



**Toivo Group Plc's
business review 1 January–
30 September 2023**

Toivo Group Plc's business review

1 January–30 September 2023: Toivo's early responsiveness is visible in the figures.

(Unaudited)

EUR thousand	1 January– 30 September 2023	1 January– 30 September 2022	Change, %
Revenue	33,619	13,283	153%
Operating profit	7,753	18,015	-57%
Profit or loss for the financial year	4,112	13,400	-69%
Earnings per share (EUR)	0.07	0.25	-70%
Fair value of investment properties	171,914	160,681	7%
Economic occupancy rate	97.8%	98.7%	-1%
Total equity	74,121	70,962	4%
Total assets	196,313	183,317	7%

EUR thousand	1 July– 30 September 2023	1 July– 30 September 2022	Change, %
Revenue	13,892	6,707	107%
Operating profit	2,101	4,697	-55%
Profit or loss for the financial year	862	3,363	-74%
Earnings per share (EUR)	0.02	0.06	-74%
Fair value of investment properties	171,914	160,681	7%
Economic occupancy rate	98.0%	98.7%	-1%
Total equity	74,121	70,962	4%
Total assets	196,313	183,317	7%

FINANCIAL PERIOD 1 JANUARY–30 SEPTEMBER 2023 KEY EVENTS

- Revenue EUR 33.6 (13.3) million.
- Operating profit EUR 7.8 million (EUR 18.0 million).
- Contracts for building a total of 50 (302) apartments were signed during the period under review.
- 76 (464) apartment start-ups during the period under review.
- 330 (309) 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 nine months of 2023 was EUR 33.6 million and its operating profit was EUR 7.8 million. This is a great achievement in the current market environment. Every Toivo employee makes me proud and grateful.

Approximately one year ago, 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.

We have commenced work on the strategy and will publish the results of the updated strategy work in connection with the financial statements at the latest.

DEVELOPMENT: The company is prepared for the future and the opening up of the market with a project development portfolio of some 3,200 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 did not start any new sites during July–September.

OWNERSHIP: With regard to lease activities and management, Asuntomestarit® have succeeded well. The company has commenced 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 long-term bank financing. The company's equity ratio was 38.9% and the financial loan to value (LTV) rate of its properties was 57.8%.

I would like to thank all customers, partners and Toivo employees for the past quarter.

NEW CONTRACTS 1 JULY–30 SEPTEMBER 2023

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

NEW SITES 1 JULY–30 SEPTEMBER 2023

The company did not start any new sites during the third quarter.

COMPLETED SITES 1 JULY–30 SEPTEMBER 2023

Three new residential sites were completed during the third quarter. Tuusulan Olympiatalo is a 39-apartment renovation project in Hyrylä, Tuusula. Tuusulan Rauha is a 12-apartment developed-for-sale terraced house project in Lahela, Tuusula. Espoon Kartanonlehto is a 80-apartment building in Lommila, Espoo.

Site	District	Apartment product	Number of apartments	Completion	Energy efficiency class A
As Oy Tuusulan Olympiatalo	Hyrylä	Apartment building	39	8/2023	
As Oy Tuusulan Rauha	Lahela	Terraced house	12	8/2023	
As Oy Espoon Kartanonlehto	Lommila	Apartment building	80	8/2023	Yes

OTHER ACTIVITIES 1 JULY–30 SEPTEMBER 2023

- On 10 August 2023, the company announced a Liquidity Providing (LP) agreement with Lago Kapital Ltd.
- On 21 September 2023, the company announced that we will start a pilot project on community properties. Perttu Aikkila joins Toivo's team.

EVENTS AFTER THE PERIOD UNDER REVIEW

- On 6 October 2023, the company announced that Jonna Toikka has requested to resign from Toivo Group Plc's Board of Directors. The resignation took effect on 24 October 2023 after the Board's meeting.
- On 3 November 2023, the company announced that the Special situations of properties unit had entered into the first agreement on a special situation project in a property in Helsinki.
- On 6 November 2023, the company announced that the Special situations of properties unit had entered into the second agreement on a special situation project in a property in Helsinki.

STRATEGY UPDATE

Toivo commenced work to update its strategy in autumn 2023.

We will publish the updated strategy in conjunction with the financial statements for 2023 at the latest.

PILOT PROJECT ON COMMUNITY PROPERTIES

Toivo is starting a pilot project on community properties. The pilot project is headed by M.Sc. (Eng.) Perttu Aikkila. Toivo is interested in community properties: daycare centres, retirement homes, special housing and cities' and municipalities' needs.

Toivo has more than 5 potential negotiations on community property projects underway.

Toivo is interested in community properties because their leases are long-term, the leases are hedged against inflation, there is a strong need for community properties and the need does not depend on the market.

ECONOMIC OPERATING ENVIRONMENT

The Finnish economy is not expected to grow in 2023. Inflation was 5.5% in September 2023. The Harmonised Index of Consumer Prices increased by only 3 per cent over 12 months. Annual GDP growth in 2024–2025 is projected to be approximately 1–2%. (Source: Ministry of Finance, Economic Survey, autumn 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, September 2023)

Interest rates have partially increased and levelled off in 2023. The 12-month Euribor rate is now positive after remaining negative for several years and is currently at slightly over 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 inflation. (Source: Ministry of Finance, Economic Survey, autumn 2023, Bank of Finland statistics 23 October 2023)

REVIEW OF FINANCES 1 JANUARY–30 SEPTEMBER 2023

Development of finances

The Group's revenue was EUR 33.6 (13.3) million, representing an increase of 153% compared to the reference period (1 January–30 September 2022). Changes in the fair values and the profit and loss on the disposal of investment properties were EUR 2.8 (15.3) 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 873 apartments, 42 leased plots/real estate units and 2 commercial properties generating rental cash flow.

The maintenance costs of properties amounted to EUR -1.3 (-0.8) million. The maintenance costs of properties were 73% higher than in the reference period, mainly due to the increase in the number of apartments.

Staff expenses were EUR -0.8 (-0.7) million, representing an increase of 13%. The increase is mainly due to expenses associated with incentive systems.

Operating profit was EUR 7.8 (18.0) million, representing a decrease of 57%.

Net financial income and expenses were EUR -2.3 (-0.9) million. The financial year's current income tax was EUR -0.5 (-0.5) million and, largely due to the changes in the fair values of properties, the deferred tax was EUR -0.9 (-3.3) million.

The net profit for the period under review was EUR 4.1 (13.4) million, representing a year-on-year decrease of 69%. Earnings per share were EUR 0.07 (0.25).

INVESTMENTS

The consolidated balance sheet total at the end of the period was EUR 196.3 (183.3) million, an increase of 7% compared to the reference period. During the period, investments worth a total of EUR 19.7 (44.1) million in acquisition value were made in properties.

FINANCING

At the end of the period, the company's interest-bearing liabilities amounted to EUR 96.0 (85.4) 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 September 2023, the company had 873 completed apartments, 42 leased plots/real estate units and 2 commercial properties. A further 7 properties with a total of 245 apartments were under construction. Three projects were completed in full or in part during the period under review: As Oy Tuusulan Olympiatalo 39 apartment, As Oy Espoon Kartanonlehto 80 apartments and As Oy Tuusulan Rauha 12 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 Turku region.

PERSONNEL AND MANAGEMENT

The average number of Toivo's personnel between 1 January and 30 September 2023 was 38 people. At the end of the period, Toivo employed 40 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 September 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 September 2023. On 30 September 2023, Toivo had a total of 2,322 shareholders.

MEDIA AND ANALYST CONFERENCE

A public media and analyst conference in Finnish will be held on Wednesday 8 November 2023 at 10:00 as a webcast. Use the following link to join the webcast:

<https://toivo.videosync.fi/liiketoimintakatsaus-q3-2023>

The review will be presented by CEO Markus Myllymäki and VP, finance Lauri Rekola. The presentation materials will be published later at: sijoittajille.toivo.fi ja sijoittajille.toivo.fi/en

Espoo, 8 November 2023

Toivo Group Plc
Board of Directors

CONSOLIDATED INCOME STATEMENT

EUR thousand	1 January– 30 September 2023	1 January– 30 September 2022
Revenue	33,619	13,283
Changes in the fair values of, and profit and loss on the disposal of, investment properties	2,789	15,269
Other operating income	-	-
Raw materials and services	-25,640	-8,465
Staff expenses	-837	-741
Depreciation, amortisation and reduction in value	-30	-30
Other operating expenses	-2,148	-1,300
Operating profit (loss)	7,753	18,015
Share of the result of associated companies	0	0
Financial income	24	42
Financial expenses	-2,289	-919
Net financial expenses	-2,265	-877
Profit (loss) before taxes	5,488	17,139
Current tax based on the financial year's taxable income	-522	-463
Deferred taxes, change	-854	-3,276
Income taxes, total	-1,376	-3,739
Financial year profit (loss)	4,112	13,400
Distribution of the profit (loss) of the financial year		
Parent company owners	4,063	13,353
Non-controlling interests	49	47
THE GROUP'S STATEMENT OF COMPREHENSIVE INCOME		
Financial year profit (loss)	4,112	13,400
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss	-	-
Currency translation differences	12	-22
Other comprehensive income for the financial year	12	-22
Total comprehensive income for the financial year	4,124	13,378
Distribution of total comprehensive income for the financial year		
Parent company owners	4,075	13,333
Non-controlling interests	49	47
Earnings per share (EPS), EUR	0.07	0.25
Non-cash flow based expenses associated with the share-based incentive system	-153	0

CONSOLIDATED BALANCE SHEET

EUR thousand	30 September 2023	30 September 2022
ASSETS		
Non-current assets		
Investment properties	171,914	160,681
Right-of-use assets	12	24
Tangible assets	76	58
Intangible assets	16	167
Non-current receivables	712	0
Equity method investments	69	2
Deferred tax assets	148	248
Non-current assets, total	172,946	161,179
Current assets		
Inventories	12,222	9,526
Rent, trade and other receivables	7,063	7,500
Cash and cash equivalents	4,083	5,112
Current assets total	23,367	22,138
Investment properties available for sale		
Assets, total	196,313	183,317
EQUITY		
Share capital	1,000	1,000
Subordinated loans	17,280	16,943
Share premium account	17,983	18,061
Currency translation differences	-13	-24
Retained earnings	37,629	34,818
Equity belonging to the owners of the parent company	73,879	70,799
Non-controlling interests	242	163
Total equity	74,121	70,962
LIABILITIES		
Non-current liabilities		
Financial institution loans	90,428	83,167
Lease liabilities	6,886	8,321
Loans granted to associates	2,500	-
Other financial liabilities and other non-current liabilities	447	1,311
Deferred tax liabilities	7,567	7,451
Non-current liabilities total	107,828	100,249
Current liabilities		
Financial institution loans	2,589	921
Lease liabilities	513	605
Loans granted to associates	4	-
Provisions	-	-
Trade and other payables	11,250	10,580
Deferred tax liabilities	7	-
Current liabilities total	14,364	12,105
Liabilities, total	122,192	112,355
Liabilities associated with investment properties available for sale	-	-
Total equity and liabilities	196,313	183,317

KEY FIGURES

Group, EUR thousand	1-9/2023	1-9/2022	Change
Revenue	33,619	13,283	20,336
Lease income	5,094	2,604	2,490
Net lease income	3,792	1,851	1,941
Operating profit	7,753	18,015	-10,261
Cash flow before changes in working capital (Funds from Operations, FFO)	1,281	1,511	-230
Fair value of investment properties	171,914	160,681	11,233
Investments in investment properties	19,688	44,060	-24,372
Sales of investment properties	276	3,478	-3,202
Net debt with interest	99,285	89,212	10,073
Non-current net assets (Net asset value, NAV)	64,019	61,059	2,962
Loan to value (LTV), %	57.8%	55.5%	2.2%
Equity ratio	38.9%	39.2%	-0.3%
Non-current net assets per share, EUR	1.16	1.11	0.05
Increase in non-current net assets per share, %	4.4	59.3	
Earnings per share (EPS), EUR ¹⁾	0.07	0.25	-0.17
Occupancy rate, %	97.8%	98.7%	-0.9%
Total leasable apartment area, square metres	31,524	17,937	13,587
Other leasable area, square metres	14,893	16,189	-1,296

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

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