



**Toivo Group Plc's
business review
1 January–31 March 2024**

Toivo Group Plc's business review 1

January–31 March 2024: We prepared to start construction projects against the tide

(Unaudited)

EUR thousand	1 January– 31 March 2024	1 January– 31 March 2023	Change, %
Revenue	10,268	13,637	-25%
Operating profit	1,181	2,772	-57%
Operating profit without changes in values of investment properties	1,181	2,772	-57%
Profit or loss for the financial year	81	1,579	-95%
Earnings per share (EUR)	0.00	0.03	-94%
Fair value of investment properties	165,439	163,934	1%
Economic occupancy rate	92.9%	98.4%	-6%
Total equity	68,673	71,583	-4%
Total assets	189,918	187,227	1%

FINANCIAL PERIOD 1 JANUARY–31 MARCH 2024 KEY EVENTS

- Revenue EUR 10.3 (13.6) million.
- Contracts for building a total of 0 (0) apartments were signed during the period under review.
- 0 (0) apartment start-ups during the period under review.
- 72 (91) apartments were completed during the period under review.

PROSPECTS FOR 2024

- The company expects the operating profit without changes in values of investment properties for the financial year of 1 January–31 December 2024 to be EUR 6–12 million.
- The company expects the operating profit for the financial year of 1 January–31 December 2024 to be EUR 8–14 million.

CEO MARKUS MYLLYMÄKI



Our view is that the business environment for property developers and construction companies is becoming favourable. We expect housing construction to resume on a large scale in spring 2025. We want to start investing before the rest of the market to ensure that we can take advantage of the lowest investment costs while we are still in 2024.

Toivo operates in a cyclical industry. We want to capture market share in the current market situation by moving earlier than other companies in our industry. We curbed our investment activity while the market was in a downturn. We will start investing in the rising market before the rest of the industry. The right timing, creativity and new business models enable us to achieve the highest development margins in all stages of the cycle.

During the first quarter, we made preparations to launch projects against the tide during 2024. We started portfoliosales, financing negotiations, procurement and production preparations related to the new projects.

The first quarter of 2024 was typical for our company in a challenging market. We focused on sharpening and clarifying our business model of development, construction, ownership and selling.

DEVELOPMENT: The company has a strong project development portfolio, which is why we did not sign new contracts on new properties. The company is prepared for the future and the opening up of the market with a project development portfolio of some 3,200

apartments, of which approximately 91% are located in the Helsinki metropolitan area.

CONSTRUCTION: The company did not start any new construction sites during the period under review.

OWNERSHIP: Toivo handles lease activities and management in-house using the company's own Asuntomestarit®. The company carried out rent increases of 4–5% in autumn 2023. The rent increases and the large number of completed apartments are currently reflected in a declining occupancy rate, but a significant improvement in the occupancy rate has already been seen in April, which indicates that the economic occupancy rate in Q2 will be 94–96%. The company hopes that the reforms to the housing allowance system will have a neutral impact on Toivo's housing portfolio.

SELLING: On 8 May 2024, the company issued a release on the sale of its family apartment portfolio. The company also has other negotiations under way regarding the sale of properties that have already been completed or are currently under construction. We expect to see progress in these negotiations in 2024.

Toivo's business is very capital-intensive, and an optimal financial structure is important for the company. The company's debt financing consists primarily of long-term bank financing. The company's equity ratio was 36.48% and the financial loan to value (LTV) rate of its properties was 63.2%.

I would like to thank all customers, partners and Toivo employees for a good start to 2024.



NEW CONTRACTS 1 JANUARY–31 MARCH 2024

During the first quarter, the company did not sign any new contracts on properties.

NEW SITES 1 JANUARY–31 MARCH 2024

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

COMPLETED SITES 1 JANUARY–31 MARCH 2024

One project was completed in the first quarter.

Site	Distric	Apartment product	Number of apartments	Completion	Energy efficiency class A
As Oy Vantaan Nahkuri	Aviapolis	Apartment building	72	2/2024	Yes

OTHER ACTIVITIES 1 JANUARY–31 MARCH 2024

- On 24 January 2024, the company issued the following release: Toivo Group Plc lowered its guidance for 2023 due to a change in market yield requirements.
- On 31 January 2024, the company issued the following release: The Shareholders' Nomination Committee's proposal for the composition and remuneration of Toivo Group Plc's Board of Directors.
- On 13 March 2024, the company issued the following release: Toivo Group Plc's annual report, Board of Directors' report and financial statement for 2023 have been published.
- On 21 March 2024, the company issued the following release: Change in Toivo Group's management team, Heikki Myllymäki will move to a different role within the company.

EVENTS AFTER THE PERIOD UNDER REVIEW

- On 3 April 2024, the company issued the following release: Share issue in accordance with the terms of the share-based incentive system.
- On 3 April 2024, the company issued the following release: Free issue of shares to the company itself.
- On 9 April 2024, the company issued the following release: Toivo Group terminates liquidity providing agreement.
- On 12 April 2024, the company issued the following release: Resolutions of Toivo Group Plc's Annual General Meeting 2024 and the organising meeting of the Board of Directors.
- On 8 May 2024, the company issued the following release: Toivo Group Plc has sold a portfolio comprised of five residential properties and 117 family homes in Espoo and Turku to Novus Family Homes Oy.

THE OUTLOOK OF THE OPERATING ENVIRONMENT

Interest rates

In autumn 2022, the 12-month Euribor, which is the most commonly used reference rate, was around 2–3%. Interest rate forecasts projected that the interest rate would rise to approximately 4% in the coming years. In 2024, the 12-month Euribor, which is the most commonly used reference rate, was around 3–4%. Interest rate forecasts project that the interest rate will fall to approximately 2–3% in the coming years. (Source: Bank of Finland, statistics 25 April 2024)

Number of completed apartments

New residential project start-ups amounted to 47,000 apartments in 2021, followed by 36,400 apartments in 2022 and 17,500 apartments in 2023. The projected figure for 2024 is 16,500 apartments. (Source: Confederation of Finnish Construction Industries RT, economic survey, March 2024)

Net migration gain, Helsinki metropolitan area

The population change in the Helsinki metropolitan area was approximately +9,000 in 2021, +14,000 in 2022, and +24,000 in 2023 (Source: Helsinki Region Trends, statistics 25 April 2024) and, according to the company's forecast, approximately + 24,000 in 2024.

Number of industry operators

Bankruptcies in the construction industry have been approximately 20–30% higher than in the other years over a 15-year period. Even large companies have become insolvent. (Source: Asiakastieto Oy statistics, 25 April 2024)

Construction costs

Construction costs continued to rise in autumn 2022 due to the effects of Russia's war of aggression. In early 2024, construction costs have decreased slightly. (Source: Statistics Finland, statistics 25 April 2024)

Property maintenance costs

In autumn 2022, property maintenance costs increased by 13.7% when compared to the previous year. In late 2023, property maintenance costs increased by only 0.9% when compared to the previous year. (Source: Statistics Finland, statistics 25 April 2024)

Special situations

In autumn 2022, there were hardly any special situations available, as bankruptcies among construction companies had not yet begun to occur. In early 2024, the rising number of bankruptcies among construction companies presents various opportunities associated with special situations.

Financing environment

According to the economic survey of the Confederation of Finnish Construction Industries, the general tightening of lending policy has reduced the availability of financing for construction. In early 2024, financing is tighter than it was during the financial crisis. (Source: Confederation of Finnish Construction Industries RT, economic survey, March 2024)

SALE OF FAMILY APARTMENT PORTFOLIO

On 8 May 2024, Toivo sold a portfolio of five residential properties and 117 apartments to Novus Family Homes Oy. The family apartment portfolio consisted of terraced houses and semi-detached houses with the following characteristics: a private yard, proximity to nature, timber construction, sensible apartment size. The sale of the portfolio was an excellent achievement in the current transaction market. The sale is also evidence of the attractiveness of Toivo's housing portfolio, also from the perspective of international institutional investors.

ECONOMIC OPERATING ENVIRONMENT

The Finnish economy is not projected to grow in 2024. The annual change in the harmonised index of consumer prices was 0.9% in March 2024. The harmonised index of consumer prices is projected to rise by 1.9% in 2024. Annual GDP growth in 2025–2026 is projected to be approximately 1–2%. (Source: Ministry of Finance, Economic Survey, spring 2024)

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 declined significantly in 2023. The number of residential project start-ups was 37,000 apartments in 2022, followed by 17,500 in 2023. The projected figure for 2024 is approximately 16,500. (Source: Confederation of Finnish Construction Industries RT, economic survey, March 2024, Ministry of Finance)

As regards the development of the economic operating environment in 2024, the focus will be on interest rates and inflation. As inflation slows and interest rates fall, purchasing power will recover and confidence among households and businesses will improve. With a concurrent recovery in the export markets, there will be a turn to growth in consumption, investment, exports and output in 2024. The recovery will accelerate in 2025. (Source: Ministry of Finance, Economic Survey, spring 2024, Bank of Finland statistics 25 April 2024)

REVIEW OF FINANCES 1 JANUARY–31 MARCH 2024

Development of finances

The Group's revenue was EUR 10.3 (13.6) million, representing a decrease of 25% when compared to the reference period (1 January–31 March 2023). Changes in the fair values and the profit and loss on the disposal of investment properties were EUR -0.1 (1.3) million. The change in the fair values of investment properties was weaker than in the reference period due to a decrease in property development margins. The development margin on properties has fallen below the company's target.

At the end of the review period, the company had 923 apartments, 30 leased plots/real estate units and two commercial properties completed and generating rental cash flow.

The maintenance costs of properties amounted to EUR -0.64 (-0.40) million. The maintenance costs of properties were 56% higher than in the reference period, mainly due to the increase in the number of apartments.

Staff expenses were EUR -0.7 (-0.5) million, representing an increase of 43%. The increase is due to a decline in staff expenses allocated to projects.

Operating profit was EUR 1.2 (2.8) million, representing a decrease of 57%.

Net financial income and expenses were EUR -1.2 (-0.6) million. The financial year's current income tax was EUR -0.02 (-0.29) million and, largely due to the changes in the fair values of properties, the deferred tax was EUR 0.1 (-0.3) million.

The net profit for the period under review was EUR 0.1 (1.6) million, representing a year-on-year decrease of 95%. Earnings per share were EUR 0.00 (0.03).

INVESTMENTS

The consolidated balance sheet total at the end of the period was EUR 189.9 (187.2) million, an increase of 1% when compared to the reference period. During the period, investments worth a total of EUR 1.3 (7.6) million in acquisition value were made in properties.

FINANCING

At the end of the period, the company's interest-bearing liabilities amounted to EUR 100.0 (86.6) 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. In addition, the company signed a financing agreement of EUR 60 million with the European Investment Bank in spring 2023. The financing is entirely unused at present. 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.

PROPERTY SITES AND CONTRACTS

On 31 March 2024, the company had 923 completed apartments, 30 leased plots/real estate units and two commercial properties. A further seven properties with a total of 119 apartments were under construction. One project was completed in full or in part during the period under review: As Oy Vantaan Nahkuri.

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

PERSONNEL AND MANAGEMENT

The average number of Toivo's personnel between 1 January and 31 March 2024 was 39 people. At the end of the period under review, Toivo employed 39 people.

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

NEW FINANCIAL TARGETS 2024–2026

- Non-current net assets per share (Net asset value, NAV/share) will increase significantly every year.
- Operating profit EUR 20 million in 2026.
- In development and construction, achieve an annual volume of EUR 100 million (revenue and investments) by the end of 2026.
- The loan to value (LTV) rate will be under 55%.
- In dividend distribution, the company's investment needs and financial position will be taken into consideration.

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 March 2024. 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 the economic occupancy rate of Toivo Group Plc and, consequently, the company's lease income. The authorities' interpretations regarding VAT liability for the rental of furnished apartments may have an impact on the occupancy rate or cash flow of Toivo's apartment properties or the fair value of the Group's property assets.

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 58,539,559 Toivo Group Plc shares were entered in the trade register on 31 March 2024. On 31 March 2024, Toivo had a total of 2,263 shareholders.

FINANCIAL DISCLOSURES AND ANNUAL GENERAL MEETING

15 May 2024 Business review Q1/2024

6 August 2024 Half-year review H1/2024

6 November 2024 Business review Q3/2024

MEDIA AND ANALYST CONFERENCE

A public media and analyst conference in Finnish will be held on Wednesday, 15 May 2024, at 11:00 in the form of a webcast. Use the following link to join the webcast:

<https://toivo.videosync.fi/2024-q1-liiketoimintakatsaus>

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

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

Espoo, 15 May 2024

Toivo Group Plc
Board of Directors

GROUP INCOME STATEMENT

EUR thousand	1 Jan–31 March 2024	1 Jan–31 March 2023
Revenue	10,268	13,637
Changes in the fair values of investment properties and gains and losses on the disposal of investment properties	-119	1,264
Other operating income	-	-
Raw materials and services	-7,279	-10,891
Staff expenses	-698	-505
Depreciation, amortisation and reduction in value	-26	-7
Other operating expenses	-966	-726
Operating profit (loss)	1,181	2,772
Share of the result of associated companies	0	0
Financial income	2	2
Financial expenses	-1,206	-562
Net financial expenses	-1,204	-560
Profit (loss) before taxes	-23	2,212
Current tax based on the financial year's taxable income	21	-291
Deferred taxes, change	84	-342
Income taxes, total	105	-633
Financial year profit (loss)	81	1,579
Distribution of the profit (loss) of the financial year		
Parent company owners	94	1,557
Non-controlling interests	-13	22
THE GROUP'S STATEMENT OF COMPREHENSIVE INCOME		
Financial year profit (loss)	81	1,579
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss	-	-
Currency translation differences	-	-2
Other comprehensive income for the financial year	-	-2
Total comprehensive income for the financial year	81	1,576
Distribution of total comprehensive income for the financial year		
Parent company owners	94	1,555
Non-controlling interests	-13	22
Earnings per share (EPS), EUR	-0.00	0.03
Non-cash flow based expenses associated with the share-based incentive system	-41	-38

CONSOLIDATED BALANCE SHEET

EUR thousand	31 March 2024	31 March 2023
ASSETS		
Non-current assets		
Investment properties	139,699	163,934
Right-of-use assets	84	18
Tangible assets	198	63
Intangible assets	9	13
Non-current receivables	249	522
Equity method investments	48	69
Deferred tax assets	310	124
Non-current assets, total	140,596	164,743
Current assets		
Inventories	11,856	9,778
Rent, trade and other receivables	8,613	8,360
Cash and cash equivalents	3,114	4,345
Current assets total	23,582	22,483
Investment properties available for sale	25,740	
Assets, total	189,918	187,227
EQUITY		
Share capital	1,000	1,000
Subordinated loans	17,302	17,280
Share premium account	20,998	18,061
Currency translation differences	-27	-27
Retained earnings	29,133	35,054
Equity belonging to the owners of the parent company	68,406	71,368
Non-controlling interests	267	215
Total equity	68,673	71,583
LIABILITIES		
Non-current liabilities		
Financial institution loans	79,861	81,054
Lease liabilities	7,104	8,445
Loans granted to associates	2,400	2,500
Other financial liabilities and other non-current liabilities	479	416
Deferred tax liabilities	5,658	7,008
Non-current liabilities total	95,502	99,422
Current liabilities		
Financial institution loans	3,738	2,589
Lease liabilities	578	616
Loans granted to associates	567	2
Provisions	-	-
Trade and other payables	7,864	13,015
Deferred tax liabilities	-	-
Current liabilities total	12,747	16,222
Liabilities, total	108,249	115,644
Liabilities associated with investment properties available for sale	12,996	-
Total equity and liabilities	189,918	187,227

INVESTMENT PROPERTIES

EUR thousand	Q1 2024	Q1 2023
Fair value of investment properties, 1 January	138,382	155,716
Purchases during the financial year	1,299	8,045
Capitalised borrowing costs	- 17	-19
Sales during the financial year	0	65
Other transfers	0	0
Right-of-use assets (leased plots of land)	154	-1,137
Development profit	-119	1,264
Change in fair values	0	0
Fair value of investment properties, 31 March	139,699	163,934

KEY FIGURES

Group, EUR thousand	1-3/2024	1-3/2023	Change
Revenue	10,268	13,637	-3,369
Lease income	2,090	1,495	595
Net lease income	1,455	1,089	366
Operating profit	1,181	2,772	-1,591
Operating profit without changes in values of investment properties	1,181	2,772	-1,591
Cash flow before changes in working capital (Funds from Operations, FFO)	-30	449	-480
Fair value of investment properties	165,439	163,934	1,505
Investments in investment properties	1,250	7,593	-6,343
Sales of investment properties	-	65	-65
Net debt with interest	104,608	91,276	13,332
Non-current net assets (Net asset value, NAV)	56,453	60,972	-4,519
Loan to value (LTV), %	63.2%	55.7%	7.5%
Equity ratio	36.48%	39.36%	-2.9%
Non-current net assets per share, EUR	0.96	1.11	-0.14
Increase in non-current net assets per share, %	-13.1	26.3	
Earnings per share (EPS), EUR ¹⁾	0.00	0.03	-0.03
Occupancy rate, %	92.90%	98.40%	-5.5%
Total leasable apartment area, square metres	34,052	22,501	11,551
Other leasable area, square metres	14,893	15,224	-331

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

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

EUR thousand	1 January–31 March 2024	1 January–31 March 2023
Operating profit	1,181	2,772
Adjustments:	0	0
Adjusted operating profit	1,181	2,772

Toivo discloses Alternative Performance Measures (APMs). These APMs are not defined in IFRS or other applicable accounting standards. They do not substitute for any IFRS measures of performance either. For these reasons, they might not be comparable to other companies' APMs. The APMs Toivo discloses are meant to provide better information about Toivo's operational profitability, which is also monitored by the management.

Performance measures regulated by IFRS or other legislation are not regarded as APMs. All APMs are disclosed with comparison numbers and are consistently used over the years, unless otherwise noted.

KEY FIGURE CALCULATION FORMULAE

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	= $\frac{\text{Net debt with interest}}{\text{Fair value of investment properties}}$
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 2023 was EUR 43.7 million and its operating profit was EUR -0.3 million.

FURTHER INFORMATION

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