinated loans	0	18 710

Terms and conditions:
The subordinated loan meets all of the criteria laid down in chapter 12 of the Limited Liability Companies Act, no other relevant terms.

Interest:
The agreed annual interest rate on the subordinated loan is 8%.

Other commitments and obligations for the Group	**2021**	**2020**
Liabilities with pledges, mortgages or other assets pledged as collateral		
Liabilities	39 500	215 000
Total	**39 500**	**215 000**
Securities pledged as collateral for own commitments regarding the above-mentioned liabilities		
Business mortgages	650 000	253 500
Total	**650 000**	**253 500**

Signatures to the Board of Directors' Report and the Financial Statements

Karl Svozilik

Chairman of the Board

Ståle Angel

Member of the Board

Tuomas Sarkola

Member of the Board

Marika Af Enehjem

Member of the Board

Svein Olav Stølen

Member of the Board

Ville Rantala

CEO

Auditor's note

A report on the audit performed has been issued today.

KPMG Oy

Turo Koila

Authorised Public Accountant

phm*

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