



**Toivo Group Plc's  
Business Review  
1 January–31 March 2023**

# Toivo Group Plc's business review

## 1 January–31 March 2023: Towards future growth driven by a successful reaction.

(Unaudited)

EUR thousand	1 January–31 March 2023	1 January–31 March 2022	Change %
Revenue	13,637	3,631	276%
Operating profit	2,772	6,993	-60%
Profit or loss for the financial year	1,579	5,322	-70%
Earnings per share (EUR)	0.03	0.10	-72%
Fair value of investment properties	163,934	121,262	35%
Economic occupancy rate	98.4%	99.0%	-1%
Total equity	71,583	58,534	22%
Total assets	187,227	139,990	34%

### FINANCIAL PERIOD 1 JANUARY–31 MARCH 2023 KEY EVENTS

- Operating profit EUR 2.8 (7.0) million.
- Contracts for building a total of 50 (137) apartments were signed during the period under review.
- 0 (262) apartment start-ups during the period under review.
- 91 (179) apartments were completed during the period under review.

### PROSPECTS FOR 2023

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

# CEO

## MARKUS MYLLYMÄKI

The company's operating profit in the first quarter of 2023 amounted to EUR 2.8 million, and revenue totalled EUR 13.6 million. I am satisfied with our profit performance, revenue and the way we have reacted to the change in our operating environment. The reaction, our revenue and our profit performance provide us with a good starting point for 2023, which is expected to be a challenging year in the market.

Toivo is a housing developer that focuses on the full value chain of residential real estate development, construction and ownership. Toivo develops, builds and owns its housing properties but can also implement one or more components of the value chain.

Toivo executes its business model primarily in the Helsinki metropolitan area in energy-efficient concrete apartment buildings and area development projects.

In autumn 2022, the company began reacting to the change in the market environment. The business model and our agile organisation enabled us to react to the war in Ukraine, the general development of costs and the rise in interest expenses. The results of the changes in operations were also reflected in the figures for the first quarter of 2023. Revenue has grown significantly and our occupancy rate has remained high in spite of substantial rent increases.

In addition to reacting to the operating environment, the company has its eyes firmly on the future. The company is prepared for the future with a project development portfolio of 1,707 apartments, of which approximately 91% are located in the Helsinki metropolitan area. The company will implement these projects primarily as Energy Class A buildings with geothermal heating. The company will start these projects when the market conditions are more favourable.



**DEVELOPMENT:** The challenging market conditions open up opportunities in development in particular. While there are many good opportunities available to the company, it is important to be cautious with regard to these opportunities. In 2023, the company will select projects with particular care and analysis. During the first quarter, the company signed one agreement that enables the construction of approximately 50 apartments in Helsinki's Oulunkylä district.

**CONSTRUCTION:** The company did not start any new projects in the first quarter.

**OWNERSHIP:** With regard to lease activities and management, Asuntomestarit® have succeeded well. The economic occupancy rate for the first quarter was 98.4% in spite of the company implementing rent increases of approximately 4.5% at the turn of the year 2022–2023. The company aims to increase rents by an average of approximately 5% during 2023. Toivo's competitive, high-quality apartment product combined with the services of Asuntomestarit has proved its price-quality ratio in the challenging market.

Toivo's business is very capital-intensive, and an optimal financial structure is vital for the company. The company's equity ratio was 39.4% and the financial loan to value (LTV) rate of its properties was 55.7%.

I want to take this opportunity to thank everyone at Toivo for their excellent and disciplined work and for the growing number of customers who choose a Toivo home.

## NEW CONTRACTS 1 JANUARY–31 MARCH 2023

During the first quarter, the company signed an agreement that enables the construction of approximately 50 apartments in Helsinki's Oulunkylä district.

City	District	Apartment product	Number of apartments (estimate)
Helsinki	Oulunkylä	Apartment building	50

## NEW SITES 1 JANUARY–31 MARCH 2023

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

## COMPLETED SITES 1 JANUARY–31 MARCH 2023

Three new residential sites were completed during the first quarter. Koy Toivo Studios is the first project under the Toivo Studios concept. A total of 50 apartments were completed at the site in 12/2022, and a further 51 apartments in 1/2023. As Oy Vantaan Neliapila is a 12-apartment semi-detached house developed-for-sale project in Koivuhaka, Vantaa. As Oy Helsingin Linnavuorenpuisto is 28-unit apartment building developed-for-sale project in Linnavuorenpuisto, Helsinki.

Site	District	Apartment product	Number of apartments	Completion	Energy efficiency class A
Koy Toivo Studios, Espoo	Leppävaara	Apartment building	101*	1/2023	
As Oy Vantaan Neliapila	Koivuhaka	Semi-detached house	12	3/2023	
As Oy Helsingin Linnavuorenpuisto	Mellunkylä	Apartment building	28	3/2023	

## OTHER ACTIVITIES 1 JANUARY–31 MARCH 2023

- On 9 March 2023, the company announced a change in the management team. Finance Director and Chief Risk Officer Aleksi Kallio left the management team, and Lauri Rekola was appointed as his replacement.
- On 16 March 2023, the company published its annual report, Board of Directors' report and financial statements for 2022.
- On 29 March 2023, the company announced it had signed EUR 60 million in financing from the European Investment Bank for energy-efficient buildings. Withdrawal of credit requires the final confirmation of the collateral arrangements of the custodian banks.

## EVENTS AFTER THE PERIOD UNDER REVIEW

- On 12 April 2023, the company announced the resolutions of the Annual General Meeting 2023 and the organising meeting of the Board of Directors.
- On 12 April 2023, the company announced a share issue without consideration to the company itself.



## PREPARING FOR THE CHANGES IN THE OPERATING ENVIRONMENT

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

In early 2022, the company started to prepare for these changes in the operating environment and will continue to prepare in 2023 with the following actions:

**Specific project selection:** The company will mainly build housing in Helsinki, Espoo and Vantaa.

**Pre-sold projects:** In 2022, the company closed pre-sold projects for 2023 totalling approximately EUR 30 million and they are expected to generate a profit margin of approximately EUR 2–4 million. The company is also engaged in multiple negotiations regarding projects starting in 2023.

**Construction costs:** The company will put construction costs up to tender with an ambitious approach in 2023. The company aims to take advantage of the cost benefits arising from declining volumes.

**Cost savings:** The company has sought, and continues to seek, cost savings in fixed expenses and housing companies' maintenance charges.

**Additional sources of income:** The company will seek additional cash flow from new concepts and services offered to customers.

**Rent increases:** At the turn of 2022–2023, the company increased rents in its housing portfolio by approximately 4.5 per cent and aims to increase rents by approximately 5 per cent in 2023.

**Project starts:** The company will exercise discretion in starting new rental housing projects in the current business and interest rate environment.

As residential construction volumes decline, the residential construction market will also present opportunities. The company has observed significant changes in terms of declining contracting prices, labour availability and the availability of planning resources. Rental housing is growing in popularity as people postpone their decision to buy a home. As the supply of housing declines, demand and supply will be better balanced when the volume of completed apartments in housing construction declines.

## ECONOMIC OPERATING ENVIRONMENT

GDP is projected to contract by -0.2% in 2023. Inflation was 7.9% in March 2023. The rate of increase in inflation has slowed slightly. Although the accelerating rise in inflation and consumer prices is still largely due to the increase in energy prices, the number of increasing prices in the consumer price index exceeds the number of decreasing prices tenfold. Consumer price inflation is very wide-ranging, and prices in all commodity prices are increasing rapidly. Annual GDP growth in 2024–2026 is projected to be approximately 1–2%. (Source: Ministry of Finance, Economic Survey, spring 2022)

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

Interest rates have partially levelled off and increased in 2023. The 12-month Euribor rate has risen to positive territory after remaining negative for several years, and is now at approximately 3.5–4.0% depending on the date. With regard to interest rates in 2023, the focus is on the European Central Bank's key interest rate and how it controls potential inflation. (Source: Ministry of Finance, Economic Survey, spring 2022, Bank of Finland statistics 27 April 2023)

## REVIEW OF FINANCES

### Development of finances

The Group's revenue was EUR 13.6 (3.6) million, representing an increase of 276% compared to the reference period (1 January–31 March 2022). Changes in the fair values and the profit and loss on the disposal of investment properties were EUR 1.3 (6.2) million. The change in the fair values of investment properties was smaller than in the reference period due to a decrease in volume and development margins.

At the end of the review period, the company had 615 apartments, 46 leased plots/real estate units and 2 commercial properties generating rental cash flow.

The maintenance costs of properties amounted to EUR -0.4 (-0.2) million. The maintenance costs of properties were 104% higher than in the reference period, mainly due to the increase in the number of apartments.

Staff expenses were EUR -0.5 (-0.3) million, representing an increase of 82%. The increase is due to growth in the number of personnel and expenses associated with incentive systems.

Operating profit was EUR 2.8 (7.0) million, representing a decrease of 60%.

Net financial income and expenses were EUR -0.6 (-0.2) million. The financial year's current income tax was EUR -0.3 (-0.1) million and, largely due to the changes in the fair values of properties, the deferred tax was EUR -0.3 (-1.3) million.

The net profit of the period under review was EUR 1.6 (5.3) million, representing a year-on-year decrease of 70%. Earnings per share were EUR 0.03 (0.10).

## INVESTMENTS

The consolidated balance sheet total at the end of the period was EUR 187.2 (140.0) million, an increase of 34% compared to the reference period. During the period, investments worth a total of EUR 7,6 (14.8) million in acquisition value were made in properties.

## FINANCING

At the end of the period, the company's interest-bearing liabilities amounted to EUR 86.6 (61.1) million.

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

## PROPERTY SITES AND CONTRACTS

On 31 March 2023, the company had 615 completed apartments, 46 leased plots/real estate units and 2 commercial properties. A further 8 properties with a total of 438 apartments were under construction. Three projects were completed in full or in part during the period under review: Koy Toivo Studios (101 apartments), As Oy Vantaan Neliapila (12 apartments) and As Oy Helsingin Linnavuorenpuisto (28 apartments).

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

## PERSONNEL AND MANAGEMENT

The average number of Toivo's personnel between 1 January and 31 March 2023 was 38 people. At the end of the period, Toivo employed 40 people.

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

## FINANCIAL TARGETS 2021–2026

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

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

## ASSESSMENT OF OPERATIONAL RISKS AND UNCERTAINTIES

### Operational risks

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

### Financial risks

Financial risks include, for example, risks related to interest rates and the availability and adequacy of financing. During the period under review, the company managed to secure the financing it required for the sites under construction. The Group's solvency was good during the period of 1 January–31 December 2022. The cash flow is enough to cover the Group's running costs and debt management costs (repayments + interest). The company's rental income involves a risk that its customers may be unable to carry out their duties. The company's lease agreements (regarding apartments) typically include a security deposit equal to the rent of 1 month, which reduces the risk of the company facing loss of income. The agreements for leased plots include a priority mortgage equal to the rent of 2–3 years. This also considerably reduces the risk of loss of income.

### Damage risks

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

### Financial risks related to operations

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

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

The supply of rental apartments may grow locally in Toivo's key operating areas and this fluctuation in supply and demand may affect the turnover rate of Toivo's tenants or economic occupancy rate and, consequently, the company's lease income. The project development portfolio involves risks related to financing, zoning and building permits, for example.

### Geopolitical risks and the war in Ukraine

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

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



## SHARES AND SHAREHOLDERS

A total of 54,986,226 Toivo Group Plc shares were entered in the trade register on 31 March 2023. On 31 March 2023, Toivo had a total of 2,194 shareholders.

## FINANCIAL DISCLOSURES AND ANNUAL GENERAL MEETING

12 May 2023	Business review Q1/2023
9 August 2023	Half-year review H1/2023
8 November 2023	Business Review Q3/2023

## MEDIA AND ANALYST CONFERENCE

A public media and analyst conference in Finnish will be held on Friday, 12 May 2023, at 10:00 in the form of a webcast. Use the following link to join the webcast:

<https://toivo.videosync.fi/q1-2023-tulosjulkistus>

The review will be presented by CEO Markus Myllymäki and CFO Samuli Niemelä. The presentation materials will be published later at: [sijoittajille.toivo.fi](https://sijoittajille.toivo.fi) and [sijoittajille.toivo.fi/en](https://sijoittajille.toivo.fi/en)

**Espoo, 12 May 2023**

**Toivo Group Plc**  
Board of Directors

# CONSOLIDATED INCOME STATEMENT

EUR thousand	1 Jan–31 March 2023	1 Jan–31 March 2022
Revenue	13,637	3,631
Changes in the fair values of investment properties and gains and losses on the disposal of investment properties	1,264	6,231
Other operating income	-	-
Raw materials and services	-10,891	-2,161
Staff expenses	-505	-277
Depreciation, amortisation and reduction in value	-7	-14
Other operating expenses	-726	-416
<b>Operating profit (loss)</b>	<b>2,772</b>	<b>6,993</b>
<b>Share of the result of associated companies</b>	<b>0</b>	<b>0</b>
Financial income	2	41
Financial expenses	-562	-258
<b>Net financial expenses</b>	<b>-560</b>	<b>-217</b>
<b>Profit (loss) before taxes</b>	<b>2,212</b>	<b>6,777</b>
Current tax based on the financial year's taxable income	-291	-121
Deferred taxes, change	-342	-1,333
Income taxes, total	-633	-1,454
<b>Financial year profit (loss)</b>	<b>1,579</b>	<b>5,322</b>
<b>Distribution of the profit (loss) of the financial year</b>		
Parent company owners	1,557	5,306
Non-controlling interests	22	16
<b>THE GROUP'S STATEMENT OF COMPREHENSIVE INCOME</b>		
<b>Financial year profit (loss)</b>	<b>1,579</b>	<b>5,322</b>
<b>Other comprehensive income</b>		
Items that may be subsequently reclassified to profit or loss	-	-
Currency translation differences	-2	-13
<b>Other comprehensive income for the financial year</b>	<b>-2</b>	<b>-13</b>
<b>Total comprehensive income for the financial year</b>	<b>1,576</b>	<b>5,310</b>
<b>Distribution of total comprehensive income for the financial year</b>		
Parent company owners	1,555	5,306
Non-controlling interests	22	16
Earnings per share (EPS), EUR	0.03	0.10
Non-cash flow based expenses associated with the share-based incentive system	-38	0

# CONSOLIDATED BALANCE SHEET

EUR thousand	31 March 2023	31 March 2022
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment properties	163,934	121,262
Right-of-use assets	18	30
Tangible assets	63	56
Intangible assets	13	44
Financial assets		
Non-current receivables	522	
Deferred tax assets	124	59
<b>Non-current assets, total</b>	<b>164,743</b>	<b>121,451</b>
<b>Current assets</b>		
Inventories	9,778	5,903
Rent, trade and other receivables	8,360	4,126
Cash and cash equivalents	4,345	8,510
<b>Current assets total</b>	<b>22,483</b>	<b>18,539</b>
Investment properties available for sale		
<b>Assets, total</b>	<b>187,227</b>	<b>139,990</b>
<b>EQUITY</b>		
Share capital	1,000	1,000
Subordinated loans	17,280	16,921
Share premium account	18,061	15,676
Currency translation differences	-27	-15
Retained earnings	35,054	24,690
<b>Equity belonging to the owners of the parent company</b>	<b>71,368</b>	<b>58,272</b>
Non-controlling interests	215	262
<b>Total equity</b>	<b>71,583</b>	<b>58,534</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Financial institution loans	81,054	58,866
Lease liabilities	8,445	6,379
Loans granted to associates	2,500	-
Other financial liabilities and other non-current liabilities	416	1,279
Deferred tax liabilities	7,008	5,319
<b>Non-current liabilities total</b>	<b>99,422</b>	<b>71,843</b>
<b>Current liabilities</b>		
Financial institution loans	2,589	921
Lease liabilities	616	23
Loans granted to associates	2	-
Provisions	-	-
Trade and other payables	13,015	8,670
Deferred tax liabilities	-	-
<b>Current liabilities total</b>	<b>16,222</b>	<b>9,613</b>
<b>Liabilities, total</b>	<b>115,644</b>	<b>81,457</b>
Liabilities associated with investment properties available for sale	-	-
<b>Total equity and liabilities</b>	<b>187,227</b>	<b>139,990</b>

## KEY FIGURES

Group, EUR thousand	1-3/2023	1-3/2022	Change
Revenue	13,637	3,631	10,006
Lease income	1,495	666	829
Net lease income	1,089	467	622
Operating profit	2,772	6,993	4,221
Cash flow before changes in working capital (Funds from Operations, FFO)	449	634	-184
Fair value of investment properties	163,934	121,262	42,671
Investments in investment properties	7,593	14,804	-7,211
Sales of investment properties	65	-	65
Net debt with interest	91,276	58,958	32,319
Non-current net assets (Net asset value, NAV)	60,972	46,611	14,361
Loan to value (LTV), %	55.7%	48.6%	7.1%
Equity ratio	39.36%	42.1%	-2.7%
Non-current net assets per share, EUR	1.11	0.88	0.23
Increase in non-current net assets per share, %	26.3	143.9	
Earnings per share (EPS), EUR <sup>1)</sup>	0.03	0.10	-0,07
Occupancy rate, %	98.4%	99.0%	-0.6%
Total leasable apartment area, square metres	22,501	12,156	10,345
Other leasable area, square metres	15,224	17,784	-2561

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

# KEY FIGURE CALCULATION FORMULAE

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

# TOIVO GROUP PLC IN BRIEF

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

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

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

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## FURTHER INFORMATION

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