

A photograph of a modern residential building complex. The building in the foreground has a light-colored, horizontally-slatted facade with several small, dark-framed windows. A black downspout runs vertically along the side. In the background, other multi-story buildings with balconies and large windows are visible, surrounded by greenery and a paved walkway. The sky is blue with scattered white clouds.

**Toivo Group Plc's
half-year review
1 January–30 June 2023**

Toivo Group Plc's half-year review

1 January–30 June 2023: Strong revenue growth. We will launch special situations of properties business. (Unaudited)

EUR thousand	1 January– 30 June 2023	1 January– 30 June 2022	Change %
Revenue	19,727	6,576	200%
Operating profit	5,650	13,318	-58%
Profit or loss for the financial year	3,248	10,037	-68%
Earnings per share (EUR)	0.06	0.19	-69%
Fair value of investment properties	168,139	144,965	16%
Economic occupancy rate	97.8%	98.8%	-1%
Total equity	73,227	67,972	8%
Total assets	194,476	173,058	12%

EUR thousand	1 April– 30 June 2023	1 April– 30 June 2022	Change %
Revenue	6,090	2,945	107%
Operating profit	2,878	6,325	-54%
Profit or loss for the financial year	1,670	4,715	-65%
Earnings per share (EUR)	0.03	0.09	-66%
Fair value of investment properties	168,139	144,965	16%
Economic occupancy rate	97.2%	98.7%	-2%
Total equity	73,227	67,972	8%
Total assets	194,476	173,058	12%

FINANCIAL PERIOD 1 JANUARY–30 JUNE 2023 KEY EVENTS

- Revenue EUR 19.7 (6.6) million.
- Contracts for building a total of 50 (182) apartments were signed during the period under review.
- 76 (417) apartment start-ups during the period under review.
- 199 (242) apartments were completed during the period under review.

PROSPECTS FOR 2023 UNCHANGED

The company expects the operating profit for the financial year of 1 January–31 December 2023 to be EUR 10–17 million.



CEO MARKUS MYLLYMÄKI



The company's revenue for the first half of 2023 was EUR 19.7 million and its operating profit was EUR 5.65 million. I am satisfied with the operations of the company and its great personnel and their ability to react in the exceptional market environment.

Approximately one year ago, in 2022, the company began to react to the potential market change and its prolongation. Rent increases, ensuring financing, shifting to cash flow business and postponing investments are now bearing fruit. The company's overall situation is good.

Every market situation also provides opportunities. During spring 2023, we commenced negotiations on four exceptional situations of properties. We are now establishing a Special situations of properties unit that aims to help the investors and owners of properties to overcome any problematic situations.

Toivo is a housing developer that focuses on the full value chain of residential real estate development, construction and ownership. Toivo develops, builds and owns its housing properties but can also implement one or more components of the value chain. The business model has enabled rent increases, shifting to cash flow business and assistance with special situations of properties.

DEVELOPMENT: In addition to reacting to the operating environment, conducting cash flow business and managing special situations of properties, the company has its eyes firmly on

the future. The company is prepared for the future with a project development portfolio of some 3,300 apartments, of which approximately 91% are located in the Helsinki metropolitan area. The company will implement these projects primarily as Energy Class A buildings with geothermal heating. The company will start these projects when the market conditions are more favourable.

CONSTRUCTION: The company started up four new projects with a total of 76 apartments during the review period. One of the projects is a project management contracting project and three are owner-occupied housing projects to be sold.

OWNERSHIP: With regard to lease activities and management, Asuntomestarit® have succeeded well. The economic occupancy rate for the review period was 97.8% in spite of the company implementing rent increases of approximately 4.5% at the turn of the year 2022–2023. The company will commence rent increases of 4–5% in autumn 2023. Toivo's competitive, high-quality apartment product combined with the services of Asuntomestarit has proved its price-quality ratio in the challenging market.

Toivo's business is very capital-intensive, and an optimal financial structure is vital for the company. The company's financing is exclusively comprised of bank financing with mainly a duration of approximately 5–10 years. The repayment schedules of bank financing are mainly 15–25 years. The company's equity ratio was 39.3% and the financial loan to value (LTV) rate of its properties was 57.3%.

I would like to thank everyone at Toivo for their disciplined and determined work in the challenging market situation. I would also like to thank the increasing number of tenants, residential building customers and home-buyers for choosing Toivo as their partner. We can look into the future and the opportunities it offers with confidence.

NEW CONTRACTS 1 APRIL–30 JUNE 2023

The company did not sign any new contracts during the second quarter.

NEW SITES 1 APRIL–30 JUNE 2023

During the second quarter, the company started up four new residential building projects. Vantaan Suutari is a project management contracting project in Aviapolis, Vantaa. Helsingin Rantahelmi, Honkasuon Portti and Kaarinan Kvartetti are owner-occupied housing projects that will be sold to consumers as owner-occupied homes.

Site	District	Apartment product	Apartment qty	Completion	Energy efficiency class A
Vantaan Suutari	Aviapolis	Apartment building	30	6/2024	Yes
As Oy Helsingin Rantahelmi	Ramsin-ranta	Apartment building	21	6/2024	Yes
As Oy Helsingin Honkasuon Portti	Honkasuo	Area development project	17	6/2024	
As Oy Kaarinan Kvartetti	Hulkkio	Area development project	8	6/2024	

COMPLETED SITES 1 APRIL–30 JUNE 2023

Two new residential sites were completed during the second quarter. Järvenpään Oktaavi is a 70-apartment non-subsidised rental apartment building project next to the Lepola train station in Järvenpää. Vantaan Studios is a 38-apartment non-subsidised area development project in Asola, Vantaa.

Site	District	Apartment product	Apartment qty	Completion	Energy efficiency class A
As Oy Järvenpään Oktaavi	Lepola	Apartment building	70	4/2023	Yes
As Oy Vantaan Studios	Asola	Semi-detached house	38	6/2023	

OTHER ACTIVITIES 1 APRIL–30 JUNE 2023

- On 12 April 2023, the company announced the resolutions of the Annual General Meeting 2023 and the organising meeting of the Board of Directors.
- On 12 April 2023, the company announced a share issue without consideration to the company itself.
- On 17 May 2023, the company announced a change in the management team. Tuomas Hemmilä will leave the management team. In other respects, the line-up of the management team remains unchanged.

EVENTS AFTER THE PERIOD UNDER REVIEW

No events after the review period.

TOIVO'S STRATEGY AND REACTIONS PROTECT FROM MARKET CHANGE

In 2022–2023, the most significant changes to the operating environment of housing development, construction and investing have been rising inflation, higher interest costs, increased construction costs, the declining volume of construction and the changed housing market.

During 2023, the market has been closely monitoring the development of real estate investment companies' financial and operational situation. The market has been particularly interested in the following matters:

Financing and its costs

The company's financing is exclusively comprised of bank financing with mainly a duration of approximately 5–10 years. The repayment schedules of bank financing are mainly 15–25 years.

Passing on inflation to tenants in the form of rent increases

Toivo implemented rent increases of approximately 4.5% in 2022 and aims to implement rent increases of approximately 4–5% in 2023.

Maintaining the occupancy rate, especially in the residential and office markets

Toivo's economic occupancy rate remained at 97–98% throughout 2023.

New investments and their volume and performance

Toivo's on-going investments and commitments in its own balance sheet amount to approximately EUR 10 million. Of the apartments at the sites, approximately 70 have not been rented.

Growth in maintenance costs

Toivo's buildings are mainly new energy class "A" buildings heated with geothermal heat. The geothermal pumps of the buildings use electricity, the price of which was high in 2022. Maintenance charges will not probably increase in 2023 compared to 2022.

Operational prospects

The reaction from investments towards cash flow business that was launched in autumn 2022 has been successful. We will continue cash flow business and start focusing on the special situations of properties. At the same time, we will prepare for launching investments when the market situation allows.

PROPERTY SPECIAL SITUATIONS UNIT

Toivo is launching a property special situations unit. The unit is headed by Lauri Rekola, Finance Director and Chief Risk Officer. A special situation of a property arises when the investor or owner of the property faces a challenge in which they need a partner. Special situations of properties will emerge in 2023 due to the market situation, and Toivo is currently engaged in active negotiations on four special situations. The property special situations unit helps investors, financial institutions and collateral holder to manage the situation. Toivo uses its unique develop, construct and own business model in special situations of properties. Toivo can help its partners in one or several areas.

The unit prepares a solution proposal for the partners within 1–2 weeks. Typically, the solution proposal includes: A) Changes in ownership, B) Changes in financing C) Changes in the technical implementation of the property/building D) Schedule estimate and phases.

Toivo has managed one special situation of a property.

RENT INCREASES

Toivo will commence rent increases of approximately 4–5% in autumn 2023. If the increases materialise, their impact on the fair value of the properties without a change in yield requirements would be EUR 5–7 million.

Toivo can increase rents above the estimated market development because:

- Toivo's rents will be adjusted to match the market levels
- Toivo has low absolute rents
- Toivo's own lease activities and management team, Asuntomestari®
- Toivo's apartments are new and high-quality
- Toivo's apartments are in good locations
- Toivo has a high occupancy rate of approx. 97–98%

ECONOMIC OPERATING ENVIRONMENT

The Finnish economy is not expected to grow in 2023. Inflation was 6.3% in June 2023. The Harmonised Index of Consumer Prices increased by only 4.1 per cent over 12 months. The monthly change was -0.1%. Annual GDP growth in 2024–2025 is projected to be approximately 1–2%. (Source: Ministry of Finance, Economic Survey, summer 2023)

The development of apartments in the construction sector has been exceptionally high in 2018–2021, with the construction of up to 44,600 new apartments beginning every year. The number of new residential project start-ups and building permits began to decrease sharply in 2022 and will decline significantly in 2023. (Source: Confederation of Finnish Construction Industries RT, economic survey March 2023)

Interest rates have partially levelled off and increased in 2023. The 12-month Euribor rate is now positive after remaining negative for several years and is currently at approximately 4.0%, depending on the date. With regard to interest rates in 2023, the focus is on the European Central Bank's key interest rate and how it controls potential inflation. (Source: Ministry of Finance, Economic Survey, summer 2023, Bank of Finland statistics 22 July 2023)

REVIEW OF FINANCES

Development of finances

The Group's revenue was EUR 19.7 (6.6) million, representing an increase of 200% compared to the reference period (1 January–30 June 2022). Changes in the fair values and the profit and loss on the disposal of investment properties were EUR 2.4 (11.5) million. The change in the fair values of investment properties was smaller than in the reference period due to a decrease in volume and development margins.

At the end of the review period, the company had 723 apartments, 44 leased plots/real estate units and 2 commercial properties generating rental cash flow.

The maintenance costs of properties amounted to EUR -0.9 (-0.4) million. The maintenance costs of properties were 108% higher than in the reference period, mainly due to the increase in the number of apartments.

Staff expenses were EUR -0.6 (-0.6) million, representing growth of 8%. The increase is mainly due to expenses associated with incentive systems.

Operating profit was EUR 5.7 (13.3) million, representing a decrease of 58%.

Net financial income and expenses were EUR -1.3 (-0.5) million. The financial year's current income tax was EUR -0.4 (-0.3) million and, largely due to the changes in the fair values of properties, the deferred tax was EUR -0.7 (-2.4) million.

The net profit of the period under review was EUR 3.2 (10.0) million, representing a year-on-year decrease of 68%. Earnings per share were EUR 0.06 (0.19).

INVESTMENTS

The consolidated balance sheet total at the end of the period was EUR 194.5 (173.1) million, an increase of 12% compared to the reference period. During the period, investments worth a total of EUR 16.0 (31.5) million in acquisition value were made in properties.

FINANCING

At the end of the period, the company's interest-bearing liabilities amounted to EUR 92.6 (75.5) million.

The company's financing position was good throughout the period under review. The company's sources of finance consisted of cash, drawn investment loans, investment loans to be drawn according to loan agreements and commercial paper to be issued according to the business programme. Commercial paper (EUR 50 million) remained unused throughout the period. In addition, the company has signed a financing agreement of EUR 60 million with the European Investment Bank, which was entirely unused at the end of the review period. Withdrawing the credit is subject to the final confirmation of the collateral arrangements of the collateral custodian banks.

PROPERTY SITES AND CONTRACTS

On 30 June 2023, the company had 723 completed apartments, 44 leased plots/real estate units and 2 commercial properties. An additional 10 properties with a total of 406 apartments were also being built. Two projects were completed in full or in part during the period under review: As Oy Järvenpään Oktaavi, 70 apartments, and As Oy Vantaan Studios, 38 apartments.

With the exception of three sites, all residential sites are located in the Helsinki metropolitan area. The sites under construction are located in the Helsinki metropolitan area and Tampere.

PERSONNEL AND MANAGEMENT

The average number of Toivo's personnel between 1 January and 30 June 2023 was 38 people. At the end of the period under review, Toivo employed 39 people.

The management group of Toivo consists of CEO Markus Myllymäki, CFO Samuli Niemelä, Director of Finance and Risk Management Lauri Rekola, Construction Director Heikki Myllymäki and Director of Building Urho Myllymäki.

FINANCIAL TARGETS 2021–2026

- The fair value of investment properties will be EUR 500 million by the end of 2026.
- Toivo's non-current net assets per share (Net asset value, NAV/share) will increase significantly every year.
- The loan to value (LTV) rate will be under 60%.

Toivo will not pay dividends or only minimal dividends in the coming years as the potential profit from business will be invested in securing the continued growth of Toivo.

ASSESSMENT OF OPERATIONAL RISKS AND UNCERTAINTIES

Operational risks

Operational risks include the dependency on the expertise of key personnel. It is important that the key personnel will remain at the company. Success is largely based on the skills of the company's management and employees. Recruiting skilled employees to the company poses a potential challenge. The company conducts employee satisfaction surveys regularly a few times a year.

Financial risks

Financial risks include, for example, risks related to interest rates and the availability and adequacy of financing. During the period under review, the company managed to secure the financing it required for the sites under construction. The Group's solvency was good during the period of 1 January–30 June 2023. The cash flow is enough to cover the Group's running costs and debt management costs (repayments + interest). The company's rental income involves a risk that its customers may be unable to carry out their duties. The company's lease agreements (regarding apartments) typically include a security deposit equal to the rent of 1 month, which reduces the risk of the company facing loss of income. The agreements for leased plots include a priority mortgage equal to the rent of 2–3 years. This also considerably reduces the risk of loss of income.

Damage risks

The company estimates that it has secured adequate insurance coverage required in the industry. All properties are insured with full value insurance, which includes a coverage for interruption in lease income. The company has valid indemnity insurance.

Financial risks related to operations

The company estimates that the risks and uncertainties of the current financial year are largely related to the development of Finnish economy. The development of the economy is reflected in the housing and financing markets. These factors may affect Toivo's result and cash flow.

For example, the development of Finnish economy, higher interest rates or new demands on returns from property investors may cause fluctuation in the prices of apartments, which may in turn affect the fair value of the Group's property portfolio.

The supply of rental apartments may grow locally in Toivo's key operating areas and this fluctuation in supply and demand may affect the turnover rate of Toivo's tenants or economic occupancy rate and,

consequently, the company's lease income. The project development portfolio involves risks related to financing, zoning and building permits, for example.

Geopolitical risks and the war in Ukraine

The company estimates that the strong geopolitical risks that emerged during 2022 and the war in Ukraine will be reflected in the residential and financial markets. These factors may affect Toivo's result and cash flow.

The geopolitical situation and the war in Ukraine may have impacts on inflation, interest rate hikes, availability and price of materials, availability of labour or changes in the yield requirements of apartments. This may cause fluctuation in the prices of apartments, which may in turn affect the fair value of the Group's property portfolio.

SHARES AND SHAREHOLDERS

A total of 55,206,226 Toivo Group Plc shares were entered in the trade register on 30 June 2023. On 31 March 2023, Toivo had a total of 2,232 shareholders.

FINANCIAL DISCLOSURES AND ANNUAL GENERAL MEETING 2023

9 August 2023 Half-year review H1/2023

8 November 2023 Business Review Q3/2023

MEDIA AND ANALYST CONFERENCE

A public media and analyst conference in Finnish will be held on Wednesday 9 August 2023 at 11:00 as a webcast. Use the following link to join the webcast:

<https://toivo.videosync.fi/2023-h1-tulosjulkistus>

The review will be presented by CEO Markus Myllymäki and CFO Samuli Niemelä.

The presentation materials will be published later at: sijoittajille.toivo.fi and

sijoittajille.toivo.fi/en

Espoo, 9 August 2023

Toivo Group Plc

Board of Directors

CONSOLIDATED INCOME STATEMENT

EUR thousand	1 January– 30 June 2023	1 January– 30 June 2022
Revenue	19,727	6,576
Changes in the fair values of investment properties and gains and losses on the disposal of investment properties	2,426	11,506
Other operating income	-	-
Raw materials and services	-14,420	-3,380
Staff expenses	-624	-579
Depreciation, amortisation and reduction in value	-15	-21
Other operating expenses	-1,444	-784
Operating profit (loss)	5,650	13,318
Share of the result of associated companies	0	0
Financial income	24	42
Financial expenses	-1,302	-569
Net financial expenses	-1,277	-527
Profit (loss) before taxes	4,373	12,791
Current tax based on the financial year's taxable income	-442	-309
Deferred taxes, change	-682	-2,445
Income taxes, total	-1,125	-2,754
Financial year profit (loss)	3,248	10,037
Distribution of the profit (loss) of the financial year		
Parent company owners	3,208	10,055
Non-controlling interests	42	-18
THE GROUP'S STATEMENT OF COMPREHENSIVE INCOME		
Financial year profit (loss)	3,248	10,037
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss	-	-
Currency translation differences	12	-17
Other comprehensive income for the financial year	12	-17
Total comprehensive income for the financial year	3,260	10,020
Distribution of total comprehensive income for the financial year		
Parent company owners	3,219	10,038
Non-controlling interests	42	-18
Earnings per share (EPS), EUR	0.06	0.19
Non-cash flow based expenses associated with the share-based incentive system	-94	0

CONSOLIDATED BALANCE SHEET

EUR thousand	30 June 2023	30 June 2022
ASSETS		
Non-current assets		
Investment properties	168,139	144,965
Right-of-use assets	15	27
Tangible assets	59	59
Intangible assets	13	163
Financial assets		
Non-current receivables	602	
Deferred tax assets	129	59
Non-current assets, total	169,027	145,272
Current assets		
Inventories	11,332	8,110
Rent, trade and other receivables	10,150	8,763
Cash and cash equivalents	3,967	10,912
Current assets total	25,449	27,785
Investment properties available for sale		
Assets, total	194,476	173,058
EQUITY		
Share capital	1 000	1,000
Subordinated loans	17,280	16,921
Share premium account	18,061	19,214
Currency translation differences	-13	-19
Retained earnings	36,664	30,630
Equity belonging to the owners of the parent company	72,992	67,745
Non-controlling interests	235	227
Total equity	73,227	67,972
LIABILITIES		
Non-current liabilities		
Financial institution loans	87,068	71,001
Lease liabilities	7,184	7,149
Loans granted to associates	2,500	2,300
Other financial liabilities and other non-current liabilities	431	1,295
Deferred tax liabilities	7,361	6,578
Non-current liabilities total	104,545	88,323
Current liabilities		
Financial institution loans	2,589	921
Lease liabilities	525	509
Loans granted to associates	2	-
Provisions	-	-
Trade and other payables	13,588	15,333
Deferred tax liabilities	-	
Current liabilities total	16,704	16,763
Liabilities, total	121,249	105,085
Liabilities associated with investment properties available for sale	-	-
Total equity and liabilities	194,476	173,058

KEY FIGURES

Group, EUR thousand	1-6/2023	1-6/2022	Change
Revenue	19,727	6,576	13,151
Lease income	3,196	1,520	1,676
Net lease income	2,329	1,104	1,226
Operating profit	5,650	13,318	-7,668
Cash flow before changes in working capital (Funds from Operations, FFO)	847	1,030	-183
Fair value of investment properties	168,139	144,965	23,174
Investments in investment properties	15,997	31,497	-15,500
Sales of investment properties	130	2,678	-2,548
Net debt with interest	96,333	72,262	24,071
Non-current net assets (Net asset value, NAV)	62,944	57,343	5,601
Loan to value (LTV), %	57.3%	49.8%	7.4%
Equity ratio	39.3%	40.5%	-1.2%
Non-current net assets per share, EUR	1.14	1.04	0.10
Increase in non-current net assets per share, %	9.3	64.5	
Earnings per share (EPS), EUR ¹⁾	0.06	0.19	-0,13
Occupancy rate, %	97.8%	98.8%	-1.0%
Total leasable apartment area, square metres	25,769	15,064	10,705
Other leasable area, square metres	15,143	16,617	-1,474

¹⁾ The reverse stock split decided on by the company's Annual General Meeting on 22 April 2021 is taken into account in the number of shares

KEY FIGURE CALCULATION FORMULAE

Key figure	Definition
Net lease income	= Lease income - Maintenance costs
Cash flow before changes in working capital (Funds from Operations, FFO)	= Cash flows before changes to net working capital and financial items - Interest paid - Income tax expense
Fair value of investment properties	= Investment properties + Investment properties available for sale
Gross investments in investment properties	= Acquisition cost-based gross investments
Sales of investment properties	= Investment properties sold at fair value
Net debt with interest	= Financial institution loans + Lease liabilities + Loans to related parties + Loans related to investment properties available for sale + Other financial liabilities and other non-current liabilities - Cash and cash equivalents
Non-current net assets (Net asset value, NAV)	= Equity attributable to the owners of the parent company - Subordinated loans + Deferred tax liabilities - Deferred tax assets
Loan to value (LTV) rate	= $\frac{\text{Net debt with interest}}{\text{Fair value of investment properties}}$
Equity ratio	= $\frac{\text{Total equity}}{(\text{Assets total} - \text{Deferred revenue})}$
Non-current net assets per share (Net asset value, NAV)	= $\frac{\text{Non-current net assets (Net asset value, NAV)}}{\text{Number of shares at end of year}}$
Increase in non-current net assets per share	= $\frac{(\text{Non-current net assets per share} - \text{Non-current net assets per share of the previous year})}{\text{Non-current net assets per share of the previous year}}$
Earnings per share (EPS)	= $\frac{\text{Profit (loss) of the financial year attributable to owners of the parent company}}{\text{The weighted average of the number of issued ordinary shares (during the financial year), with the exception of any shares potentially held by Toivo}}$
Occupancy rate	= $\frac{\text{Net lease income from properties}}{\text{Potential lease income with full occupancy rate} \times 100, \text{ (including apartments older than two months)}}$

TOIVO GROUP PLC IN BRIEF

Toivo is a Finnish real estate company that was founded in 2015. Its business consists of developing apartment lots, constructing housing and ownership of apartments. The Company's business model is unique as Toivo's business combines the value chain of real estate business from development and construction to ownership, management and rental of a completed property. Toivo manages the entire life cycle of residential real estate with its own team, from raw land development to renting apartments. This way Toivo is able to generate additional value to its customers, shareholders and stakeholders.

Toivo's strategy is to develop apartments in accordance with the Toivo concept. The apartments aim for a strong development margin and a stable and attractive return, and this way enable long-term ownership and the generation of higher additional value to Toivo's customers. Toivo has a knowledgeable and experienced team of experts with strong merits in the real estate business. The members of Toivo's team have been involved in the development and construction of over 17,000 apartments, and they have an average of ten years of experience.

Toivo's revenue in 2022 was EUR 20.3 million and its operating profit was EUR 15.6 million.

FURTHER INFORMATION

Toivo Group Plc
Markus Myllymäki
CEO

tel. +358 (0)40 847 6206
markus.myllymaki@toivo.fi

Certified Adviser
Danske Bank A/S,
Finland branch
Pekka Hiltunen

tel. +358 (0)50 575 4422

