TOIVO GROUP PLC

Financial statements 2023

Consolidated income statement, IFRS

EUR thousand	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Revenue	2, 3	43,692	20,323
Changes in the fair value of investment properties and gains and losses on disposal	12	-7,107	12,373
Other operating income	4	-	-
Raw materials and services	5	-32,569	-13,692
Staff expenses	6	-1,198	-1,114
Depreciation, amortisation and reduction in value	7	-78	-51
Other operating expenses	8	-3,045	-2,199
Operating profit (loss)	1.8	**-305**	**15 640**
Share of profit of associated companies	1.5	**-22**	**22**
Financial income	9	73	405
Financial expenses	9	-3,931	-1,197
Net financial expenses		**-3,857**	**-792**
Profit (loss) before taxes		**-4,184**	**14 870**
Current tax based on the financial year's taxable income	10	-1,283	-138
Deferred taxes, change	10	1,103	-2,589
Income taxes, total		-180	-2,727
Financial year profit (loss)		**-4,364**	**12 143**
Distribution of the profit (loss) of the financial year			
Parent company owners		-4,426	12,066
Non-controlling interests		61	77

EUR thousand	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Earnings per share calculated from the profit belonging to the parent company owners			
Basic and diluted earnings per share, EUR	11	-0.08	0.22
THE GROUP'S STATEMENT OF COMPREHENSIVE INCOME			
Financial year profit (loss)		**-4,364**	**12 143**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		-2	-22
Other comprehensive income for the financial year		**-2**	**-22**
Total comprehensive income for the financial year		**-4,367**	**12,121**
Distribution of total comprehensive income for the financial year			
Parent company owners		-4,428	12,044
To non-controlling interests		61	77

Consolidated balance sheet, IFRS

EUR thousand	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Investment properties	12	138,382	155,716
Right-of-use assets	13	98	21
Tangible assets	14	146	65
Intangible assets	15	10	14
Financial assets	17		
Non-current receivables	20–22	209	556
Investments to be consolidated using the equity method	1	48	69
Deferred tax assets	10	267	122
Non-current assets, total		**139 159**	**156 563**
Current assets			
Inventories	16	13,278	15,025
Rent, trade and other receivables	13, 17–18	8,596	9,683
Cash and cash equivalents	17	5,359	6,423
Current assets total		**27 233**	**31 131**
Investment properties available for sale	12	25,740	-
ASSETS, TOTAL		**192 132**	**187 694**
EQUITY			
Share capital		1,000	1,000
Subordinated loans		17,280	17,280
Share premium account		20,998	18,061
Currency translation differences		-27	-25
Retained earnings		29,325	33,498
Equity belonging to the owners of the parent company		**68 576**	**69 814**
Non-controlling interests		254	193
TOTAL EQUITY	19	**68 830**	**70 007**

EUR thousand	Note	31 December 2023	31 December 2022
LIABILITIES			
Non-current liabilities			
Financial institution loans	20–22	80,730	81,947
Lease liabilities	13, 20	6,913	9,813
Loans granted to associates	20, 25	2,500	2,500
Other financial liabilities and other non-current liabilities	20	463	400
Deferred tax liabilities	10	5,699	6,657
Non-current liabilities total		**96 305**	**101 317**
Current liabilities			
Financial institution loans	20–22	3,738	2,589
Lease liabilities	13, 20	559	715
Loans granted to associates	20, 25	107	765
Provisions	24	-	-
Trade and other payables	20, 22–23	9,556	12,301
Current liabilities total		**13 960**	**16 371**
LIABILITIES, TOTAL		**110 264**	**117 687**
Liabilities associated with investment properties available for sale	12	13,038	-
TOTAL EQUITY AND LIABILITIES		**192 132**	**187 694**

Consolidated cash flow statement, IFRS

EUR thousand	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Cash flows from operating activities			
Profit or loss for the financial year		-4,306	12,143
Adjustments:			
Changes in the fair value of investment properties and gains and losses on the disposal of investment properties		7,081	-12,373
Depreciation, amortisation and reduction in value	7	127	51
Finance income and cost	9	3,857	792
Result of associated company		22	-22
Income tax expense	10	122	2,727
Cash flows before changes in net working capital and financial items		6,903	3,318
Change to net working capital:			
Lease and trade receivables and other receivables increase (-) / decrease (+)		2,824	-8,507
Increases (-)/decreases (+) to inventories		1,747	-8,311
Increases (-)/decreases (+) to current payables with no interest		-1,367	5,628
Cash flows before financial items		10,106	-7,872
Interest paid		-4,322	-1,603
Interest received		-	33
Income tax paid		-860	-133
Net operating cash flow (A)		**4 924**	**(9 575)**

EUR thousand	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Investing cash flows			
Investments in investment properties	12	-19,843	-47,317
Acquisition of tangible assets		-159	-104
Proceeds from the disposal of tangible assets		-	64
Investments in associated companies		-	-48
Sale of subsidiaries less acquired cash		-	-191
Sales of investment properties	12	276	8,124
Investing cash flow (B)		**-19,726**	**-39,472**
Cash flows from financing activities			
Proceeds from subordinated loans	19, 25	-	22
Proceeds from shares issued	19	2,938	3,531
Dividends paid		-40	-
Proceeds from financial institution borrowings		33,751	56,267
Proceeds from other borrowings		63	5,787
Repayments of borrowings		-20,751	-18,876
Repayments of other borrowings		-658	-6,299
Loan receivable from associate		-1,390	-
Repayments of lease liabilities		-174	-239
Net financing activity cash flow (C)		**13 739**	**40 195**
Changes in cash flows (A+B+C)		**-1,063**	**-8,852**
Cash and cash equivalents and bank overdrafts at beginning of year		**6 423**	**15,275**
Cash and cash equivalents and bank overdrafts at end of year		**5 359**	**6 423**

Consolidated statement of changes in equity, IFRS

EUR 1,000	Note	Equity attributable to owners of the parent company						Non-controlling interests	Total equity
		Share capital	Subordinated loans	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total		
TOTAL EQUITY 1 JANUARY 2023		1,000	17 280	18 061	-24	33 498	69 814	193	70 007
Comprehensive income									
Financial year profit (loss)						-4,426	-4,426	61	-4,364
Adjustments to previous period's retained earnings							-		0
Other comprehensive income					-2		-2		-2
Total comprehensive income for the financial year		-	-	-	-2	-4,426	-4,428	61	-4,367
Transactions with owners									
Change in subordinated loans						-			
Proceeds from shares issued	19			2,938			2 938		2 938
Distribution of dividend						-40	-40		-40
Share-based compensation plan						292	292		292
Non-controlling interests change							-	-	-
Transactions with owners total		-	-	2 938	-	252	3 190	-	3 190
Equity on 31 December 2023		1,000	17 280	20 998	-27	29 325	68 576	254	68 830
EQUITY 1 JANUARY 2022		1,000	16,921	14,529	-2	21,726	54,175	245	54,420
Comprehensive income									
Financial year profit (loss)						12,066	12 066	77	12 143
Repairs to previous to the net profit for the period						-121	-121		-121
Other comprehensive income					-22		-22		-22
Total comprehensive income for the financial year		-	-	-	-22	11 945	12 044	77	12,121
Transactions with owners									
Change in subordinated loans			359			-173	185		185
Proceeds from shares issued	19			3,531			3 531		3 531
Share-based compensation plan									
Non-controlling interests change							-	-129	-129
Transactions with owners total		-	359	3 531	-	-173	3 716	-129	3 587
Equity 31 December 2022		1,000	17 280	18 061	-24	33 498	69 814	193	70 007

Notes to the consolidated financial statements

1 BASIS OF PREPARATION

1.1 Basic information of Toivo Group

Toivo Group Plc (hereinafter referred to as "Toivo" or "the Group") is a Finnish limited liability company, established in 2015 in accordance with Finnish legislation (Business ID 2687933-2). The company's domicile is Helsinki and its registered address is Gransinmäki 6, 02650 Espoo. The parent company Toivo Group Plc was listed on Nasdaq First North Growth Market Finland in summer 2021.

Toivo is a Finnish actor specializing in construction, property development and ownership, whose mission is to change property value chains and form a distinctive business model. Our investment portfolio comprises housing, plots of land and commercial properties.

The Board of Directors of Toivo Group Plc approved these financial statements for publication on 28 February 2024. Pursuant to the Finnish Limited Liability Companies Act, shareholders have the opportunity to adopt or reject the financial statements at the General Meeting of Shareholders held after the their publication. The General Meeting of Shareholders may also decide to amend the financial statements.

New and amended standards and interpretations to be applied as of 31 December 2023

IFRS 17 Insurance Contracts, including Comparative Information – Amendments to IFRS 17 Insurance Contracts: Initial application of IFRS 17 and IFRS 9 (effective for financial years beginning on or after 1 January 2023).

The new standard applies to insurance contracts and will help investors and others better understand insurers' exposure to risks, their profitability and their financial position. This Standard supersedes IFRS 4.

The amendments reduce inconsistencies in comparative information arising from the different transition requirements of IFRS 9 and IFRS 17. The amendments also allow comparative information on financial assets to be presented in a manner that is more consistent with the requirements of IFRS 9 Financial Instruments.

Presentation of Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments (effective for financial years beginning on or after January 1, 2023).

The amendments clarify the application of the materiality principle to accounting policy information.

Definition of accounting estimates – Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for accounting periods beginning on or after 1 January 2023).

The amendments clarify how companies should separate changes in accounting policies from changes in accounting estimates and focus on the definition and clarification of accounting estimates.

Deferred tax relating to assets and liabilities arising from a single transaction – Amendments to IAS 12 Income Taxes (effective for financial years beginning on or after 1 January 2023).

The amendments narrow the scope of the initial recognition exception and clarify that the exception is not applicable to transactions such as leases and decommissioning obligations that result in equal and opposite temporary differences.

International Tax Reform — Pillar 2 Model Rules – Amendments to IAS 12 Income Taxes (a temporary mandatory exception is effective immediately upon its publication on May 28, 2023; disclosure requirements must be applied for annual periods beginning on or after January 1, 2023).

The amendments provide relief for the accounting of deferred taxes arising from the international tax reform of the Organisation for Economic Co-operation and Development (OECD) and require the presentation of new notes aimed at compensating for any loss of information resulting from the relief.

The changes do not have a material impact on group reporting.

1.2 Basis for accounting

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU on 31 December 2023. International accounting standards refer to standards and interpretations thereof adopted for application in the EU in accordance with the procedure laid down in the EU Regulation (EC) No 1606/2002. The Group has not applied any new or amended standard or interpretation that has already been published before its effective date.

The general accounting principles in the consolidated financial statements are described in this section. The accounting policies for a particular financial statement item, as well as an explanation of the management's discretionary decisions and the use of estimates and assumptions, are set out below in connection with the relevant note.

The consolidated financial statements are prepared on the basis of the initial acquisition costs, except for investment properties, share-based compensation schemes and derivative instruments. Further details are presented in Notes 6 Personnel costs and 12 Investment properties.

The financial statements are presented in thousands of euros, unless otherwise stated. All of the reported figures have been rounded up or down, so the total of individual figures may differ from the reported sum. The indicators are calculated using exact figures. The comparative figures in parentheses refer to the corresponding period or time of the previous year, unless otherwise stated. The consolidated financial statements are prepared for the calendar year, which is also the financial year of the parent company and its subsidiaries.

Toivo has not yet applied the amended standards already published by the IASB, the application of which is mandatory for financial periods beginning on or after 1 January 2024. The Group will adopt them from the effective date of each standard and interpretation, or, if the effective date is other than the first day of the financial year, from the beginning of the financial year following the effective date, provided that they have been approved for application in the EU. Toivo estimates that the amended standards will not have a significant impact on future consolidated financial statements in connection with their implementation.

1.3 Macroeconomic environment

The rise in reference rates has increased the total interest costs. Reference rates are actively monitored and updated in forecasts and cash flow statements. Inflation is reflected in increased costs of both materials and services. The increase in energy prices has had a particular impact on the profitability of investment properties, and management has taken efficiency measures to obtain costs at customer prices and by partially agreeing on fixed-price electricity contracts.

1.4 Consolidation principles

The consolidated financial statements include the parent company Toivo Group Plc, subsidiaries, interests in joint arrangements (joint operations) and investments in associates over which the parent company has control, joint control or significant influence at the end of the period. Further information on the Group structure is presented in Note 25 Related Party Transactions.

List of subsidiaries

Toivo is considered to have control when it is exposed, or has rights, to variable returns from its involvement with the Company and has the ability to affect those returns through its power over the Company. In general, control is based on direct or indirect ownership of more than 50% of the voting rights ofthe subsidiary by the parent company. If the facts or circumstances subsequently change, the Group will reassess whether it still controls the site. Companies acquired or established during the period are consolidated in the consolidated financial statements from the time that Toivo has gained control until the control ceases.

In preparing the consolidated financial statements, intra-Group transactions, receivables, liabilities and unrealised gains and internal distribution of profit are eliminated. If the loss is incurred as a result of impairment, unrealized losses are not eliminated.

Subsidiaries are combined with the consolidated financial statements using the acquisition method. Toivo's subsidiaries are, as a rule, founded by the Group itself. The Group had non-controlling interests in the financial years 2022-2023.

Joint Arrangements

A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is based on an agreement and exists only when decisions concerning the relevant activities require the unanimous approval of the parties.

A joint arrangement is either a joint operation or a joint venture. A joint venture is an arrangement in which Toivo has rights to the net assets of the arrangement, while in a joint operation, Toivo has rights to the assets and obligations related to the arrangement. Toivo's all joint arrangements are joint activities. These include housing companies and mutual real estate companies, of which the Group owns less than 100%. In these companies, the shares owned by Toivo are entitled to control a specific room space.

Toivo combines, line by line, his share of the balance sheet assets, liabilities, income and expenses related to the joint operations, as well as his share of any joint assets and liabilities, as well as the income and expenses related to the joint operations. Toivo applies this proportional consolidation method to all joint operations, regardless of the Group's ownership. If the proportionally consolidated companies have items in the comprehensive income statement or balance sheet that belong only to Toivo or other owners, these items are treated in a similar way in the consolidated financial statements of Toivo.

Associated companies

Shareholder companies are companies in which Toivo has a significant influence. In general, significant influence arises when Toivo has a 20-50% ownership interest inthe voting rights of the object or when Toivo otherwise has significant influence but no control. Investments in associated companies are combined with the consolidated financial statements using the equity method from the moment the Group acquires significant influence until the end of significant influence. Toivo's share of the associates' profit for the period in accordance with the ownership interest will be presented on a separate line in the consolidated income statement.

Toivo's associated companies (Elämäni Kodit 10 Oy and Elämäni Kodit 40 Oy) are subject to restrictions concerning the ARAVA and/ or Interest Subsidies Act. Restricted rental apartments are currently subject to restrictions on the amount of rent and distribution of profits, as well as other restrictions based on the ARAVA and/or interest subsidy legislation. Property covered by the restrictions of the associated companies' arava and/or interest subsidy legislation is subject to, for example, rent regulation, which means, among other things, that tenants may be charged rent for a residential apartment up to the amount required, among other income, for the financing of rental apartments and related premises and good property management. For the construction of these projects, the Affiliate Company uses a bank loan that is fully guaranteed by the Finnish State.

1.5 Foreign currency items

Items included in the financial statements of each subsidiary are measured using the currency of the primary economic environment in which the enterprise operates (the "functional currency"). The functional currency of the parent company, Toivo Group Plc, is the euro, which is also the presentation currency of the consolidated financial statements.

Foreign exchange transactions are converted into local functional currencies based on the exchange rates on the transaction date. Receivables and liabilities denominated in foreign currency on the balance sheet are translated using the exchange rates prevailing at the end of the reporting period. The resulting exchange differences are recognized in profit or loss and presented in financial items

The items of income and expense in the income statement and the statement of comprehensive income of subsidiaries whose functional currency is not the euro, as well as the items in the cash flow statement, are translated into euros at the average rates of the financial year. The balance sheet items are converted into euros using the exchange rates at the end of the reporting period. The change in translation differences arising from the use of different exchange rates is recognized through other comprehensive income in equity. When a foreign operation is sold or otherwise disposed of (in full or in part), the accumulated translation differences are reclassified from equity to profit or loss as part of the total gain or loss on the transaction.

1.6 The most significant judgements made by the management and key uncertainties

Preparing IFRS financial statements requires the management to exercise discretion and use assumptions and estimates. These affect the amounts of assets and liabilities and the information to be provided on contingent assets and liabilities at the end of the period, as well as the amounts of income and expense in the reporting period. Such estimates and assumptions are based on the accumulated experience of Toivo and other justifiable factors, such as expectations regarding future events, taking into account the circumstances at the end of the reporting period and when such estimates and assumptions have been made. Toivo's management's view is that the estimates made and the assumptions used are reasonable.

It is possible that the realities may differ from the estimates and assumptions made. The Group may need to change its accounting estimates if it receives new information or gains more experience, or if the circumstances on which the estimates are based change. Toivo regularly reviews estimates and underlying assumptions, and records any changes in estimates and assumptions in the accounting during the period in which the estimate or assumption is changed.

The judgements made by Toivo's management in applying the accounting policies and which have the most significant impact on the figures presented in the consolidated financial statements relate to the following areas:

- classification of the Group's real estate holdings as investment properties or inventories based on the purpose of use of each property (see note 12.1 Drafting principle/Classification of properties)
- the classification of leases on the Group's plots as operating leases or finance leases. The view of Toivo is that all leases of the Group are operational leases, as the risks and benefits inherent in ownership are not transferred to lessees in all material respects (see note 13.1 Drafting principle/ A) Toivo as a lessor).
- when the investment property or properties are deemed to meet the criteria for classification as held for sale (see note 12.1 Drafting principle/Properties classified as held for sale)

The major uncertainties relating to the assumptions and estimates made by the Group which give rise to a significant risk of a material change in the carrying amounts of assets and liabilities within the next financial year relate to the fair value measurement of investment property (see note 12 Investment property).

1.7 Determination of fair values

The application of some of the accounting policies in the consolidated financial statements of Toivo, as well as the preparation of the information presented in the financial statements, requires the determination of fair values. 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. Fair values are classified into levels 1, 2 or 3 of the fair value hierarchy. These levels describe the significance of the input data used in the valuation methods, based on the lowest level input data that is significant to the valuation as follows:

- Level 1: fair value is calculated on the basis of quoted (unadjusted) prices for identical assets or liabilities in active markets to which Wish has access on the valuation date.
- Level 2: fair value is calculated on the basis of inputs other than level 1 quoted prices that are observable for the asset or liability, either directly (i.e. in terms of prices) or indirectly (i.e. derived from prices).
- Level 3: The fair value is calculated based on inputs that are not observable for the asset or liability (other than observable inputs).

1.8 Operating profit (EBIT)

Toivo's view is that operating profit is an important subtotal for understanding the Group's financial development. Since the IFRS standard set does not define the concept of operating profit, Toivo has defined it as follows:

Operating profit is the net amount that arises when:
+ other operating income is added to the net sales and deducted / added
- Changes in the fair value of investment properties and capital gains and losses
- material and service costs
- personnel expenses
- depreciation and impairment, and
- other operating expenses.

All other items treated in profit or loss are presented below the operating profit line.

2 OPERATING SEGMENTS

2.1 Drafting principle

Toivo reports its business as a whole, that is, at the Group level. This is based on the Group's business model and the fact that Toivo's profit and resource situation has been assessed earlier and will continue to be assessed as a whole. The Group's reporting model and governance structure are also based on this approach. Toivo is not a construction company or real estate fund, but a holistic real estate developer and active owner. The Group manages the entire life cycle of the property with its own team, from raw land to lease agreement negotiations. Thus, Toivo has one reportable operating segment. Toivo's highest decision-maker is the Group Management Team.

Toivo carried out a pilot in Sweden, which ended at the end of 2021. The companies that joined the pilot were terminated in the spring of 2023. The costs incurred in the piloting were approximately equal to the property's capital gain obtained in connection with the piloting.

The breakdown of the Group's turnover and information on geographical areas are presented in note 3 Turnover.

3 NET SALES

3.1 Drafting principle

Toivo's turnover in the financial year 2023 consisted of rental income, property sales income, project management contracting and construction services income, as well as other income. During the financial year 2023, Toivo continued to develop its business model. The Group focuses mainly on rental apartments and project management contracting mainly in the Helsinki Metropolitan Area, the Turku and Tampere regions.

Finding suitable real estate projects is essential for Toivo's business. As a rule, the Group implements its real estate development project as new construction by constructing real estate objects planned by the Group on plots owned or leased by the Group. Obtaining building permits is essential for scheduling and planning the project.

Rental income

Toivo rents plots, apartments and business premises to its customers in Finland's growth centres. Toivo rents apartments both for long-term living and as furnished apartments. Toivo also rents its apartment properties to operators who still rent the apartments as furnished apartments. All leases in the Group are classified as operating leases. In practice, the rental income of Toivo consists of rents of premises and they are recorded as equal instalments during the lease period. The share of other income included in rental income (sauna and parking fees, car sharing) is low. The increases in the Group's leases are mainly tied to the cost-of-living index. Any alterations to the leased space made by the Group on behalf of the tenant are either deducted from the security deposit or charged to the tenant as a rent increase. See also note 13.1 Principle of preparation/ A) Toivo as a lessor.

Toivo records the effects of rent-free periods and rental discounts in equal installments for the lease term, if agreed in the original lease agreement. If the Group has granted a rent reduction at the request of the tenant, for example due to the market situation, the effect is recorded for the remaining lease period.

Project management contracting

The Group started project management contracting activities in autumn 2020. The company implements its real estate development projects either with its own project management contracts, shared contracts or KVR contracts (total responsibility contract, KVR). The decision on the method of implementation is made separately in each project before the building permit is granted. In its own project management contract, Toivo builds the site using several different contractors. In shared contracting, the Company, on the other hand, divides the project to a few, typically around 2-5 different actors in the construction sector. In the KVR contract, Toivo orders the project as a total responsibility contract from one contractor under one contract. Project management contracting is carried out for the Group's associated companies, for example, Elämäni Kodit Oy, Elämäni Kodit 10 Oy's subsidiaries and Elämäni Kodit 40 Oy. Project management contracting was also carried out outside the Group in the financial year 2023.

In project management contracting projects, Toivo usually agrees with the customer on the planning and management tasks of the construction project contract for the property owned by the customer. Contract projects can have several different work phases and tasks, but they still form one integrated service package, which is thus treated as one performance obligation. There is no agreement on variable consideration in the contract. Toivo's payment terms may vary somewhat in different projects, but the given payment period is always clearly less than a year long. Thus, the contracts do not contain a significant financing component.

The revenue from project management contracting projects is recognised as income over time. In this case, the income and expenses of the projects are recognized as income and expenses based on the completion rate when the outcome of the project can be estimated reliably. The implementation rate is determined by calculating the relative share of expenditure accrued by the balance sheet date for each project in the total estimated expenditure for that project. Income is recognized in an amount equal to the degree of fulfillment. If it is probable that the total cost of completing the project will exceed the total revenue from the project, the expected loss is immediately recognised as an expense. Toivo uses instalment tables for invoicing.

Construction services

These services consist of expert work related to the spatial and structural design of construction projects. The construction service forms one performance obligation. The invoicing of the construction service, i.e. the transaction price, is based on the cost level approved by the authority. The agreement does not include variable consideration or a significant financing component. According to the Group's estimate, about half of the costs related to construction services are accrued from the design work before the construction of the site begins, and the rest during the construction period, for example, with the supervision of the construction site. Thus, Toivo also records about half of the total amount of these revenues at the start and the rest during the construction period, depending on the progress of the project, so far practically quarterly.

Sale of Properties

During the financial year 2023, Toivo implemented properties intended for direct sale. In these projects, Toivo works as a developer. The sale of the Objects is recognised as revenue at one point in time according to the transfer when control of the Object is transferred to the Buyer. The projects to be implemented during the financial period are mainly housing projects.

Revenue has been adjusted for indirect taxes and sales adjustments.

Land lease

In 2018, the Group started leasing plots for residential construction. The Group acquires either a single plot of land or a larger area of land and leases the plots individually to selected customers. The customers are private individuals, housing companies or founding contractors. The land lease agreement is usually 50 years and very similar in content to the land lease agreements used by the Cities.

Toivo records the effects of rent-free periods and rental discounts in equal installments for the rental period, if these have been agreed upon in the original the lease agreement. If the Group has granted a rent reduction at the request of the tenant, the effect is recorded for the remaining lease period.

3.2 Distribution of net turnover

EUR thousand	2023	2022
Lease income	7,205	3,914
Project management contracting	30,344	2,872
Real estate development services	961	538
Sales of properties	5,067	12,817
Other sales	115	182
Total	**43 692**	**20 323**

In the financial year 2023, Toivo had 2 individual customers who accounted for more than 10% of its turnover

During the financial year 2023, the Company sold individual plots of land and housing shares. The number of rental concessions granted by Toivo to its customers in the financial year 2023 was small

Advances received include EUR 13,432,003 of advance payments received from unfinished construction projects that exceed the turnover in accordance with the stage of completion, which will be recognised as income in the financial year 2024.

3.3 Information on geographical areas

The turnover of the geographical areas shown below is based on the location of the customers, and the assets of the areas are based on the location of those assets.

	2023		2022	
EUR thousand	Income	Non-current assets[1]	Income	Non-current assets[1]
Finland	43,692	138,892	19,277	156,441
Sweden	–	0	1,046	0
Total	**43 692**	**138 893**	**20 323**	**156 442**

Sweden's business operations have been discontinued during the financial year 2023.

1 Non-current assets other than financial instruments and deferred tax assets.

4 OTHER OPERATING INCOME

4.1 Drafting principle

Other operating income includes other income than that related to the actual business of Toivo, such as damages received or other extraordinary income.

5 MATERIALS AND SERVICES

5.1 Drafting principle

The acquisition cost of real estate properties acquired or built for sale is determined on the basis of purchase costs, which are adjusted by the change in inventories.

5.2 Breakdown of material and service costs

EUR thousand	2023	2022
Purchase costs	-12,403	-7,214
External services	-20,166	-6,478
Total	**-32,569**	**-13,692**

The increase in acquisition costs for the financial year 2023 as well as the number of external services compared to the previous financial year 2022 mainly consists of the growth of the founder contracting business.

6 PERSONNEL EXPENSES

6.1 Drafting principle

The employee expenses item in the consolidated income statement includes expenses for the following items: short-term employee benefits, post-employment benefits, other long-term employee benefits[1], termination benefits[1] and share-based incentive plan.

Short-term employee benefits include wages, bonuses as well as fringe benefits, annual leave and bonuses. Some of Toivo's staff have a performance pay scheme. The Group records the costs of these benefits for the period in which the employees perform the work in question.

Post-employment benefits are paid to their recipients after the termination of employment. In the Group, these benefits consist of pensions. Pension arrangements are classified as either benefit pension arrangements or contribution pension arrangements. Toivo has only fee-based arrangements. Contributory plan shall refer to a pension plan where the Group pays fixed contributions to a separate entity and the Group has no legal or actual obligations to pay additional contributions if the pension insurance company does not have sufficient assets to pay all pension benefits. Toivo's pension arrangements have been managed by external pension insurance companies. Pension contribution obligations are recognized as expenses in the period in which employees perform the work in question. The Group recognises advance payments as assets to the extent that they lead to a reduction in future pension payments or a cash refund.

Toivo has a long-term share-based incentive system for key employees. The determination of the reward is based on the realization of Toivo's financial indicators in relation to the set goals. The reward is accrued over the current earning period to Toivo's result and an increase in equity corresponding to the expense entry is recorded. Further details of the arrangements are presented in Note 25.2 Related Party Transactions.

Parent company Raatihuone Oy had a share-based incentive scheme with the selected Toivo employees in the financial year 2023, which was based on set personal goals. Based on the achievement of the targets, Raatihuone Oy sold Toivo Group Plc's shares at a reduced price to Toivo's employees. The reward has been accrued in Toivo's result and an increase in equity corresponding to the expense entry has been recorded. Further details of the arrangements are presented in Note 25.2 Related Party Transactions.

[1] Toivo did not have these benefits in the financial years 2022-2023.

6.2 Expenses recognised in profit or loss

EUR thousand	2023	2022
Wages and salaries	-758	-833
Pension costs (defined contribution plans)	-84	-90
Other social security expenses	-63	-94
Share-based compensation schemes	-292	-97
Total	**-1,198**	**-1,114**

The average number of employees during the financial period was: 39

Information on the remuneration of key management personnel of Toivo is presented in Note 25 Related Party Transactions.

7 DEPRECIATION, AMORTISATION AND AMORTISATION

7.1 Depreciation, amortisation and amortisation by commodity group

EUR thousand	2023	2022
Intangible assets		
IT programs	-5	-3
Tangible assets		
Machinery and equipment	-73	-45
Depreciation and amortisation total, owned assets	**-78**	**-48**
Right-of-use assets (leased assets)[1]	-	-3
Depreciation and amortisation expense, net of profit or loss, total	**-78**	**-51**

1 The breakdown of depreciation by category of right-of-use assets is presented in Note 13.3 Items recognised in profit or loss.

Toivo did not record impairment losses for the financial years 2022-2023.

8 OTHER OPERATING EXPENSES

8.1 Drafting principle

Toivo's other operating expenses include expenses that cannot be directly attributed to the operational tasks of the Group's business areas. These costs include, for example, real estate and business premises, marketing and information system costs, as well as personnel-related non-wage costs.

8.2 Breakdown of other operating expenses

EUR thousand	2023	2022
Property and facility costs	-2,094	-1,127
Marketing expenses	-275	-184
System costs	-221	-204
Personnel-related non-wage expenses	-222	-293
Other items	-233	-391
Total	**-3,045**	**-2,199**

8.3 Auditors' fees

EUR thousand	2023	2022
KPMG		
Audit	-93	-142
Other services		-
Total	**-93**	**-142**

9 FINANCIAL INCOME AND EXPENSES

9.1 Drafting principle

Toivo handles interest income and expenses using the effective interest method. The Group capitalises borrowing costs arising from unfinished construction projects at the acquisition cost of real estate, see note 12.1 Drafting principle/Acquisition cost of investment property for details. Interest expenses on capital loans (equity loans) are recognised in equity when paid. Other interest expenses are recognized in profit or loss. Toivo presents all exchange differences in financial items. More detailed accounting policies for financial assets and liabilities are presented in Notes 17 Financial Assets, 20 Financial Liabilities and 22 Financial Risk Management.

9.2 Items recognised through profit or loss

EUR thousand	2023	2022
Financial income		
Capital gains on financial assets measured at fair value through profit or loss	-	-
Other interest and financial income	73	405
Financial income total	**73**	**405**
Financial expenses		
Interest expenses — financial liabilities measured at amortised cost[1]	-3,506	-1,129
Other finance expense	-42	-90
Total financial expenses	**-3,931**	**-1,197**
Net financial expenses	**-3,857**	**-792**

1 Includes interest expenses mainly on loans from financial institutions and lease liabilities.

10 INCOME TAX EXPENSE

10.1 Drafting principle

The Group's tax expense consists of tax based on taxable income for the financial year, any adjustments to income taxes for previous financial years, and the change in deferred tax liabilities and assets. Income taxes are recognised in profit or loss, except when they relate to items recognised in other comprehensive income or directly in equity. In this case, income tax is also recorded under these items.

The Group's current tax is calculated on the basis of the taxable income determined by the tax legislation of each country and the current tax rate (or the rate actually adopted by the date of financial statements) in the countries where Toivo operates and generates taxable income. This tax is adjusted by any taxes during previous periods. Taxes other than income taxes are included in other operating expenses. Taxable income differs from income reported in the financial statements, for example, because certain income and expense items are not at all taxable or deductible for tax purposes, or they are taxable or tax-deductible in different years.

Deferred tax is recognised using the debt method:

- temporary differences arising between the carrying amounts and tax bases of assets and liabilities at the date of the financial statements, and
- unused tax losses and unused tax credits.

The Group's most significant temporary difference arises from the valuation of investment properties at fair value.

Deferred tax liabilities are generally recognised in full in the statement of financial position. However, a deferred tax liability is not recognised if it arises from the initial recognition of goodwill or from the initial recognition of an asset or liability if it is not a business combination and if the transaction, at the time it takes place, does not affect accounting profit or taxable income. For investment properties, deferred taxes are recognised for the difference between the fair value of the investment property owned by a real estate company that is part of the Group and the tax base of that real estate company (undepreciated acquisition cost for tax purposes) after the date of acquisition.

Leases are typically transactions in which, upon initial recognition of the asset and the liability, an equal taxable and tax-deductible item arises. Toivo records the tax expense or income arising from this difference in profit or loss and present it in the balance sheet in deferred tax assets.

Deferred tax liabilities are recorded for investments in subsidiaries, except when Toivo is able to determine the timing of the reversal of the temporary difference, and the temporary difference is unlikely to be reversed in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences only to the extent that it is probable that future taxable profit will be available against which Toivo can utilise the temporary difference.

- On-balance sheet tax asset: At the end of each reporting period, the Group reassesses the likelihood and amount of utilisation of these tax assets. If the tax benefit is no longer probable in any respect, Toivo records a deduction from the carrying amount of the deferred tax asset.
- Deferred tax assets not recognised in the balance sheet: Toivo will reassess these items at the end of each period. They are recognized in the balance sheet to the extent that it is probable that those receivables can be utilized against future taxable profit.

Toivo determines deferred tax assets and liabilities by using the tax rate (and tax laws) that are likely to apply in the year in which the asset is realised or otherwise utilised or the liability is settled. The tax rate is the corporate tax rate in force at the end of the reporting period in each country or the tax rate for the year following the financial year, if it has been accepted in practice by the end of the reporting period.

The Group's management assesses the solutions made in the income tax return and the uncertainty associated with them, if the tax legislation is open to interpretation. In this case, Toivo records, if necessary, tax provisions for the amount that is likely to be paid. This is based on the Group's interpretation of the application of tax laws, as well as the management's discretion.

10.2 Income taxes recognised through profit or loss

EUR thousand	2023	2022
Current tax based on the financial year's taxable income	-1,283	-138
Deferred taxes, change	1,103	-2,589
Total	**-180**	**-2,727**

10.3 Reconciliation between income tax expense and income taxes calculated at the applicable tax rate in Finland

EUR thousand	2023	2022
Profit (Loss) before income taxes	-4,184	14,870
Tax calculated at the tax rate applicable in Finland (20%)	837	-2,974
Non-deductible expenses	-148	-16
Income taxes relating to prior years	-303	246
Utilization of unrecognized confirmed losses from previous years	-209	0
Unrecognised deferred tax assets from Tax losses	-356	-9
Other items		
Total	**-180**	**-2,753**
Income taxes recognised through profit or loss	**-180**	**-2,727**

10.4 Changes in deferred tax assets and liabilities

EUR thousand	1 January 2023	Recognised in profit or loss	Other changes	31 December 2023
Deferred tax assets				
Tax losses	9	14	-	23
Lease liabilities	35	2		37
Right-of-use assets	0	0		0
Other items	79	128	-	207
Total	**122**	**145**	**-**	**267**
Deferred tax liabilities				
Investment properties	-6,832	1,982	-	-4,850
Lease income	-	-	-	-
Subordinated loan interests	-98	-58		-156
Investment properties available for sale	-	-1,027		-1,027
Other items	273	60	-	334
Total	**- 6,657**	**957**	**-**	**- 5,699**

EUR thousand	1 January 2022	Recognised in profit or loss	Other changes	31 December 2022
Deferred tax assets				
Tax losses	5	4	-	9
Lease liabilities	19	15	0	35
Right-of-use assets	0	0		0
Other items	33	46	-	79
Total	**57**	**65**	**-**	**122**
Deferred tax liabilities				
Investment properties	-4,326	-2,506	-	-6,832
Lease income	1	-1	-	-
Subordinated loan interests	-64	-35		-98
Investment properties available for sale	-			-
Other items	386	-113	-	273
Total	**-4,003**	**-2,654**	**-**	**- 6,657**

11 BASIC EARNINGS PER SHARE

11.1 Drafting principle

Basic earnings per share are calculated by dividing the profit (loss) for the financial period attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding (during the financial period), excluding any own shares held by Toivo.

When calculating diluted earnings per share, the weighted average number of outstanding shares takes into account the diluting effect of all potential shares. The Group did not have any dilutive instruments in the financial years 2023 and 2022. Thus, undiluted and diluted earnings per share were equal in these years.

11.2 Basic and diluted earnings per share

	2023	2022
Profit for the period attributable to the owners of the parent company, EUR thousand	-4,426	12,066
Weighted average number of shares outstanding during the financial year (1,000 shares)	55,244	54,091
EPS: Deferred interest on capital loan, net of tax	132	-
Basic and diluted earnings per share (EUR / share)	**-0.08**	**0.22**

On 12 April 2023, Toivo carried out a free share issue for himself, as a result of which the number of shares increased from 54,986,226 to 55,206,226 shares. The share issue carried out on 12 April 2023 will prepare for the needs of the Company's management's share-based remuneration system. Toivo carried out a directed share issue on 18 December 2023. In the share issue, the number of shares increased from 55,206,226 to 58,539,559. Payments for the share issue (approximately EUR 3.0 million) were made in December 2023. For details, see Note 19 Shareholders' equity.

12 INVESTMENT PROPERTIES

12.1 Drafting principle

Definition of investment property

Investment property is defined as the land, building or part thereof that Toivo occupies in order to obtain rental income or an increase in the value of the property, or for both reasons. The aforementioned asset may be owned directly or in the form of a company.

Classification of properties

Toivo's investment properties include completed and unfinished residential and commercial properties, rented plots, and a plot reserve. Possible properties classified as for sale and inventories are included in Toivo's property portfolio, but are not included in the balance sheet item Investment properties. The property is reclassified from other asset categories to Investment property or from this asset category to other asset categories in case of a change in use. Toivo transfers the property from Investment Properties to Investment Properties For Sale when it is considered very likely that the property will be sold. Objects acquired or under construction for sale are included in the group balance sheet item Inventories.

Cost of investment property

Toivo initially values investment properties at acquisition cost.
The cost includes

- purchase price
- plot rent costs
- transaction costs, such as professional fees and transfer taxes, and
- borrowing costs, such as interest expenses and transaction fees, that are directly attributable to the acquisition or construction of an investment property.

The capitalization of borrowing costs is initiated when the construction of a new building begins and the capitalization is terminated when the asset is substantially ready for rental or sale. Borrowing costs, which can be capitalized by Toivo, come from loans taken out for construction projects. Borrowing costs are recorded as an increase in the balance sheet item Advance payments and incomplete acquisitions and are transferred to the item Investment properties as part of the acquisition cost when the item is completed.

Fair value calculation model and valuation process

Finished investment properties

After initial recognition, Toivo values investment properties at fair value. The fair values of the Group's investment properties are determined on a site-by-site basis by an external independent valuer. In 2023 and 2022, the estimates were prepared by Catella Property Oy. The valuer has used a model based on 10-year cash flow analyses to determine the fair values of investment properties. Thus, all the Group's investment properties are classified into Level 3 of the fair value hierarchy (for the definition of the levels, see note 1.7 Determination of fair values). Changes in value are recognised in the period in which the changes in value are recognised and presented in profit or loss (item Changes in fair values of investment properties and gains and losses on disposal).

Investment properties in the construction phase

Objects under construction are classified as investment properties. Of the investment properties under construction, the share corresponding to the degree of completion of the project's estimated development profit is presented as a change in fair value. The development gain is obtained by subtracting the estimated construction costs from the fair value of the completed site in accordance with the appraisal book. Completed items are recorded at fair value based on an evaluation book made by an external operator.

Changes in the value of unfinished items are recognized in profit or loss in the same way as changes in the fair value of completed items (item Changes in the fair value of investment properties and gains and losses on disposal).

Business combinations and asset acquisitions

Acquisitions of investment properties are accounted for either as acquisitions of an asset (or a group of assets) or as business combinations. Determining whether there is a business combination requires management judgement.

Derecognition of investment property

An investment property is derecognised when it is divested or permanently decommissioned and no future economic benefit is expected from its transfer. A property owned by Toivo is considered to be sold when the significant risks and rewards of ownership have been transferred from the Group to the buyer. This usually happens when the control of the shares is transferred. Capital gains and losses are included in the group income statement under Changes in the fair value of investment properties and capital gains and losses.

12.2 Assumptions and uncertainties

The Group's management uses discretion in assessing whether the fair values presented for investment properties represent their actual fair values in the most reliable way possible. Catella Property Oy delivers annual appraisals of the investment properties owned by Toivo Group Plc. The Group's management reviews the factors affecting the fair values of investment properties on a quarterly basis and, if necessary, requests a new estimate from an external valuer if it considers it appropriate to update the fair values of investment properties to reflect the real market value of the property. The external valuer also presents its views on the need to change the fair values of investment properties on a quarterly basis. See also note 12.9 Uncertainties and sensitivity analysis related to the parameters used in the cash flow calculations.

12.3 I wish for a real estate portfolio

Toivo's property portfolio consists mainly of rental apartments. The property portfolio also includes a small number of leasable plots as well as commercial premises. All of Toivo's rental apartments are located in Finland, mainly focusing on growth centres such as the Helsinki Metropolitan Area, Turku and Tampere. As a rule, Toivo's property portfolio will include new and more recent apartment buildings, but also to a small extent terraced, semi-detached and semi-detached houses. The Group's strategic focus is on new, small and reasonably priced apartments located in good and attractive locations in growth centres.

The company's current existing investment properties and agreements together have a fair value of approximately EUR 450 million and a total financing need of approximately EUR 340 million. The Company has already financed part of this, and the Company will finance the rest with debt and equity instruments, as well as through the sale of properties.

12.4 Rental income and operating expenses

Maintenance costs are caused, for example, by the maintenance and upkeep of properties, repairs and energy consumption. Medical expenses are recorded as expenses for the period for which they are allocated according to the accrual basis.

The rental income and maintenance costs related to investment properties are presented below:

	Gross rental income		Net rental income		Medical expenses	
EUR thousand	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Toivo Maat Finland Oy	223	265	224	238	1	-26
Toivo Group Plc	25	12	13	7	-12	-5
Toivo Kodit Oy	6,042	2,968	4,562	2,155	-1,480	-813
Toivo Living Oy	314	321	290	301	-23	-21
Toivo Liiketilat Oy	258	296	190	226	-69	-70
Toivo Rakennuttaminen Oy	241	52	135	47	-106	-5
Toivo Projektin-hallinta Oy	6	-	-23	-	-29	-
Toivo Majoitus Oy	17	-	-1	-	-18	-
VAT group Elämäni Kodit Oy and Toivo Kodit Oy	79		-7		-86	
Total	**7 205**	**3 914**	**5 383**	**2 975**	**-1,822**	**-940**

Rental income and maintenance costs of the companies in question also include rental income and maintenance costs of their own subsidiaries, if any.

Since the objects owned by Toivo are, as a rule, new or recent, they are also technically in good condition according to the Group's assessment and do not require extensive repairs in the next few years.

12.5 Acquisitions and sales of investment properties

In 2023, Toivo acquired plots of land, and none of these acquisitions were significant when examined individually. The Group has treated the acquisitions of investment properties as acquisitions of assets, as these were not entities considered to be business.

The company did not execute any significant sales of investment properties during the financial period. The company completed the divestments of investment properties by selling 4 detached house plots. In the financial year 2023, capital gains on the disposal of investment properties totalled EUR 42 (- 1,411) thousand.

12.6 Finished investment properties

EUR thousand	2023	2022
Fair value of completed investment properties as of 1 January	115,380	36,877
Purchases during the financial year	612	1,617
Capitalised borrowing costs	-571	-492
Sales during the financial year	-276	-7,010
Transfers from properties under construction	46,973	86,060
Transfers to sale	-25,740	-
Right-of-use assets (leased plots of land)	2,623	2,907
Change in fair values	-8,790	-4,580
Fair value of completed investment properties, 31 December	**130 211**	**115 380**

12.7 Investment properties under construction

EUR thousand	2023	2022
Fair value of investment properties under construction 1 January	40,336	60,772
Increases / Decreases	9,983	59,376
Capitalised borrowing costs	-105	-179
Sales during the financial year	-	-10,615
Transfers to completed investment properties	-46,973	-86,060
Transfers to inventories	-	
Other transfers	-	
Right-of-use assets (leased plots of land)	3,247	-
Development Gains	3,723	18,782
Change in fair values	-2,040	-1,740
Fair value of investment properties under construction at 31 December	**8 171**	**40 336**
Total fair value of investment properties at 31 December.	**138 381**	**155 716**

12.8 Investment property classified as held for sale

At the end of the financial year 2023, the Group's investment properties classified as held for sale, valued at EUR 25,740 thousand, consisted of residential properties in the Helsinki Metropolitan Area and elsewhere in Finland. They were valued at fair value both before and after being classified as held for sale. Debts related to these properties totalled EUR 13037 thousand on 31 December 2023. Any agreement will include conditions related to the execution of the Transaction. The Transaction is also otherwise subject to uncertainties typical of real estate transactions. The Company estimates that the Transaction will be completed by the end of the first half of 2024.

12.9 Fair values: main parameters

The return requirements of investment properties increased significantly compared to the previous year. There were city-specific differences in changes in the yield requirements. The rise in yield requirements was mainly due to high inflation. The key parameters used by the external valuer in the cash flow calculations of investment properties are presented below:

Completed investment properties (Residences)	**2023**	**2022**
Input data:		
Net Yield Requirement (%)	4.50 - 6.30%	4.30 - 5.60%
Market rent (EUR / m²/ month)	17.16 - 33.91	17.07 - 33.31
Treatment costs (EUR / m²/ month)	1.58 - 4.29	1.85 - 3.86
Average Financial Occupancy Rate for the Fiscal Year (%)	90 - 100%	90 - 100%

Completed investment properties (Residences)	**2023**	**2022**
Other relevant information:		
Total leasable area (m²)	34,052	22,501
Inflation Assumption (%)	2,0%	2,0%

Investment properties (Dwellings) under construction	**2023**	**2022**
Input data:		
Net Yield Requirement (%)		4.40 - 4.90%
Market rent (EUR / m²/ month)		15.75 - 22.91
Treatment costs (EUR / m²/ month)		1.88 - 3.07
Average Financial Occupancy Rate for the Fiscal Year (%)		98 - 100%

Investment properties (Dwellings) under construction	**2023**	**2022**
Other relevant information:		
Total leasable area (m²)		11,456
Inflation Assumption (%)		2,0%

Leased plots	**2023**	**2022**
Input data:		
Net Yield Requirement (%)	5.20% - 5.50%	4.20 - 5.80%
Market rent (EUR / kem²/ month)	2.23 - 4.90	2.12 - 4.67
Treatment costs (EUR / m²/ month)	-	-
Average Financial Occupancy Rate for the Fiscal Year (%)	100%	100%

Leased plots	**2023**	**2022**
Other relevant information:		
Total leasable area (sqm)	7,533	7,944
Inflation Assumption (%)	2,0%	2,0%

Completed investment properties (Commercial premises)	**2023**	**2022**
Input data:		
Net Yield Requirement (%)	7,5 - 9,5%	8.0 - 9.0%
Market rent (EUR / m²/ month)	4.75 - 13.5	4.74 - 12.91
Treatment costs (EUR / m²/ month)	1.32 - 10.16	1.22 - 12.00
Average Financial Occupancy Rate for the Fiscal Year (%)	95 - 100%	95 - 100%

Completed investment properties (Commercial premises)	2023	2022
Other relevant information:		
Total leasable area (m²)	7,360	7,360
Inflation Assumption (%)	2,0%	2.0%

No performance requirement data are available for investment properties under construction (specified in section 12.11).

12.10 Uncertainties and sensitivity analysis related to the parameters used in cash flow calculations

The key components of the fair values of investment properties are the return requirement, market rents, underutilisation rate and maintenance costs. In the financial years 2022 and 2023, Toivo used an external independent valuer, Catella Property Oy, to determine the fair values of investment properties, which produces estimates of the fair values of investment properties by object.

Changes in the parameters used in cash flow calculations have a direct link to the company's profit and financial position through changes in the fair values of investment properties. The discounting factor used in the cash flow calculations is the market yield requirement and the inflation expectation, which are assessed on a region-by-region basis. While other parameters used in cash flow calculations remain unchanged, the increase in the yield requirement and inflation expectations will lead to a decrease in the fair value of the investment property, and their decrease, in turn, to an increase in the fair value of the investment property.

Other parameters affecting the fair values of investment properties include estimates of future rental income, maintenance costs, occupancy rate and future investments. The future expectation of a decrease in rental rates will lower the fair values of investment properties, and the estimated increase in the rental rate will increase them. Maintenance costs and other possible investments in properties, such as renovation costs, are reflected in the cash flow calculations as a negative income flow and thus reduce the fair values of investment properties.

The fair values of investment properties are susceptible to changes in the market parameters used in the calculation. The sensitivity of fair values to changes in parameters is described in the following table, which illustrates the effects of the change in the market yield requirement on the fair values of the Group's investment properties.

Change in the yield requirement on 31 December 2023	-10%	-5%	0%	5%	10%
Fair value (EUR 1,000)	153,758	145,665	138,382	131,793	125,802
Change (EUR 1,000)	15,376	7,283	-	-6,590	-12,580
Change (%)	11.1%	5,3%	0.0%	-4.8%	-9.1%

Change of yield requirement on 31 December 2022	-10%	-5%	0%	5%	10%
Fair value (EUR 1,000)	173,018	163,912	155,716	148,301	141,560
Change (EUR 1,000)	17,302	8,196	-	-7,415	-14,156
Change (%)	11.1%	5,3%	0.0%	-4.8%	-9.1%

Change in lease rate (%points) 31 December 2023	-4%	-3%	-2%	-1%	0%
Fair value (EUR 1,000)	132,847	134,231	135,615	136,998	138,382
Change (EUR 1,000)	-5,535	-4,151	-2,768	-1,384	-
Change (%)	-4%	-3%	-2%	-1%	0%

Change in lease rate (%points) 31 December 2022	-4%	-3%	-2%	-1%	0%
Fair value (EUR 1,000)	149,487	151,044	152,602	154,159	155,716
Change (EUR 1,000)	-6,229	-4,671	-3,114	-1,557	-
Change (%)	-4%	-3%	-2%	-1%	0%

The sensitivity analysis includes the items that have been evaluated by an external evaluator. The sensitivity analysis does not include plots rented by Toivo (right-of-use assets), which are treated as investment properties in the group balance sheet. Thus, the sum of fair values presented in the sensitivity analysis at the end of the financial years 2023 and 2022 differs from the total balance sheet value of investment properties on 31 December 2023 and 31 December 2022.

The fair values of investment properties are sensitive to changes in the return requirement. As the yield requirement decreases, the fair value of the investment property increases, and as the yield requirement increases, the fair value of the investment property decreases. In sensitivity analysis, one parameter is changed at a time, but in reality, parameter changes often occur at the same time. The company's investment property return requirements have changed by less than -10% on an annual basis.

12.11 Projects in progress

Projects that started in 2023 or that were ongoing on 31 December 2023 are listed below.

Location	Estimated gross investment (EUR thousand)	Realised gross investments by 31 December 2023 (EUR thousand)	Completion
Espoo	14,978	14,760	9/2023-11/2023
Järvenpää	10,047	10,312	3/2023-4/2023
Vantaa	3,279	3,131	6/2023-7/2023
Tuusula	3,874	4,040	7/2023-8/2023
Tampere	3,025	3,065	6/2023-7/2023
Turku	4,015	557	no assessment of completion
Espoo	14,000	3,413	2,025
Helsinki	21,600	715	2024-2025
Vantaa	16,000	299	2025-2026

13 LEASES

13.1 Drafting principle

Toivo acts both as a lessor and a lessee.

A) Toivo as a lessor

Toivo rents plots, apartments and business premises to its customers in Finland's growth centres. The Group leases its rental dwellings both for long-term rentals and for rentals of furnished dwellings. Customers are, as a rule, private individuals. Toivo's all leases are classified as operational leases, because the risks and benefits inherent in ownership are not transferred to lessees in all material respects. The Group's lease lease rents are fixed.

Toivo's apartment rental agreements with its consumer customers are, in principle, rental agreements valid until further notice, which can be terminated at any time with short notice. The notice period for consumer customers is usually one month. Toivo's land lease agreements concluded with their customers will, as a rule, be concluded for fifty years at a time, and they will end without termination, unless the extension of the rental period has been separately agreed upon between the parties.

Approximately one-third of land leases have a redemption clause (the tenant's right of redemption). The redemption price is defined at the moment of signing the contract and it is tied to the cost-of-living index. The redemption price of the plot (= Fair value) does not decrease, even if the cost-of-living index has decreased. Some plots have the possibility to redeem the plot in several batches. During the company's history, a few customers have wanted to redeem the land for themselves. Pursuant to Chapter 2, Section 34 of the Land Lease Act, the Company is subject to the obligation to redeem buildings, trees and bushes, as well as equipment and facilities intended for permanent use, which, if the lease were terminated, would be transferred to the ownership of the Company.

B) Toivo as a lessee

Toivo has rented office space and plots. The Group generally recognises assets (right-of-use assets) and lease liabilities relating to all leases in its balance sheet. Exceptions are short-term and low-value leases. A contract is, or contains, a lease if, in exchange for consideration, the contract conveys the right to control the use of an identified asset.

As a rule, Toivo works on the plots it owns, but also builds to some extent on plots rented from municipalities, cities and plot funds. As a rule, Toivo has the right of preference at the end of the lease period to have the leased area leased again, if the leased area is leased again for a similar purpose. During the lease period, the lease agreement can, in principle, be terminated only in accordance with the grounds for termination under the Land Lease Act, and the lease agreements usually do not restrict Toivo's right to transfer the lease agreement to a third party, if necessary, for example, when selling the property. In addition, lease agreements are often in the name of the housing company, in which case the sale of the housing company itself does not affect the validity of the lease agreement.

Toivo recognises the right-of-use asset and the lease liability at the start of the agreement. The right-of-use asset is initially measured at acquisition cost, which includes the following:

- the amount of the lease liability at initial measurement
- leases paid up to the commencement date less any lease incentives received
- any initial direct costs incurred by Toivo, and
- estimated cost, if any, of restitution costs incurred by the Group.

Subsequently, right-of-use assets are measured at the acquisition cost less any accumulated depreciation and impairment losses. It is adjusted for certain remeasurements of the lease liability. Toivo recognises depreciation as straight-line depreciation from the start of the contract, either over the useful life of the right-of-use asset or over the lease term, whichever is shorter. The right-of-use asset is tested for impairment as is the case for own-account assets if there is an indication of impairment. Any impairment loss is recognized in profit or loss. Leased plots are included in the Investment Property balance sheet item and are measured at fair value, so they are not subject to depreciation.

A lease liability is initially measured at the present value of the lease payments that were not made at the start of the agreement. The Group uses the Toivo incremental borrowing rate as the discount rate. This is the rate that the Group would have to pay to borrow a similar amount of money on similar terms in a similar economic environment.

The rents included in the value of the lease liability consist of the following items:

- fixed payments, including in-substance fixed payments, and
- variable lease payments that depend on an index or a price level (for example, a consumer price index), initially measured using the index or price level as at the commencement date.

Subsequently, lease liability is measured at amortised acquisition cost. Lease liability is remeasured when there has been a change in future lease payments due to a change in index or price level, or if Toivo changes its assessment of whether it intends to exercise the option to purchase, extend or terminate. When a lease liability is remeasured in this way, the carrying amount of the right-of-use asset is adjusted accordingly or recognised through profit or loss if the carrying amount of the aforementioned item is reduced to zero.

In the cash flow statement, repayments of lease liabilities are presented in the net cash flow from financing activities. Interest payments associated with lease liabilities and lease payments associated with low-value assets and short-term leases are presented in the net cash flow from operating activities.

Toivo does not recognise in its balance sheet those right-of-use assets and lease liabilities that relate to:

- short-term leases (lease term up to 12 months). Toivo is to apply this practical remedy to all classes of underlying assets.
- leases of low-value assets (the value of each asset as new does not exceed approximately EUR 5,000).

The Group recognises these lease costs as an expense on a straight-line basis over the lease term.

A) Toivo as a lessor

13.2 Contractual undiscounted rental income from leases

The maturity distribution of rental income describes the accumulation of future undiscounted rents in the coming years.

EUR thousand	2023	2022
During the 1st year	9,647	7,330
In the 2nd year	3,738	2,090
In the 3rd year	3,738	2,032
During the 4th year	3,738	2,032
Within 5 years	3,597	2,032
Later	11,668	13,937
Total	**36 127**	**29 451**

On 31 December 2023, Toivo's lease portfolio was as follows: 923 apartments, 30 land leases and 4 business premises leases.

Most apartment rental agreements are valid until further notice.

On 31 December 2022, Toivo's lease portfolio was as follows: 591 apartments, 46 land leases and 4 business premises leases.

B) Toivo as a lessee

13.3 Items recognised through profit or loss

EUR thousand	2023	2022
Depreciation of right-of-use assets[1]	–	-3
Interest expenseon lease liabilities[2]	-75	-208
Change in fair values of leased plots[3]	61	92
Total	**-14**	**-119**

[1] Comprised of depreciation of office premises and included in the income statement item Depreciation and impairment.

[2] Included in the item Financial expenses in the profit and loss account.

[3] Included in the income statement item Changes in the fair value of investment properties and gains and losses on disposal.

13.4 Items presented in the statement of cash flows

EUR thousand	2023	2022
Total outgoing cash outflow from leases	-3,131	-447

13.5 Tangible assets acquired under leases

	Leased plots*		Leasing car		Office buildings		Total	
EUR thousand	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Acquisition costs								
Opening balance 1 January	10,405	4,089	24	16	-	106	10,429	4,212
Increases	-	6,316	8	8			8	6,324
Decreases	-2,991	-			-	-	-2,991	-
Exchange rate differences	-	-			-	-	-	-
Closing balance at Dec 31	7,414	10,405	32	24	-	106	7,446	10,535
Accumulated depreciation, amortisation and impairment /Changes in fair values							**-**	
Opening balance 1 January	-166	-74	-14	-3	-	-103	-180	-180
Fair value changes	-61	-92	-	-	-	-	-	-
Depreciation and amortisation for the financial period	-	-	-11	-11	-	-3	-11	-14
Closing balance at Dec 31	-227	-166	-25	-14	-	-106	-253	-287
Carrying value at Jan 1	**10 239**	**4 015**	**10**	**13**	**-**	**3**	**10 249**	**4 032**
Book value 31 December	**7 186**	**10 239**	**7**	**10**	**-**	**0**	**7 193**	**10 249**

*Includes founder contracting plots

Plots rented by Toivo are treated as investment properties and are measured at fair value. Therefore, these right-of-use assets are not subject to depreciation. Changes in the value of plots are recorded in the income statement item Changes in the fair value of investment properties and capital gains and losses.

Leased plots are included in the group balance sheet item Investment properties and leased office premises are shown in the group balance sheet line Right-of-use assets.

13.6 Balance sheet values of lease liabilities

EUR thousand	2023	2022
Short-term	559	715
Non-current	6,913	9,813
Total	**7 471**	**10 528**

Lease liabilities are presented in the group balance sheet line Lease liabilities, divided into long-term and short-term units according to the maturity date.

14 PROPERTY, PLANT AND EQUIPMENT

14.1 Drafting principle

The tangible assets of Toivo consist mainly of buildings as well as machinery and equipment. Cost includes expenditure that is directly attributable to the acquisition of the asset in question, including installation expenditure. After initial recognition, property, plant and equipment is presented at cost less any accumulated amortisation and impairment losses. Repair and maintenance costs are recognised in profit or loss when incurred.

Group recognises property, plant and equipment as straight-line depreciation (other than buildings) during the estimated useful lives (4-5 years). Toivo has an office building for his own use, which is presented in the balance sheet as long-term assets in Buildings and Buildings. The recognition of depreciation is discontinued when the tangible asset is classified as held for sale. Toivo checks the estimated useful economic lives and the residual values of assets at the end of each financial period at least. If they differ significantly from previous estimates, the depreciation period will be changed accordingly.

At the end of each reporting period, Toivo assesses whether there are indications that the value of the property, plant and equipment has decreased. If there are indications, the Group estimates the recoverable amount of the asset in question. If it falls below the carrying amount, the difference between the two, i.e. the impairment loss, is recognised in profit or loss.

14.2 Breakdown of tangible assets

	Machinery and equipment		Unfinished sourcing		Total	
EUR thousand	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Acquisition costs						
Opening balance 1 January	166	117	-	-	166	117
Increases	154	49	-	-	154	49
Decreases			-	-	-	-
Exchange rate differences	-	-	-	-	-	-
Closing balance at 31 Dec	320	166	-	-	320	166
Accumulated depreciation, amortisation and impairment						
Opening balance 1 January	-101	-56	-	-	-101	-56
Depreciation and amortisation for the financial period	-73	-45	-	-	-73	-45
Impairment losses	-	-			-	-
Exchange rate differences	-	-	-	-	-	-
Closing balance at 31 Dec	-174	-101	-	-	-174	-101
Book value 1 Jan	**65**	**61**	**-**	**-**	**65**	**61**
Book value 31 Dec	**146**	**65**	**-**	**-**	**146**	**65**

The notes on the tangible assets rented by Toivo are presented in section 13 Leases.

15 INTANGIBLE ASSETS

15.1 Drafting principle

The Group recognises an intangible asset in the balance sheet only when the asset's acquisition cost can be reliably determined and it is likely that the expected economic benefit from the asset will benefit Toivo. All other expenditure is recognised as an expense when incurred. Toivo measures intangible assets at their original acquisition cost less depreciation and any impairment.

The accounting treatment of cloud service arrangements depends on whether the cloud-based software is classified as an intangible asset or a service contract. The arrangements in which Toivo does not have control over the software in question are treated in accounting as service contracts, which give Toivo the right to use the cloud service provider's application software during the contract period. Continuous licensing fees for the application software, as well as configuration or customization costs related to the software, are recorded as other business expenses when Toivo receives the services.

Toivo recognises intangible assets as straight-line depreciation over the estimated useful lives (five years). The Group checks the depreciation periods applied at least at the end of each financial year. If the expected useful life of the asset differs significantly from previous estimates, the depreciation period is adjusted accordingly. When an intangible asset is classified as held for sale, the recognition of depreciation from it is discontinued.

At the end of each reporting period, Toivo assesses whether there are indications that the value of the intangible asset has decreased. If there are indications, the Group estimates the recoverable amount of the asset in question. If it falls below the carrying amount, the difference between the two, i.e. the impairment loss, is recognised in profit or loss.

15.2 Breakdown of intangible assets

	IT systems		Other intangible assets		Total	
EUR thousand	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Acquisition costs						
Opening balance 1 January	17	8	-	37	17	45
Increases		9			-	9
Decreases			-	-37	-	-37
Exchange rate differences					-	-
Closing balance at 31 Dec	17	17	-	-	17	17
Accumulated depreciation, amortisation and impairment						
Opening balance 1 January	-3				-3	-
Depreciation and amortisation for the financial period	-5	-3			-5	-3
Impairment losses			-	-	-	-
Exchange rate differences			-	-	-	-
Closing balance at 31 Dec	-8	-3	-	-	-8	-3
Book value 1 Jan	**14**	**8**	**-**	**37**	**14**	**45**
Book value 31 Dec	**10**	**14**	**-**	**-**	**10**	**14**

16 INVENTORIES

16.1 Drafting principle

The inventory of Toivo consists of unfinished and/or completed construction works intended for direct sale. The acquisition cost of these includes the value of the plot, other construction raw materials, planning costs, costs arising from direct work, borrowing costs, and other direct and indirect costs related to construction projects. Inventories are measured at the lower of cost and net realizable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

	Unfinished items		Completed objects		Total	
EUR thousand	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Acquisition costs						
Opening balance 1 Jan	13,416	2,349	1,609	2,459	15,025	4,808
Increases	12,476	14,401	5,047	5,156	17,524	19,557
Decreases	-14,327	-6,744	-2,755	-6,006	-17,082	-12,749
Land lease payments	-2,093	3,409	-	-	-2,093	3,409
Other transfers	-95	-	-	-	-95	-
Closing balance at Dec 31	9,377	13,416	3,901	1,609	13,278	15,025
Book value Jan 1	**13 416**	**2 349**	**1 609**	**2 459**	**15 025**	**4 808**
Book value 31 Dec	**9 377**	**13 416**	**3 901**	**1 609**	**13 278**	**15 025**

At the end of the financial year 2023, the inventories consisted of properties to be built for sale, some of which have not yet been sold, that is, some properties have been started without customers. Unsold items were measured at cost. Completed unsold items were valued at acquisition cost or net realisable value lower.

17 FINANCIAL ASSETS

17.1 Drafting principle

Toivo's financial assets mainly consist of rental and trade receivables, as well as cash and cash equivalents.

Classification and recording

Toivo classifies its financial assets as financial assets recognised at amortised cost. Financial assets are classified based on the purpose of their acquisition when a financial asset is acquired. The classification is based on the objectives of Toivo's business model and the contractual cash flows of the financial assets.

All purchases and sales of financial assets are recorded on the trade date. In the case of an item that is not measured at fair value through profit or loss, transaction costs are included in the original book value of the financial assets. The Group derecognises a financial asset when Toivo has lost its contractual right to cash flows from financial assets or when it has transferred substantially all of its risks and rewards outside the Group.

17.2 Balance sheet values

EUR thousand	Note	2023	2022
Amortised cost			
Loan receivables	25.3	3,045	3,326
Lease receivables	13, 22.3	183	150
Trade receivables	22,3	1,453	979
Cash and cash equivalents		5,359	6,423
Total		**10 039**	**10 878**

18 Other receivables

EUR thousand	2023	2022
Prepaid expenses and accrued income	2,733	1,810
Other receivables	1,183	3,418
Total	**3 916**	**5 228**

19 EQUITY

19.1 Compilation principle — equity instruments

Toivo classifies the instruments it issues as either a financial liability or equity based on the nature of the instruments.

- A financial liability is an instrument that obliges the Group to deliver cash or other financial assets, or the holder of which has the right to demand cash or other financial assets from Toivo.
- An equity instrument is any contract that demonstrates a right to a share in Toivo's assets after deducting all of its liabilities.

19.2 Equity items

Ordinary shares

The share capital includes ordinary shares of Toivo Group Plc, which are classified as equity. The company has one series of shares. The share has no nominal value. In accordance with the Companies Act, one Toivo share entitles its holder to one vote at a general meeting. All issued shares have been fully paid.

The subscription price for the shares received in connection with the share issues is entered in the share capital to the extent that the subscription price has not been decided in the share issue decision to be recorded in the reserve for invested unrestricted equity. Transaction costs that are directly attributable to the issuance of new shares are recognised in equity as a deduction of payments received and adjusted for tax effects.

Subordinated loans

These subordinated loans are loans that meet all the conditions of a subordinated loan referred to in a limited liability company loan (OYL) (OYL Chapter 12). They are classified as equity, as the Group repays these loans only on the basis of the decision of the debtor. The interest rate on loans was 1.0% on 31 December 2023 and 31 December 2022. During the financial year 2023, Toivo Group Plc withdrew a new subordinated loan of EUR 0 (22). As of 31 December 2023, the total amount of subordinated loans was EUR 17,280 (EUR 17,280) thousand. See also Note 25 Transactions with related parties.

Subordinated loans are subordinated to other liabilities, but have a higher priority than equities. Loans have no maturity date. Toivo Group Plc has the right, but not the obligation, to repay the loans in full or in part, if the company has distributable funds.

In the financial year 2023, Toivo paid a total of EUR 0 (0) thousand in interest on capital loans. There was no unrecorded interest on 31 December 2023.

Translation differences

The Translation Differences Fund includes translation differences that have arisen from the conversion of the financial statements of a foreign subsidiary.

Retained earnings

Accumulated profits are assets accumulated from previous financial years that have not been transferred to equity funds or distributed as a distribution to owners. The distribution of dividends and other distributions to the shareholders of the parent company shall be recognised as a liability in the consolidated balance sheet for the period during which the distribution is approved by the Annual General Meeting.

SVOP

The reserve for invested unrestricted equity includes other equity investments and the subscription price of shares to the extent that it is not recognised in share capital according to an explicit decision.

19.3 Changes in share numbers and equity

The changes in the number of shares and the corresponding changes in the Group's equity are presented below.

EUR thousand	Shares (thousands of shares)	Share capital	Equity loans	SVOP Fund	Translation differences	Retained earnings	Total
1 January 2022	**53 086**	**1,000**	**16,921**	**14,529**	**-2**	**21,726**	**54,175**
Adjustments to retained earnings						-121	-121
Profit for the financial year, for owners of the parent company	-	-	-		-22	12,066	12,044
Proceeds from shares issued	1,900			3,531			3,531
Change in subordinated loans		-	359			-173	185
Share-based compensation plan							
Total	**1 900**	**-**	**359**	**3 531**	**-22**	**11 771**	**15 639**
31 December 2022	**54 986**	**1,000**	**17 280**	**18 061**	**-25**	**33 498**	**69 814**
1 Jan 2023	**54 986**	**1,000**	**17 280**	**18 061**	**-25**	**33 498**	**69 814**
Profit for the financial year, for owners of the parent company	-	-	-		-2	-4,426	-4,428
Free issue of shares (splitting of shares)	220	-	-			-	-
Proceeds from shares issued	3,333			2,938			2,938
Distribution of dividend						-40	-40
Share-based compensation plan		-	-			292	292
Total	**3,553**	**-**	**-**	**2 938**	**-2**	**-4,173**	**(1 238)**
31 December 2023	**58 540**	**1,000**	**17 280**	**20 998**	**-27**	**29 325**	**68 576**

The Company has the authority to acquire and /or pledge a maximum of 5,498,622 of the Company's own shares and the authority to issue 20,000,000 shares. The authorisations are effective until the close of the next Annual General Meeting, as is the case no later than 30 June 2024.

Toivo Group Plc holds 220,000 of its own shares at the end of the financial year 2023.

On 20 December 2023, the company carried out a free share issue with a nominal value of EUR 32,250 to the company's key employees.

19.4 The offering

On 12 April 2023, Toivo carried out a free share issue for himself, as a result of which the number of shares increased from 54,986,226 to 55,206,226 shares. The share issue carried out on 12 April 2023 will prepare for the needs of the Company's management's share-based remuneration system. Toivo carried out a directed share issue on 18 December 2023. In the share issue, the number of shares increased from 55,206,226 to 58,539,559. In the share issue (EUR 2,937,715), payments were made in December 2023. The shares were registered in the Trade Register on 19.12.2023.

The share issue strengthened the company's liquidity and expanded the company's ownership base.

19.5 Capital management

The aim of managing the capital structure is to support the goals set by the company, optimize the capital structure, ensure good operating conditions in different market situations and create shareholder value in the long term. The company's management and the Board of Directors regularly monitor the development of the capital structure and liquidity to ensure the realisation of the growth strategy and liquidity. The capital structure is influenced by, for example, profit, investments, purchases and sales of assets, dividend distribution and share issues. The capital structure is monitored through the equity ratio, which is the share of equity in the total capital. The goal of Toivo is a self-sufficiency rate of more than 30%. There were no significant changes in the Group's capital management compared to 2022.

Equity ratio

EUR thousand	2023	2022
Total equity	68,830	70,007
Total assets	192,132	187,694
Deduct advances received	-3,411	-5,266
+ (balance sheet total - advances received)	188,722	182,428
Equity ratio, %	**36%**	**38%**

20 FINANCIAL LIABILITIES

20.1 Drafting principle

Toivo classifies the Group's financial liabilities into two categories as follows:

- measured at fair value through profit or loss, and
- measured at amortised cost (other financial liabilities).

The classification determines whether the remeasurement of the instrument at fair value is required and where the remeasurement item is recognised. In the financial years 2023 and 2022, Toivo had only financial liabilities measured at amortised cost.

Toivo’s financial liabilities consist mainly of financial institution loans, lease liabilities and trade payables. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Transaction costs that can be allocated to a specific loan are deducted from the amount of debt received. The difference between the amount received and the amount to be repaid is recognised in profit or loss as financial expenses during the loan period. Activated borrowing costs related to investment properties are included in the acquisition cost of real estate, see note 12.1 Drafting principle (Acquisition cost of investment property) for more details.

Toivo classifies a financial liability as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. For short-term financial liabilities, the share of loans maturing in less than 12 months is presented. Toivo has had a waiver from a financier for the review period on December 31, 2023, and the next review period is June 30, 2024.

The Group derecognises a financial liability (or a part of it) only when the liability has ceased to exist, that is, when the obligation identified in the contract is discharged, extinguished or terminated.

20.2 Financial liabilities

EUR thousand	Note	2023	2022
Non-current financial liabilities			
Financial institution loans	22	80,730	81,947
Lease liabilities	13,6	6,913	9,813
Loans granted to associates	25,3	2,500	2,500
Other financial liabilities		463	400
		90 605	**94 660**
Current financial liabilities			
Financial institution loans	22	3,738	2,589
Lease liabilities	13,6	559	715
Loans granted to associates	25,3	107	765
Accounts payable		1,761	3,481
Other financial liabilities		883	250
		7 048	**7 799**
Financial liabilities related to investment properties for sale	12,8	13,038	-
Total financial liabilities		**110 691**	**102 459**

20.3 Terms and conditions

The Group finances its real estate development activities mainly with debt-type bank loans in the name of housing companies or real estate companies to be established in the projects, which have the parent company Toivo Group Plc or the direct parent company of the housing company or real estate company as a private guarantor.

Some of the credit agreements of the parent company and its subsidiaries contain conventional covenants, such as ownership, interest margin and LTV covenants (Loan-to-Value, Loan-to-Value).
The breakdown of such covenants may result in Toivo having to pay off the credit in question prematurely, in which case the terms and conditions of the renegotiated financing may be weakened or the availability of financing may become more difficult.

The collateral related to the loans is presented in Note 23 Provisions, contingent items and commitments.

20.4 Changes in liabilities arising from financing cash flows

The table below provides a reconciliation of the opening and closing balances of financial liabilities.

	2023			2022		
EUR thousand	**Financial Institution Loans**	**Lease liabilities**	**Related party loans**	**Financial Institution Loans**	**Lease liabilities**	**Related party loans**
Balance at 1 Jan	**84 937**	**10 528**	**2 500**	**47 095**	**4 131**	**3,000**
Changes due to financing cash flows						
Repayments	-20,751			-18,876	-	-3,000
Proceeds from borrowings	33,814			56,267		2,500
Repayment of lease liabilities		-3,056	-	-	-239	-
Total changes from cash flows from financing activities	13,063	-3,056	-	37,391	-239	-500
Other additions				-	-	-
Conversion					-	-
New leases				-	6,636	-
Conversion of loan into subordinated loans				-	-	-
Other changes	-30			450	-	-
Balance at 31 Dec	**97 969**	**7 471**	**2 500**	**84 937**	**10 528**	**2 500**

Financial institution loans include liabilities for properties for sale EUR 13,038 thousand

21 FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

21.1 Drafting principle

21.1 Classification in accounting and fair values

The following table shows the balance sheet values and fair values of financial assets and financial liabilities, including their levels in line with the fair value hierarchy. The levels are described in note 1.7 Determination of fair values. The table does not present fair value information for financial assets and liabilities that are not measured at fair value, if the book value is reasonably close to fair value and the maturity of the item is short (rental and trade receivables and trade payables).

31 December 2023		Balance sheet value	Fair value			
EUR thousand	**Note**		**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities not measured at fair value						
Financial institution loans	20, 22	71,430	–	–	71,430	71,430
Financial institution loans for sale	20.22	13,038			13,038	13,038
Loans granted to associates	20, 25.3	2,607	–	–	2,607	2,607
Financial assets						
Interest rate derivatives				209		209
Total		**87 075**	**-**	**209**	**87 075**	**87 283**

31 December 2022		Balance sheet value	Fair value			
EUR thousand	**Note**		**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities not measured at fair value						
Financial institution loans	20, 22	84,537	–	–	84,537	84,537
Loans granted to associates	20, 25.3	3,265	–	–	3,265	3,265
Total		**87 801**	**-**	**-**	**87 801**	**87 801**

22 FINANCIAL RISK MANAGEMENT

22.1 Principles of financial risk management

In its business, Toivo is exposed to financial risks, which include interest rate, credit, refinancing, liquidity and counterparty risk. The construction and real estate sector is cyclical and subject to cyclical fluctuations, and its volume and profitability vary, for example, as a result of the general economic situation. Toivo's business will have expanded in 2023, and the Group's strategic goal is to grow the business significantly in the long term.

The key principle of financial risk management is to try to reduce the potential negative effects of the financial markets on the Group's business, to try to enable the efficient use of equity capital, and to give the possibility of financing according to the credit rating without an additional risk premium, as well as to try to give freedom of movement to the actual business. Due to the management of financial risks, the Group uses an extensive network of banks and credit institutions, aims to diversify the range of financial instruments and the maturity distribution, and maintains an adequate equity ratio.

In the management of refinancing risk, the key objective is to continuously extend the existing maturities of the Group's loan portfolio, the financing is decentralized to several actors, there is sufficient liquidity and further financing for loan maturities has been agreed, and sufficient funding has been reserved for investments and possible other financing needs have been taken into account. The Group may use different types of financial instruments only to reduce or eliminate financial risks on the balance sheet. Changes in financial markets may have a negative or positive impact on the availability of investment and refinancing and on future financing costs.

Toivo has signed an agreement with the European Investment Bank on a EUR 60 million credit facility in spring 2023. The financing was entirely unused on the balance sheet date. The financing is intended to replace some of the existing long-term financing arrangements and finance new investments in investment properties that have not been started yet. The agreement includes special conditions linked to financial key indicators that are currently not met. Negotiations are under way to amend the conditions to better suit the current situation. Leaving the financing unused does not constitute a risk for Toivo, as all of the company's current financing arrangements are long-term, and there are no projects under way for which financing under the EIB agreement would be necessary.

Toivo has entered into a EUR 2 million credit line agreement, of which EUR 2 million was in use at the balance sheet date.

Some of Toivo's credit agreements are subject to special conditions linked to financial indicators, such as net interest income or the equity ratio. Toivo fulfils these terms and conditions at the balance sheet date, with the exception of the European Investment Bank agreement noted above, which is not in use.

22.2 Interest rate risk

A significant financial risk is the fluctuation of interest costs in the Group's loan portfolio, which can be managed with dedicated financial instruments. The largest interest rate risks consist of floating-rate loans from financial institutions. Interest rate pegs have been diversified with different maturities. The company has protected part of its credit with an interest rate cap or a fixed interest rate tube. The counterparties to the agreements are Nordic banks with good credit ratings from Fitch Rating, Moody's Investor Service or S&P Global. The interest rate risk hedging and its amount and quality are constantly assessed. However, Toivo cannot protect more than the loans on the balance sheet require. The aim is to provide the Group with sufficient operating prerequisites for the current financial market situation. However, in principle, the Group does not protect any financial instruments under the Housing Finance and Development Centre of Finland (ARA) that may be granted to subsidiaries or associated companies. Their interest rate risk is reduced by, for example, the Finnish government's interest subsidy.

The sensitivity analysis below illustrates the impact of changes in market interest rates on the Group's interest expenses:

	2023		2022	
EUR thousand	**+1%**	**-0.1%**	**+1%**	**-0.1%**
Interest expenses recognised from floating rate loans	835	-84	663	-66

The Group's financial institution loans totalled EUR 97,506 (84,537) thousand, of which EUR 13,038 thousand are for sale on 31 February 2023. Figures in the table above do not include the impact of deferred taxes.

The Group's financial institution loans have an interest rate cap of EUR 16,958,168 in nominal value, of which the fair value is EUR +208,770. Financial institution loans of properties for sale have an interest cap of EUR 4,044,402 in nominal value, of which the fair value is EUR -78,362.

22.3 Credit and counterparty risk

The Group seeks to avoid significant credit and counterparty risks. The Group's lease receivables are spread across different lease segments. Of the land lease receivables, the company has mortgages as the best priority. In other lease receivables, the use of collateral reduces the credit risk. Correspondingly, in construction projects, the counterparty is required to provide, among other things, an adequate bank or insurance company guarantee, a payment instalment table approved by the Group and other internal control measures, such as company analyses of significant subcontractors. Credit and counterparty risk is assessed on an ongoing basis based on the counterparty's financial situation, age distribution of lease receivables, collateral position and the success of any recovery actions. In funding sources, Toivo strives to diversify debt financing to different actors.

Toivo recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost. Expected credit losses are recognised for rental and sales receivables based on the Group's accumulated knowledge of defaults on receivables or late payments due to financial difficulties. The expected loss is determined as the difference between the carrying amount of the receivable and the present value of the estimated future cash discounted at the effective interest rate. This adjustment is recognised in other operating expenses or turnover as well as a reduction in the carrying amount of the receivable. Changes in expected credit losses and realised credit losses are also included in the item Other operating expenses. The credit loss will be reversed in a later period if the reversal can be objectively considered to be related to a credit loss event. The Group did not record write-offs in the financial years 2023 and 2022.

Age distribution of rental and sales receivables

EUR thousand	**Gross carrying amount 2023**	**Gross carrying amount 2022**
Trade receivables		
Past due	1,453	979
Lease receivables		
Past due	29	67
Overdue		
1-30 days	51	18
31-60 days	19	12
61-90 days	8	9
Over 90 days	115	98
	194	138
Total	**222**	**205**
Total lease and sales receivables	**1 675**	**1 184**

The Group recognised expected credit losses of EUR -14 thousand (EUR 32 thousand) in the financial year 2023. In addition, Toivo negotiates one of the customer's overdue receivables. The Group estimates that Toivo will receive these receivables.

22.4 Liquidity risk

The availability of external financing on competitive terms is important from the perspective of conducting Toivo's business and profitability. The Group's liquidity is safeguarded with sufficient cash, contracts and sufficient bank or credit institution loans. The Group's cash flow consists mainly of rental business, sales and other fees. The adequacy of funding is monitored regularly with cash and investment forecasts. In December 2023, the company carried out a directed share issue to strengthen the company's liquidity. The company is in the process of selling a small real estate portfolio, which, if realized, will strengthen the company's liquidity. The company has a EUR 60 million credit agreement with the European Investment Bank. The credit has not been drawn down at the balance sheet date. The company has opened a EUR 2 million account limit to strengthen the company's liquidity.

The Group's liquidity during the financial year was at a good level. Cash and cash equivalents amounted to EUR 5,359 (EUR 6,423) thousand at the end of the financial year. The investments were mainly financed by long-term loans. The financial and economic management continuously assesses the amount of financing required by business operations in different periods in order to ensure that the Group has a sufficient amount of liquid assets at its disposal for financing operations. In order for financial transactions to succeed, the Group uses more counterparties and self-sufficiency that it considers sufficient. Funding sources mainly consist of non-disbursed long-term loans.

Contractual amounts due for financial liabilities

The following table describes the contractual maturity distribution of financial liabilities. The figures presented are undiscounted. In the financial years 2022–2023, Toivo's financial liabilities consisted of financial liabilities valued at amortized cost.

EUR thousand	Balance sheet value	Total	In 1 year	In 2-5 years	Within 6-10 years	11-15 years	Later
31 December 2023							
Financial institution loans	84,468	100,255	2,986	41,038	47,793	3,390	5,047
Lease liabilities	7,471	20,412	715	2,885	3,599	3,593	9,620
Accounts payable	1,761	1,761	1,761				
Loans granted to associates	2,500	2,500	–	2,500			
Other financial liabilities [1]	1,346	1,346	883	463			
Total	**97 546**	**126 273**	**6 345**	**46 886**	**51 392**	**6 983**	**14 666**

[1] Includes accrued interest on financial loans recognised as deferred income for the financial year 2022.

EUR thousand	Balance sheet value	Total	In 1 year	In 2-5 years	Within 6-10 years	11-15 years	Later
31 December 2022							
Financial institution loans	84,537	109,724	3 379	44,509	49,709	5,058	7,069
Lease liabilities	10,528	20,412	715	2,885	3,599	3,593	9,620
Accounts payable	3,481	3,481	3,481				
Loans granted to associates	3,265	3,265	765	2,500			
Other financial liabilities	650	650	250	400			
Total	**102 459**	**137 530**	**8 589**	**50 294**	**53 308**	**8 651**	**16 688**

22.5 Foreign exchange risk

The Group's currency risk can be managed, if necessary, by hedging it with dedicated financial instruments. However, the amount of possible hedging cannot exceed the hedging need in the balance sheet and the hedging need is constantly assessed in the economic and financial management. The main group cash flows are in Finland and the main currency is the euro. There was therefore no need to hedge currency risk in the financial years 2022-2023.

In the financial year 2022, the translation risk of Toivo was formed by the negative effects of exchange rate changes on the assets of the foreign subsidiary, when these assets are converted into the parent company's reporting currency (euro). The Group has had a subsidiary established in Sweden in 2020, which was dissolved in the financial year 2023.

During the financial year 2023, changes in the currency exchange rate of the Ruosti subsidiary resulted in a currency exchange loss of EUR 2 thousand.

23 OTHER LIABILITIES AND PERIODICITY ITEMS

EUR thousand	2023	2022
Advances received	3,411	5,266
Accruals and deferred income	1,153	912
Tax liabilities based on taxable income for the financial period	600	86
Other current liabilities	1,720	2,307
Total	**6 883**	**8 571**

The most significant single item of other short-term liabilities is the unpaid purchase prices of purchased plots.

24 PROVISIONS, CONTINGENT ITEMS AND COMMITMENTS

24.1 Drafting principle — Provisions

Provisions are liabilities whose date or amount is uncertain. Toivo records a provision when the Group has a legal or constructive obligation as a result of a past event, the payment obligation is likely to be settled, and the amount of the obligation can be reliably estimated. The amount recognised as a provision is the management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account any risks and uncertainties associated with the obligation.

Toivo books an onerous contract when the necessary expenses to meet the obligations exceed the benefits of the contract. The unavoidable costs include the costs of performing the contract or the costs of terminating the contract, whichever is the smaller.

The Group will enter a restructuring provision in the balance sheet when a detailed, appropriate plan has been drawn up and the implementation of the plan has been initiated or communicated to those affected by the arrangement.

24.2 Compilation principle — Contingent liabilities and contingent assets

Contingent assets and contingent liabilities are potential assets and liabilities that arise as a result of past events. Their existence is confirmed only when one or more uncertain events that are not completely controlled by Toivo occur or do not occur in the future.

24.3 Surety

EUR thousand	Loans drawn from financial institutions 2023	2022	Undrawn loans from financial institutions 2023	2022
Liabilities for which mortgages, shares and other collaterals have been given as collateral	98,342	96,848	2,090	11,719
Mortgages given	168,265	142,792	12,585	14,935
Shares pledged	54,147	40,867	-	3,572
Directly enforceable guarantees	95,842	76,522	2,090	3,572
Guarantees total	**318 254**	**260 182**	**14 676**	**22 079**

Most of the loans for which Toivo Group Plc has provided a personal guarantee have also been secured by mortgages. In addition to the personal guarantees provided by Toivo Group Plc, Toivo Kodit Oy, Toivo Homes Oy and Toivo Liiketilat Oy have also provided personal guarantees for loans taken out by subsidiaries either alone or together with the parent company.

24.4 Guarantee limit

The parent company has a guarantee limit of 12 subsidiaries. Approximately EUR 2,228 thousand of the guarantee limit was in use on 31 December 2023. The guarantee limit is jointly and severally liable.

24.5 Contingent liabilities

The Group had the following contingent liabilities related to investment properties on 31 December 2023:

Liability for refund of deducted value added tax (VAT)

Toivo's amount of VAT on real estate investments was EUR 10,833 (EUR 6,562) thousand on 31 December 2023. On 31 December 2023, 60-90% (60-100%) of the VAT deduction was left over from the refund liability. The Group's investment properties are subject to VAT refund liability, which will be realized if the properties in question are transferred to VAT-free use during the 10-year inspection period.

24.6 Legal proceedings and disputes

The Group's two subsidiaries have been subject to a tax audit during the financial years 2022 and 2023. Based on the tax audit, it is possible that the Company will have to account for refunded VAT to the value of approximately EUR 0.6 million. Any return is not expected to have a profit effect.

The case is currently pending before the administrative court. The Company estimates the processing time to be 1-2 years.

25 TRANSACTIONS WITH RELATED PARTIES

25.1 Drafting principle

Toivo Group Plc's related parties include the following:

- subsidiaries and associates, as well as joint arrangements (such housing companies as well as mutual real estate companies, of which the Group owns less than 100%).
- the key management personnel of the parent company, which are the members of the Board of Directors, the CEO and other members of the Management Team
- entities in which the aforementioned individuals have control or joint control
- close family members of the aforementioned persons, and
- Raatihuone Oy, which has control over Toivo Group Plc, as well as companies in which Raatihuone exercises control, joint control or has significant influence.

The parent company of Toivo Group Plc is Raatihuone Oy (Business ID 2962361-5). Raatihuone Oy will prepare the consolidated financial statements for the financial year 2023. Raatihuone Oy is owned by the key employees of Toivo Group Plc's management through the companies they control.

Related party transactions that are not eliminated in the consolidated financial statements are presented as transactions with related parties.

25.2. Key management executives' compensation

The amounts shown in the following tables correspond to the expenditure recognised as an expense in the respective financial years. Possible fringe benefits are included in the payroll. The pension benefits of key management personnel consist of pensions granted within the framework of Finland's statutory pension arrangements. The Group has no voluntary supplementary pension arrangements. Board members Asko Myllymäki and Tomi Koivukoski have given up their board fees.

EUR thousand	2023	2022
a) Total key management personnel (including b) and c)		
Remuneration and other short-term employee benefits	-454	-553
Pension benefits (defined contribution plans)	-31	-37
Share-based incentive plan	-36	-55
Total	**-521**	**-645**
b) CEO Markus Myllymäki		
Remuneration and other short-term employee benefits	-39	-76
Pension benefits (defined contribution plans)	-2	-5
Share-based incentive plan	-8	-8
Total	**-49**	**-90**

EUR thousand	2023	2022
c) Other members of the Management Team		
Remuneration and other short-term employee benefits	-416	-477
Pension benefits (defined contribution plans)	-29	-32
Share-based incentive plan	-28	-47
Total	**-472**	**-556**
d) Total Board of Directors (including e), f) and g)		
Remuneration and other short-term employee benefits	-54	-44
Pension benefits (defined contribution plans)	-	-
Total	**-54**	**-44**
e) Member of the Board Petri Kärkkäinen		
Remuneration and other short-term employee benefits	-19	-19
Pension benefits (defined contribution plans)	-	-
Total	**-19**	**-19**
f) Member of the Board Harri Tahkola		
Remuneration and other short-term employee benefits	-19	-19
Pension benefits (defined contribution plans)	-	-
Total	**-19**	**-19**

EUR thousand	2023	2022
g) Member of the Board of Directors Jonna Toikka		
Remuneration and other short-term employee benefits	-16	-6
Pension benefits (defined contribution plans)	-	-
Total	**-16**	**-6**

Jonna Toikka has resigned from the Board of Directors during the financial year 2023.

Share-based incentive programme

Toivo has a long-term share-based incentive system for key employees. The reward is determined by the realization of the key financial indicators for Toivo's business in relation to the set goals.

The potential rewards of the scheme are based on:

- for the earning period 2023, operating profit excluding changes in the fair value of investment properties and cash flow from operating activities
- for the earning period 2024, operating profit excluding changes in the fair value of investment properties, cash flow from operating activities and the realisation of personal KPIs

Parent company Raatihuone Oy had a share-based incentive scheme with the selected Toivo employees in the financial year 2023, which was based on set personal goals. Based on the achievement of the targets, Raatihuone Oy sold Toivo Group Plc's shares at a reduced price to Toivo's employees. In accordance with the terms and conditions specified in the agreement, the Town Hall was committed to selling an estimated total of 110,000 – 120,000 shares of Toivo's shares in several tranches during 2023 - 2024. The purpose of the agreement was to commit these employees of Toivo to the Company. Based on the agreement, the unit price of the share was significantly lower than the market price of Toivo's share at the time of trading.

In the financial year 2023, the impact of key employees' share-based compensation schemes on Toivo's result was EUR -0.3 million (EUR -0.1 million).

25.3 Related party transactions and outstanding balances

Transactions with, receivables from and liabilities to related parties are as follows:

EUR thousand	Sales	Purchases	Interest expenses	Interest income	Receivables	Liabilities
Financial year 2023 / 31.12.2023						
Key management personnel (incl. controlled companies)	5,150	-115	-70	-	-	15,840
Associated companies	13,524	-59	-	-68	3,045	107
Parent company Raatihuone Oy	-	-	-219	-	-	3,798
Total	**18 674**	**-174**	**-289**	**-68**	**3 045**	**19 745**

EUR thousand	Sales	Purchases	Interest expenses	Interest income	Receivables	Liabilities
Financial year 2022 / 31 December 2022						
Key management personnel (incl. controlled companies)	14	-17	-70	-	-	17,258
Associated companies	9,261	-	-	76	3,236	1
Parent company Raatihuone Oy	-	-	-104	-	-	2,500
Total	**9 275**	**-17**	**-173**	**76**	**3 236**	**19 759**

In the financial year 2023, Toivo Group Plc raised EUR 0 (0) thousand in new capital loans from parties related to the company. As of 31 December 2023, the total amount of subordinated loans was EUR 17,280 (17,280) thousand, including capitalised interest. See also Note 19.2 Items of equity.

Sales with related parties include construction services sold to related parties.

25.4 Group structure

On 31 December 2023, the Group had the following holdings in subsidiaries, joint operations and associates. Below are the companies directly owned by the parent company, of which the following are the parent companies of the sub-groups: Toivo Maat Suomi Oy, Toivo Kodit Oy, Toivo Liiketilat Oy, Toivo Projektinhallinta Oy, Toivo Rakennuttaminen Oy and Toivo Turku Oy.

Company	Business ID	Shareholding, %
Toivo Group Plc, parent company		
Toivo Maat Suomi Oy	2882279-4	100
Toivo Maat Suomi 2 Oy	3264258-5	100
Toivo Liiketilat Oy	2970253-2	100
Toivo Projektinhallinta Oy	2995388-4	100
Toivo Kodit Oy	2970249-5	100
Toivo Rakennuttaminen Oy	3018292-5	100
Toivo Kiinteistökehitys Oy	3018297-6	100
Toivo Living Oy	3018293-3	100
Toivo Sweden AB		100
Kiinteistö Oy Toivon Päämaja	3187972-4	100
Toivo Hankekehitys Oy	3232411-4	100
Toivo Asuntokehitys Oy	3232412-2	100
Toivo Turku Oy	3294538-3	93
Toivo Yhteiskuntakiinnteistöt Oy	3394051-7	
Toivo Majoitus Oy	3319268-6	100
Elämäni Kodit 10 Oy	3096646-3	25
Elämäni Kodit 40 Oy	3135666-7	25
Elämäni Kodit Oy	2970250-8	20

During the financial year 2023, Toivo Group Plc sold three and closed one subsidiary in Sweden, established or acquired one subsidiary and merged two subsidiaries into its parent company.

26 EVENTS AFTER THE END OF THE FINANCIAL PERIOD

There are no material events after the financial period.

Parent company income statement, FAS

EUR	Note	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Revenue	3.2	1,869,519	1,722,355
Change in fair values of investment properties	1.2, 3	-	-
Other operating income		748	-
Raw materials and services			
Materials, supplies and goods			
Purchases during the year		-264,538	-262,021
Materials, supplies and goods in total		-264,538	-262,021
External services		-	-2,350
Materials and services in total		-264,538	-264,371
Staff expenses	2		
Wages and salaries		-960,732	-1,159,469
Social security costs			
Pension costs		-175,510	-204,762
Other social security expenses		-21,188	-41,046
Indirect employee costs in total		-196,699	-245,808
Total personnel expenses		-1,157,431	-1,405,277
Depreciation, amortisation and reduction in value			
Planned depreciation and amortisation		-14,330	-15,360
Total depreciation, amortisation and impairment losses		-14,330	-15,360
Other operating expenses	3.2	-1,070,793	-1,160,368
Net operating result		**-636,824**	**-1,123,020**

EUR	Note	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Finance income and cost			
Income from participations in Group undertakings		-	-
Other interest and financial income		1,150,421	75,627
Impairments of investments in non-current assets		-	-1,999
Interest and other financial expenses		-395,641	-242,815
Net financial items		**754 780**	**-169,187**
Profit / Loss before appropriations and taxes		**117 956**	**-1,292,207**
Appropriations			
Group contributions received		-	1,150,028
Group contributions paid		-	-
Total appropriations		-	1,150,028
Profit / Loss before taxes		**117 956**	**-142,179**
Income tax expense			
Taxes for the financial year		-	244,139
Deferred taxes	5	-	-
Income taxes, total		-	244,139
Profit / loss for the financial period		**117 956**	**101 960**

Parent company balance sheet, FAS

EUR	Note	31 Dec 2023	31 Dec 2022
ASSETS			
Non-current assets			
Intangible assets			
Other capitalized expenditures		9,719	14,361
Total intangible assets		9,719	14,361
Tangible assets			
Machinery and equipment		32,292	37,197
Property, plant and equipment in total		32,292	37,197
Investments			
Holdings in Group undertakings	6	16,875	21,514
Holdings in associated companies		500	500
Other receivables		50,000	50,000
Investment properties		-	-
Total investments		67,375	72,014
Non-current assets, total		**109 386**	**123 573**
Current assets			
Current receivables			
Trade receivables		6,437	11,753
Receivables from Group companies		46,576,684	43,688,204
Receivables from associated companies		2,164,259	1,344,284
Other receivables		105,405	175,690
Prepaid expenses and accrued income		674,902	387,500
Current receivables in total		49,527,686	45,607,432
Cash and cash equivalents		3,400,119	352,048
Current assets, total		**52 927 805**	**45 959 480**
TOTAL ASSETS		**53 037 190**	**46 083 052**

EUR	Note	31 Dec 2023	31 Dec 2022
EQUITY AND LIABILITIES			
Equity			
Share capital		1,000,000	1,000,000
Reserve for invested equity		22,318,765	19,381,050
Retained earnings (loss)		2,850,004	2,748,044
Financial year profit (loss)		117,956	101,960
Capital loan		17,279,825	17,279,825
Total equity	3	**43 566 550**	**40 510 879**
Liabilities			
Non-current liabilities			
Loans from financial institutions		2,003,261	-
Liabilities to Group companies		2,500,000	2,500,000
Other payables	5	62,921	-
Deferred tax liabilities	4	-	-
Total non-current liabilities		4,566,182	2,500,000
Current liabilities			
Advances received		-	-
Accounts payable		122,908	151,853
Liabilities to Group companies		4,304,471	2,101,106
Liabilities to associated companies		578	-
Other payables		126,555	469,718
Accruals and deferred income		349,946	349,496
Total current liabilities		4,904,458	3,072,173
Total liabilities		**9 470 640**	**5 572 173**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**53 037 190**	**46 083 052**

1 NOTES TO THE FINANCIAL STATEMENTS

1.1 Information on the legal framework used in the preparation of the accounts

The financial statements have been prepared in accordance with the Small Business Code of the Regulation on information to be presented in financial statements of small and micro-enterprises.

1.2 Valuation principles and methods and amortisation principles and methods

Investment properties owned by the company have been measured at fair value. In determining the fair value, the valuation opinion provided by an experienced real estate expert has been used to determine the fair value of the property.

In other respects in accordance with the Small Business Act assumptions.

2 PERSONNEL

During the financial year, the company employed an average of 17 (13) people.

3 EQUITY

3.1 Items of equity

EUR	2023	2022
Share capital 1 Jan.	1,000,000	1,000,000
Share capital 31 Dec.	**1 000 000**	**1 000 000**
Share premium	**22 318 765**	**19 381 050**
Retained earnings / losses 1.1.	2,748,044	4,677,482
Carry-over of profit of the previous financial year	101,960	1,622,312
Corrections to previous financial years' retained earnings n[1]	-	-3,551,749
Retained earnings / losses 31.12.	**2 850 004**	**2 748 044**
Profit for the period	**117 956**	**101 960**
Subordinated loans	**17 279 825**	**17 279 825**
Total equity	**43 566 550**	**40 510 879**

1 Financial year 2022: Includes changes to the shell processing drafting policy and cancelled Group grant changes.

3.2 Distributable funds

EUR	2023	2022
Profit / loss for the financial period	117,956	101,960
Changes in fair values in the reporting period, net of deferred tax liabilities	-	-
Distributable profit for the year	**117 956**	**101 960**
Retained earnings / losses	2,850,004	2,748,044
Share premium account	22,318,765	19,381,050
Changes in fair value less deferred tax liabilities	-	-
Reimbursable profit of previous financial years	**25 168 769**	**22 129 095**
Total	**25 286 726**	**22 231 055**

4 DEFERRED TAX LIABILITIES

The breakdown of the deferred tax liability (20%) arising from changes in the fair values of investment properties is presented below:

EUR	2023	2022
Debt arising from changes in fair value in previous financial years	-	585,095
Debt incurred in the previous fiscal year due to changes in fair values	-	-585,095
Total deferred tax liability	**-**	**-**

The company has changed its drawing-up principles for investment properties. Previously, Toivo Maat Suomi Oy was included in the financial statements of Toivo Group Plc as an investment property in accordance with the opinion of the Accounting Board of 1949 from 2016, which refers to the so-called shell company thinking as part of the valuation of investment properties.

5 LIABILITIES

The company had no long-term debt maturing after five years or more on 31 December 2023 or 31 December 2022.

6 HOLDINGS IN OTHER UNDERTAKINGS

Companies with one-fifth or more ownership:

Company	Business ID	Shareholding, %
Toivo Maat Suomi Oy	2882279-4	100%
Toivo Liiketilat Oy	2970253-2	100%
Toivo Projektinhallinta Oy	2995388-4	100%
Toivo Kodit Oy	2970249-5	100%
Toivo Rakennuttaminen Oy	3018292-5	100%
Toivo Kiinteistökehitys Oy	3018297-6	100%
Toivo Living Oy	3018293-3	100%
Toivo Sweden AB		100%
Kiinteistö Oy Toivon Päämaja	3187972-4	100%
Toivo Hankekehitys Oy	3232411-4	100%
Toivo Asuntokehitys Oy	3232412-2	100%
Toivo Turku Oy	3294538-3	93%
Toivo Majoitus Oy	3319268-6	100%
Toivo Yhteiskuntakiinteistöt Oy	3394051-7	100%
Elämäni Kodit 10 Oy	3096646-3	25%
Elämäni Kodit 40 Oy	3135666-7	25%
Elämäni Kodit Oy	2970250-8	20%

7 COLLATERALS AND GUARANTEES ON BEHALF OF GROUP COMPANIES

On 31 December 2023, Toivo Group Plc has provided a total of EUR 124,103,460 (54,756,287) as collateral for financial institution loans taken out on behalf of the Group companies.

Toivo's amount of VAT on real estate investments was EUR 10,833 (EUR 6,562) thousand on 31 December 2023.
On 31 December 2023, 60-100% (70-100%) of the VAT deduction was left over from the refund liability. The Group's investment properties are subject to VAT refund liability, which will be realized if the properties in question are transferred to VAT-free use during the 10-year inspection period.

Other group receivables and other liabilities to group companies include the assets and liabilities of the group bank account arrangement with the group subsidiaries.

8 NOTES CONCERNING THE ACCOUNTING ENTITY BELONGING TO THE GROUP

The company belongs to a group whose parent company is Raatihuone Oy, business ID 2962361-5. Raatihuone Oy will prepare the consolidated financial statements for the financial year 2023.

9 MATERIAL EVENTS AFTER THE FINANCIAL YEAR

There are no material events after the financial period.

Signatures to the financial statements and Board of Directors' reports

Helsinki, 27 February 2024

Asko Myllymäki
Chairman of the Board

Tomi Koivukoski
Member of the Board of Directors

Petri Kärkkäinen
Member of the Board of Directors

Harri Tahkola
Member of the Board of Directors

Markus Myllymäki
CEO

Auditor's note

Our auditor's report on the conducted audit was issued today.

Helsinki, 27 February 2024

KPMG Oy Ab

Timo Nummi
Authorised public accountant

Key figures

Group, EUR thousand	1–12/2023	1–12/2022	Change
Revenue	43,692	20,323	23,369
Lease income	7,205	3,914	3,291
Net lease income	5,383	2,975	2,408
Operating profit	-305	15,640	-15,945
Operating profit without changes in the fair values of investment properties	10,525	21,959	-11,434
Cash flow before changes in working capital (Funds from Operations, FFO)	1,721	1,582	139
Fair value of investment properties	164,122	155,716	8,406
Investments in investment properties	19,843	47,317	-27,474
Sales of investment properties	276	16,861	-16,585
Net debt with interest	102,687	92,306	10,381
Non-current net assets (Net asset value, NAV)	56,729	59,069	-2,340
Loan to value (LTV), %	62.6%	59.3%	3.3%
Equity ratio	36.47%	38.38%	-1.9%
Non-current net assets per share, EUR	0.97	1.07	-0.11
Increase in non-current net assets per share, %	-9.8	38.5	
Earnings per share (EPS), EUR [1)]	-0.08	0.22	-0.30
Occupancy rate, %	97.0%	98.4%	-1.4%
Total leasable apartment area, square metres	34,052	22,501	11,551
Other leasable area, square metres	14,893	15,304	-411

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

Calculation of key share ratios

Key figure		Definition
Net lease income	=	Lease income – Maintenance costs
Operating profit without changes in values of investment properties	=	Operating profit – fair value changes of investment properties
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	=	Net debt with interest / Fair value of investment properties

Key figure		Definition
Equity ratio	=	Total equity / (Assets total – Deferred revenue)
Non-current net assets per share (Net asset value, NAV)	=	Non-current net assets (Net asset value, NAV) / Number of shares at end of year
Increase in non-current net assets per share	=	(Non-current net assets per share – Non-current net assets per share of the previous year) / Non-current net assets per share of the previous year
Earnings per share (EPS)	=	The financial period belonging to the owners of the parent company win lose) / With the weighted average of the number of ordinary shares outstanding (during the financial year), excluding possible ones I wish to own shares in my possession
Occupancy rate	=	Net lease income from properties / Potential lease income with full occupancy rate x 100, (including apartments older than two months)

TOIVO GROUP PLC

Auditor’s report 2023

Auditor's report

Toivo Group Plc's general meeting

AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Toivo Group Plc (business ID 2687933-2) for the financial year from January 1 to December 31, 2023. The financial statements include the consolidated balance sheet, income statement, comprehensive income statement, statement of changes in equity, cash flow statement and notes, including a summary of the most significant accounting principles, as well as the parent company's balance sheet, income statement and notes.

In our statement, we submit that

- the consolidated financial statements give a correct and sufficient picture of the financial position of the group as well as the results of its operations and cash flows in accordance with the international IFRS financial reporting standards approved for use in the EU,
- the financial statements give a correct and sufficient picture of the parent company's operating result and financial position in accordance with the regulations on the preparation of financial statements in force in Finland and meet the statutory requirements.

Reasons for the statement

We have performed the audit in accordance with good auditing practice in Finland. Our obligations according to good auditing practice are described in more detail in the section *Duties of the auditor in the audit of the financial statements*. We are independent of the parent company and group companies in accordance with the ethical requirements in Finland that apply to the audit we perform, and we have fulfilled our other ethical obligations in accordance with these requirements. In our opinion, we have obtained the necessary amount of appropriate audit evidence to base our opinion on.

The financial statements concern the board of directors and responsibilities of the CEO

The board of directors and the CEO are responsible for the preparation of the financial statements in such a way that the consolidated financial statements give a true and sufficient picture in accordance with the international IFRS financial reporting standards approved for use in the EU and in such a way that the financial statements give a true and sufficient picture in accordance with the regulations on the preparation of financial statements in force in Finland and meet the statutory requirements. The Board of Directors and the CEO are also responsible for such internal control as they deem necessary in order to be able to prepare financial statements that are free from material inaccuracy due to abuse or error.

When preparing the financial statements, the board of directors and the CEO are obliged to assess the parent company's and the group's ability to continue their operations and, in applicable cases, present matters related to the continuity of operations and the fact that the financial statements have been prepared based on the continuity of operations. The financial statements are prepared based on the continuity of operations, except if the parent company or group is to be liquidated or the operations are to cease or there is no other realistic alternative but to do so.

Duties of the auditor in the audit of the financial statements

Our objective is to obtain reasonable assurance as to whether the financial statements as a whole are materially misstated due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that a material misstatement will always be detected in an audit performed in accordance with good auditing practice. Misstatements can result from fraud or error and are considered material if they, alone or in combination, could reasonably be expected to influence the financial decisions that users make based on the financial statements.

An audit in accordance with good auditing practice means that we use professional judgment and maintain professional skepticism throughout the audit.

In addition:

- We identify and assess the risks of material misstatement of the financial statements due to misuse or error, plan and perform audit procedures corresponding to these risks, and obtain the necessary amount of appropriate audit evidence to base our opinion on. The risk that a material misstatement due to misconduct will go undetected is greater than the risk that a material misstatement due to error will go undetected, as the misconduct may involve collusion, falsification, intentional failure to present information or presentation of incorrect information, or ignoring internal control.
- We form an understanding of the audit-relevant internal control in order to be able to plan audit measures appropriate to the circumstances, but not for the purpose of being able to give an opinion on the effectiveness of the parent company's or group's internal control.
- We evaluate the appropriateness of the accounting principles applied and the reasonableness of the accounting estimates made by the management and the information presented about them.
- We draw a conclusion on whether it was appropriate for the board of directors and the CEO to prepare financial statements based on the assumption of going concern, and based on the audit evidence we have obtained, we draw a conclusion on whether there is a material uncertainty related to events or circumstances that may give significant reason to doubt the ability of the parent company or the group to continue its operations. If our conclusion is that a material uncertainty exists, we must draw the reader's attention in our auditor's report to the uncertainty disclosures in the financial statements or, if the uncertainty disclosures are insufficient, adjust our opinion. Our conclusions are based on the audit evidence obtained by the date of issuing the audit report. However, adverse events or circumstances may result in the parent company or group not being able to continue its operations.
- We evaluate the financial statements, including all the information presented in the financial statements, the general presentation, structure and content, and whether the financial statements reflect the underlying transactions and events in such a way that it gives a true and sufficient picture.
- We obtain the necessary amount of audit evidence suitable for the purpose from the financial information about the entities or businesses belonging to the group in order to be able to give an opinion on the consolidated financial statements. We are responsible for directing, supervising and performing the group's audit. We are solely responsible for the audit report.

We communicate with the governing bodies about, among other things, the planned scope and timing of the audit, as well as significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

OTHER REPORTING OBLIGATIONS

Other information

The board and CEO are responsible for the rest of the information. Other information includes the activity report. Our opinion on the financial statements does not cover other information.

It is our duty to read the other information in connection with the audit of the financial statements and, in doing so, assess whether the other information is materially inconsistent with the financial statements or the knowledge we acquired during the audit, or whether it otherwise appears to be materially incorrect. It is also our duty to assess whether the activity report has been prepared in accordance with the regulations applicable to its preparation.

In our opinion, we present that the information in the activity report and the financial statements are consistent and that the activity report has been prepared in accordance with the regulations applicable to the preparation of the activity report.

If, based on the work we perform, we conclude that there is a material misstatement in the activity report, we must report this fact. We have nothing to report on this matter.

in Helsinki on February 27, 2024

KPMG OY AB

Timo Nummi
KHT

TOIVO

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