



Interim report Jan-Sep 2024

Presentation material 25th October 2024 | Antti Aarnio, President and CEO

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SATO IN BRIEF

With some **26,000** homes we are one of Finland's leading housing providers.

We have nearly **45,000** residents in Helsinki Metropolitan Area, Tampere, and Turku.

We have some **300** housing specialists working in SATO.

We invest in rental apartments located near good public transport and various services.

We grow profitably. In Q3/24 Helsinki MA represented **91%** of our investments.

Our net sales in Q3/24 were **227.0** MEUR.

The fair value of our investment properties is **€4.9** billion.

MEGATRENDS

Population shift
Climate change
Digitalisation
Sustainability

SATO'S VALUES



Human to human



Be bold, aim high



Joy of succeeding together

OUR STRATEGY

Customer experience – close to customers

We want to handle every customer interaction with compassion and solid expertise. Our consistent operating models ensure a seamless and uniform customer experience. Our customers know us by name and we understand their expectations for housing. An accurate data flow enables us to anticipate the different stages of the customer journey. With us our customers can focus on living their own one-of-a-kind life.

Sustainability – responsible housing and homes for generations

We enable sustainable living for our customers and encourage them to make environmentally conscious choices in their everyday life. We create comfortable, safe, and diverse living environment. Economic sensibility and lifecycle management principles guide our operations from construction to maintenance. We minimise the environmental impact of our operations, ensuring our buildings endure for future generations. A long-term profitable business enables our sustainable operations.

Personnel – forerunners now and tomorrow

We have been the experts on housing for over 80 years and will continue to be. Our personnel is our most valued asset. New ideas and ways of working merge with continuous development and profitability. Everyone at SATO contributes to developing and building the future of the company. We have the courage to renew ourselves, and the ability to succeed.

OPERATING ENVIRONMENT

During the period under review, the economic uncertainty and the continued abundant supply of rental housing in growth centres still remained key factors affecting SATO's operating environment.

The Finnish economy is entering a phase of slow growth. Pay rises, slower inflation and gradual interest rate decline are improving the purchasing power of consumers. Consumer confidence has still remained at a low level.

According to the Bank of Finland's September 2024 interim forecast, Finland's GDP is projected to contract further in 2024 but to grow by 1.1% in 2025 and 1.8% in 2026. Employment is also projected to improve as economic growth accelerates.

Inflation in Finland has been the lowest in the euro area, and the Bank of Finland forecasts it to be around 1.1% in 2024 and rise nearer to 2% in the immediate years ahead. In the euro area, inflation pressure eased further and the inflation rate was 1.8% in September. As expected, the European Central Bank continued its rate cuts in October, announcing a third rate cut of 0.25 percentage points. Markets are anticipating further rate cuts this year and next.

Construction of newbuild homes is at a historically low level. Largely due to an increase in the volume of interest-subsidised housing construction, there has, however, been a slight upturn in projects started. The number of apartments completed has contracted clearly this year, but the newbuild construction volume of previous years, which exceeds the long-term housing demand, is, however, maintaining an oversupply of rental homes in the growth centres. In Helsinki, the number of vacant rental homes is decreasing slightly, but the shrinking of the oversupply has been slower than anticipated earlier and competition for good tenants continues.

Dense urban housing is still becoming increasingly popular, and there is demand for rental homes in growth centres close to good public transport connections and services. Among the major growth centres, the Helsinki Metropolitan Area (HMA), Tampere and Turku continue to enjoy strong growth, while Statistics Finland forecasts a downturn in the nationwide population trend in 2031. The HMA is projected to grow by more than 200,000 new residents by 2040. Almost 80% of HMA residents already live in households with one to two members, and the number of small households continues to grow. The proportion of immigrants is projected to increase in the HMA from the current 17% to 25% by 2030. The ageing population is moving to growth centres providing access to services and expects more and more housing-related services.

The demographic change coupled with the price development create a stable foundation for rental housing demand, especially in the HMA, Tampere and Turku. Migration to large growth centres has continued, and the HMA's migration gain in 2023 was the highest in the 2000s: 23,500 persons. In early 2024, the trend levelled off and the migration gain of the HMA was 10,300 persons. The strong migration trend is reflected in the demand for rental homes in growth centres.

Urbanisation, the income development of wage and salary earners, pent-up housing demand of households and lower interest rates together with the decrease in new housing production will increase housing demand going forward. The housing allowance policy changes may, however, steer consumers towards looking for more affordable housing. Some of those looking for a home to buy may be considering a rental home as a housing option.

Rental housing providers are still competing for good tenants, which results in rent reviews remaining moderate. Going forward, higher maintenance and finance costs will be reflected in higher rent costs, while at the same time the supply of rental housing decreases.

INTERIM REPORT JAN-SEP 2024

Occupancy rate increasing – intense competition continues

HIGHLIGHTS

Antti Aarnio

- The number of newbuild homes completed in growth centres has taken a downturn during the current year. The number of previously completed newbuild homes still in the market is, however, higher than expected, and competition for good tenants has remained intense.
- Regardless of the continuing oversupply of rental apartments, we have managed to improve our economic occupancy rate.
- Measures to increase operational efficiency and generate savings have improved our net rental income, which has also been affected positively by the successful moderate rent reviews and higher occupancy rate.
- In Finnou, Espoo, the first rental homes at Peijinkuja 6 were completed in September, and the rest at the beginning of October. The neighbouring building, Peijinkuja 10, will be completed in December this year and is, for the time being, our last newbuild property under construction.
- In August, we issued EUR 250 million in unsecured notes as a private placement. Thanks to the successful issue, our financing needs for 2025 are now mostly covered.
- I am thankful for SATO staff members' diverse professional competence, broad expertise and willingness to develop both their own work and our services. The results are reflected directly in the everyday lives of our customers.

REVIEW PERIOD JAN-SEP/2024 (JAN-SEP/2023)

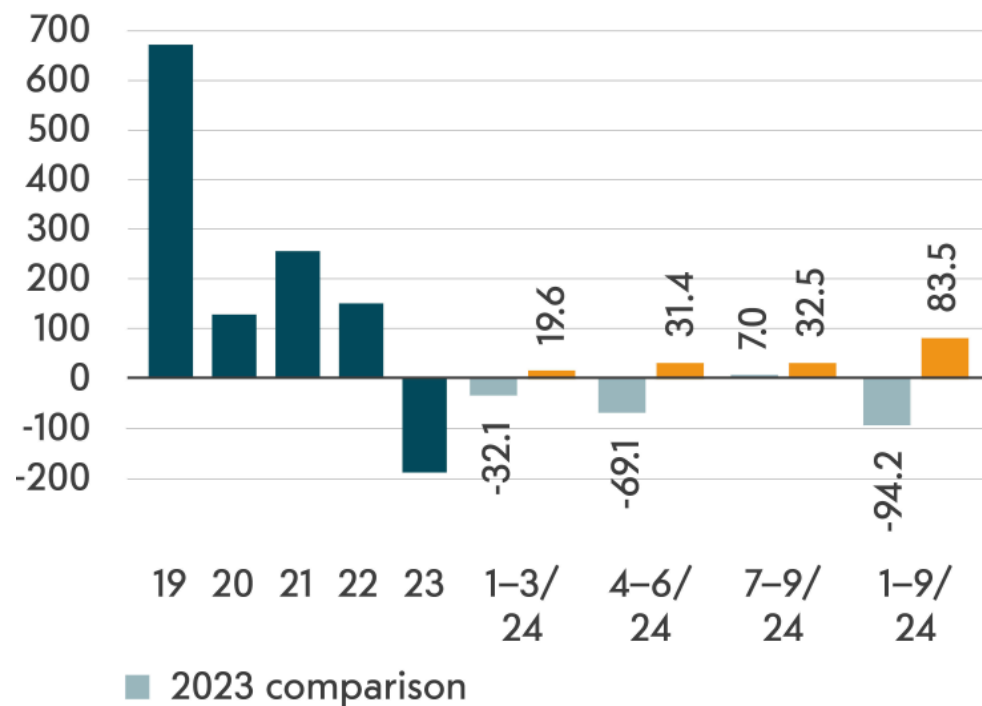
- The economic occupancy rate was 95.4% (94.9).
- Net sales totalled EUR 227.0 million (214.9).
- Net rental income was EUR 160.5 million (148.5).
- Profit before taxes was EUR 83.5 million (-94.2).
- The unrealised change in the fair value of investment properties included in the result was EUR 10.8 million (-140.0).
- Housing investments amounted to EUR 31.7 million (122.5).
- Invested capital at the end of the review period was EUR 4,694.3 million (4,552.2).
- Return on invested capital was 4.1% (-1.2).
- Equity was EUR 2,583.7 million (2,406.2), or EUR 30.44 per share (42.50).
- Earnings per share were EUR 0.84 (1.42).
- A total of 160 rental apartments were completed (809). Renovation of 56 rental homes (388) was completed.
- A total of 189 rental apartments are under construction (518).
- Occupancy rate and net rental income continued to grow.
- We issued EUR 250 million in unsecured notes as a private placement in August.

REVIEW PERIOD JUL-SEP/2024 (JUL-SEP/2023)

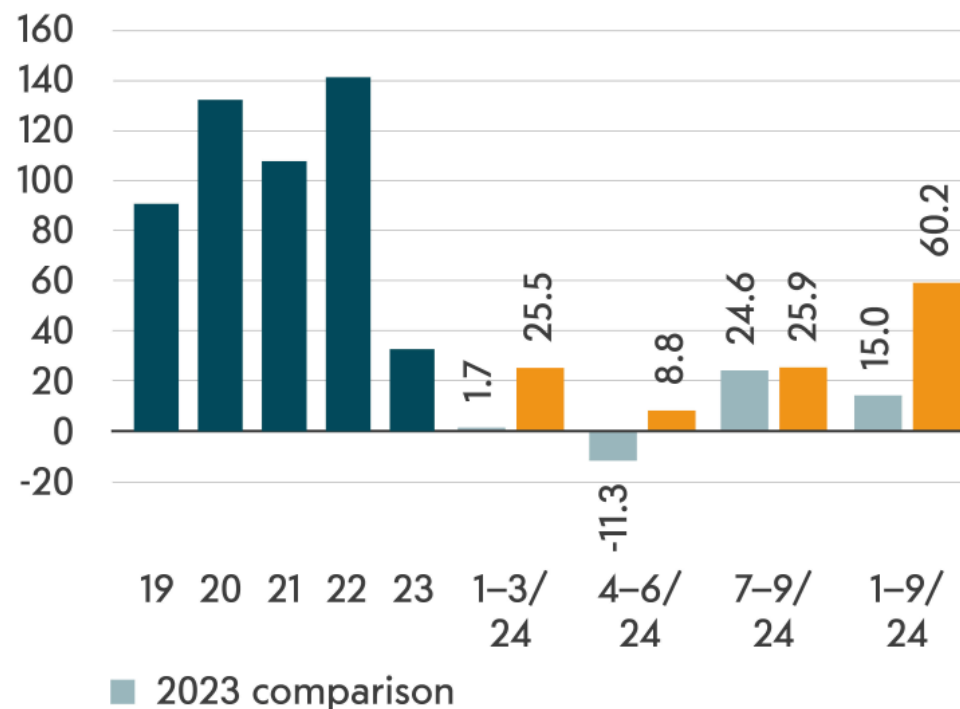
- The economic occupancy rate was 95.9% (94.7).
- Net sales totalled EUR 76.5 million (72.5).
- Net rental income was EUR 59.3 million (55.1).
- Profit before taxes was EUR 32.5 million (7.0).
- The unrealised change in the fair value of investment properties included in the result was EUR 4.0 million (18.0).
- Housing investments amounted to EUR 8.9 million (29.8).
- Earnings per share were EUR 0.31 (0.10).
- A total of 68 rental apartments were completed (161). Renovation of 0 rental homes (191) was completed.

PROFIT AND CASH EARNINGS

PROFIT BEFORE TAXES, MEUR

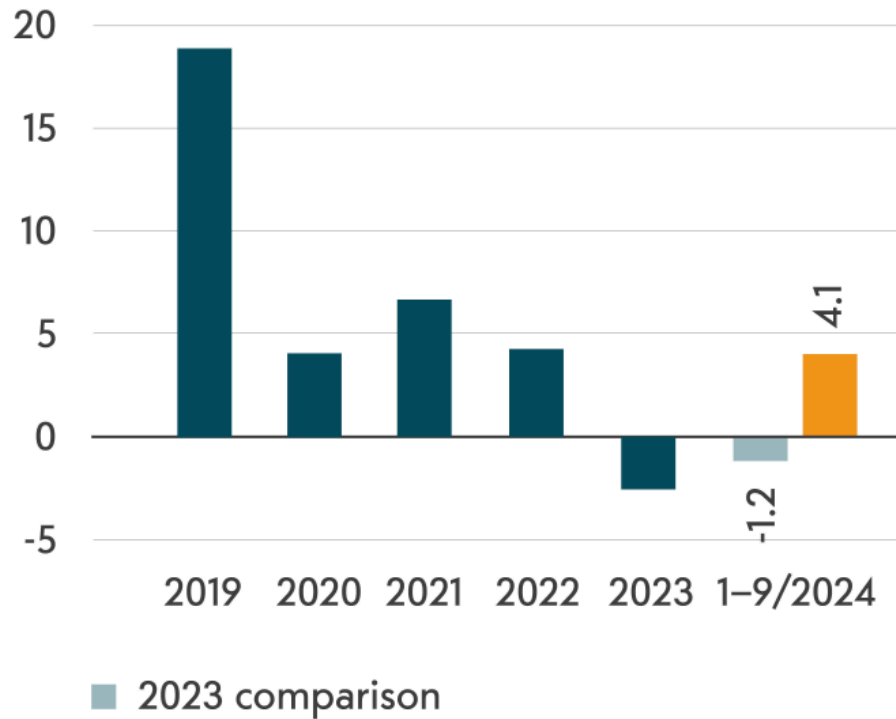


CASH EARNINGS (CE), MEUR



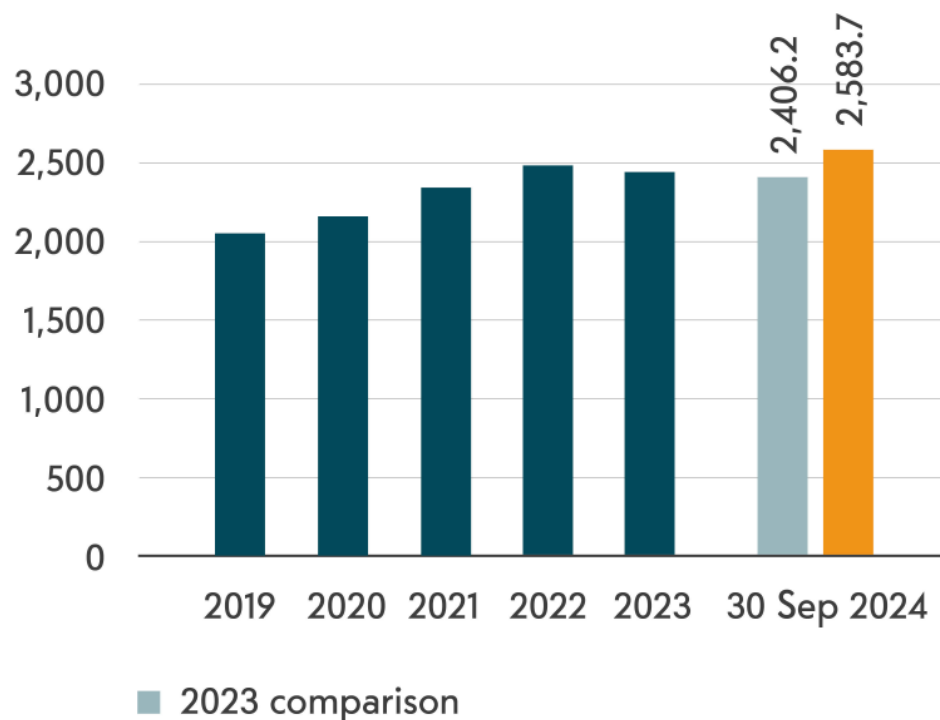
RETURN ON INVESTMENT

RETURN ON INVESTED CAPITAL, %

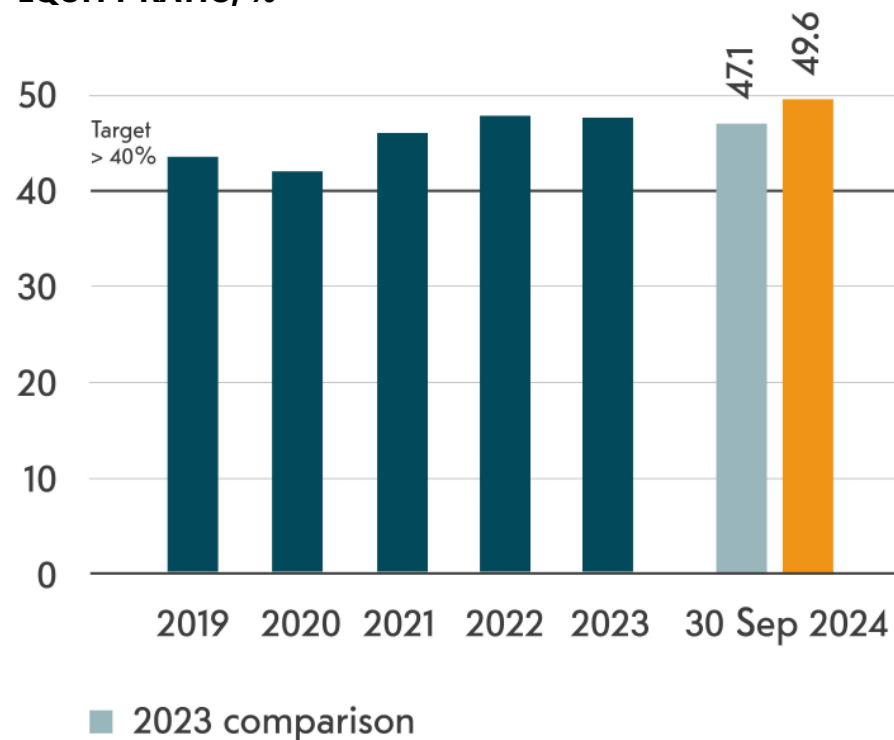


EQUITY

SHAREHOLDERS' EQUITY, MEUR

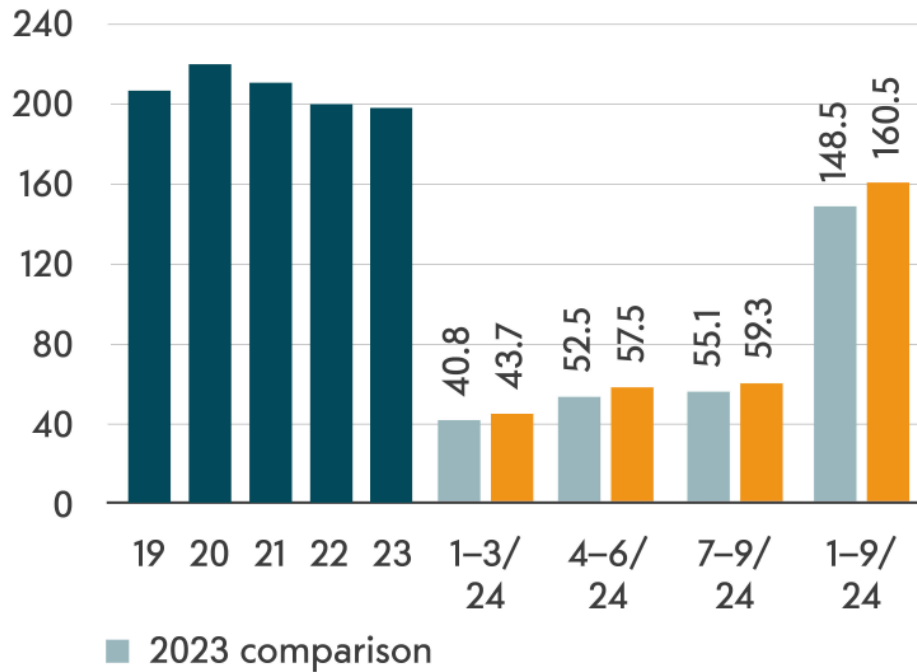


EQUITY RATIO, %



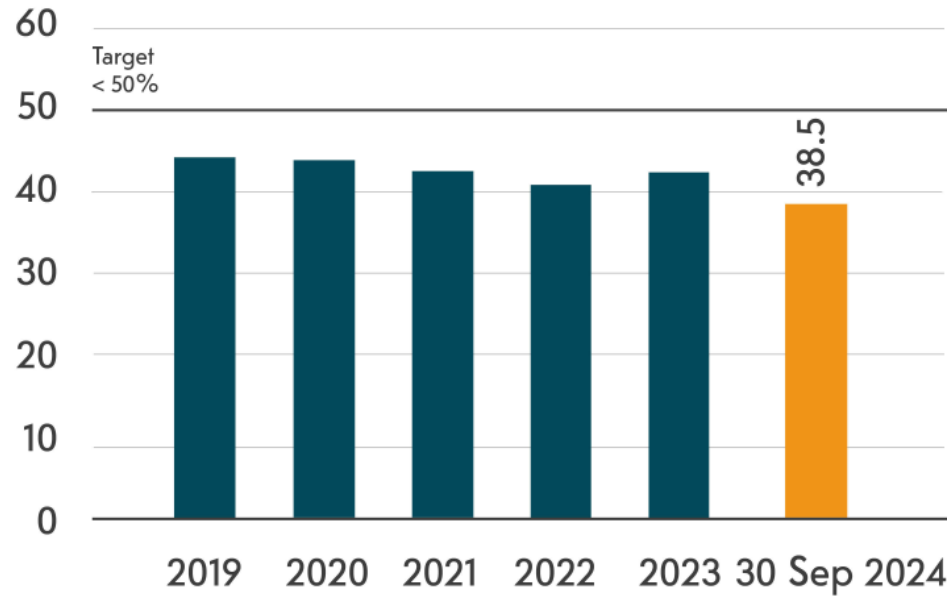
RENTAL INCOME

NET RENTAL INCOME, MEUR

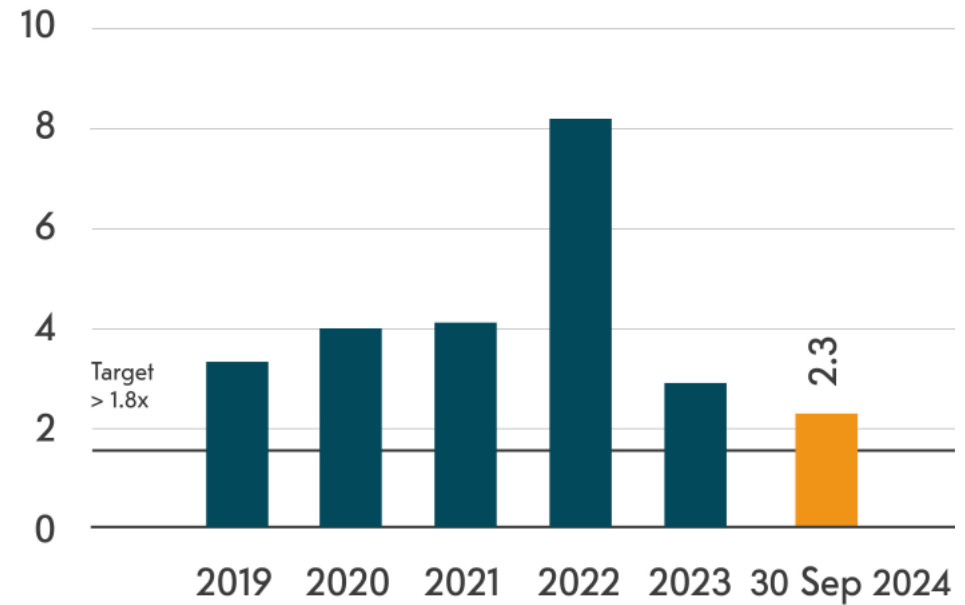


FINANCING

SOLVENCY RATIO, %

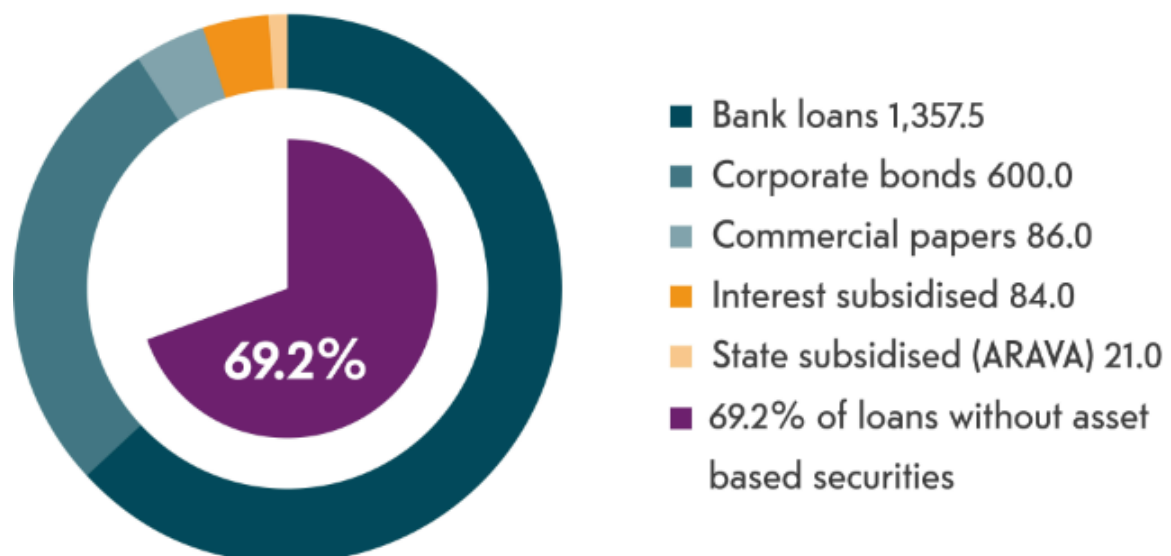


INTEREST COVERAGE RATIO

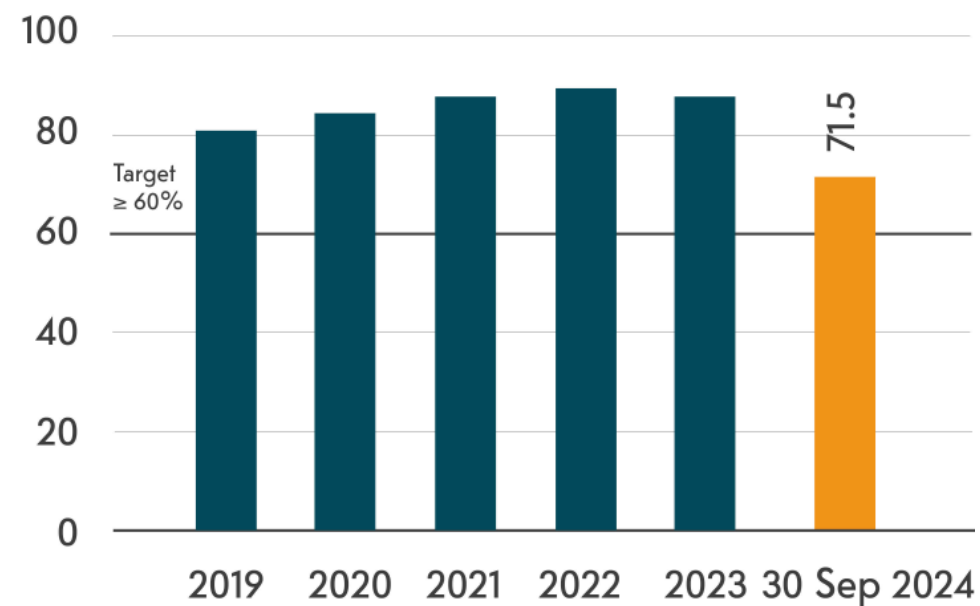


FINANCING

DEBT PORTFOLIO, nominal values 30 September 2024,
TOTAL MEUR 2,148.6

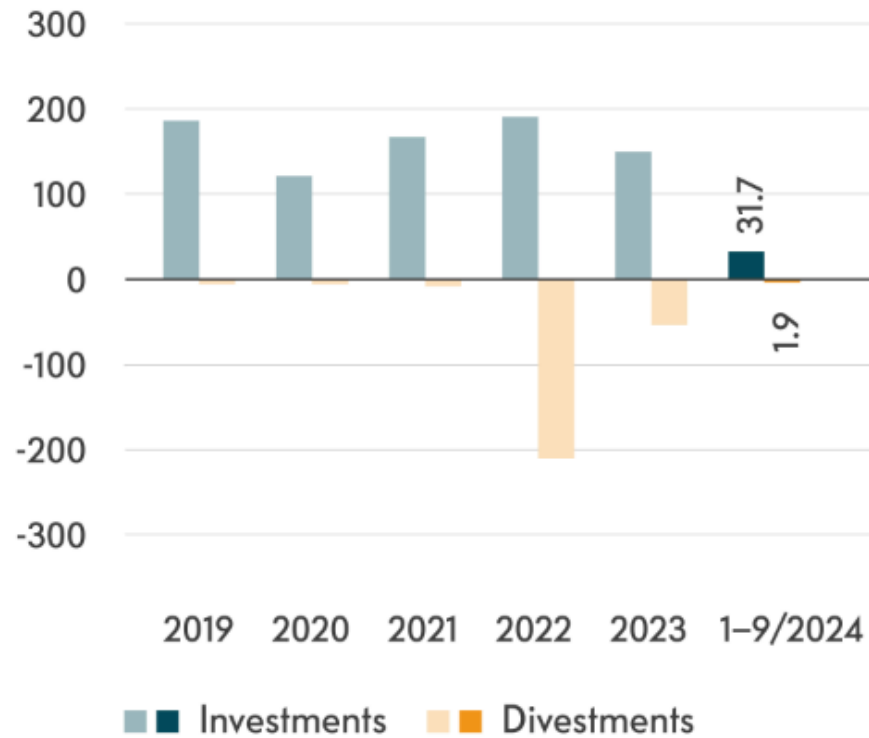


UNENCUMBERED ASSETS, %



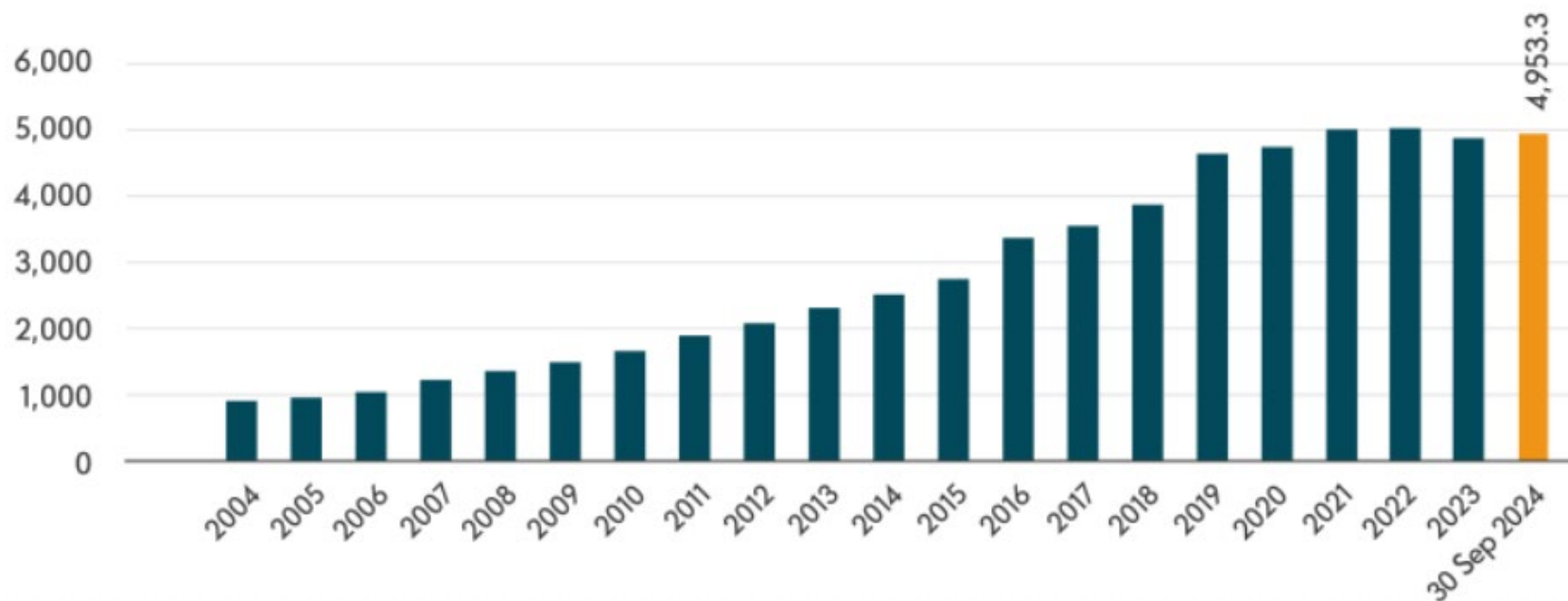
INVESTMENTS

HOUSING INVESTMENTS AND DIVESTMENTS, MEUR



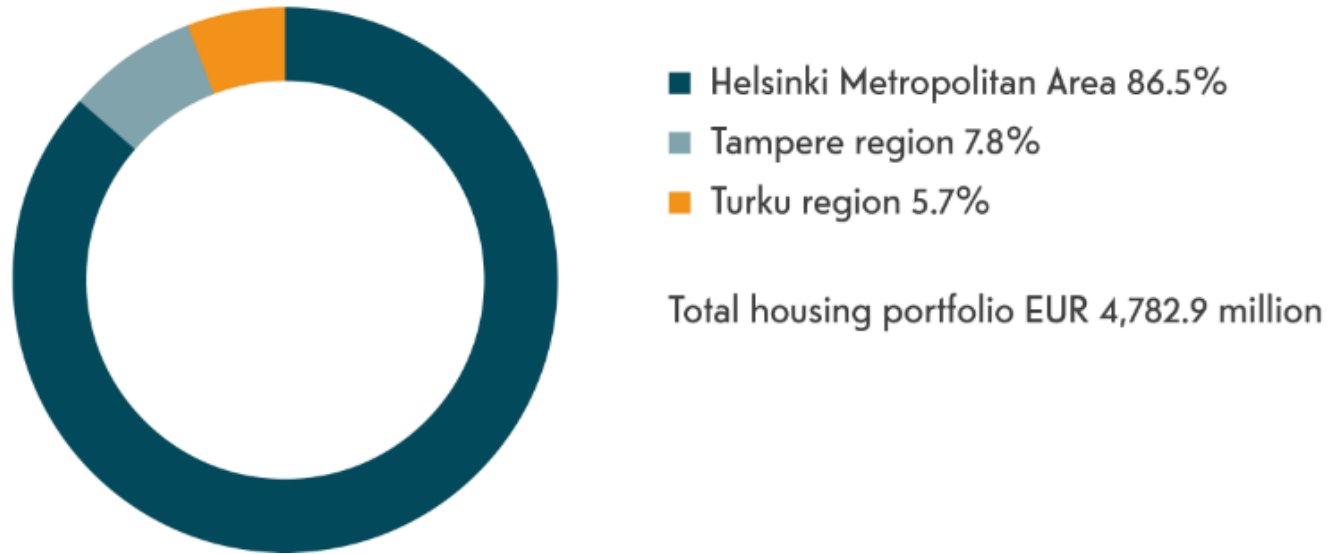
INVESTMENT PROPERTIES

TREND IN THE INVESTMENT PROPERTY PORTFOLIO, MEUR



HOUSING ASSETS

REGIONAL DISTRIBUTION OF THE HOUSING PORTFOLIO on 30 September 2024



MAIN SHAREHOLDERS

Balder Finska Otas AB / Fastighets AB Balder	57.0%
Stichting Depository APG Strategic Real Estate Pool	22.6%
Elo Mutual Pension Insurance Company	12.8%
The State Pension Fund	4.9%
Valkila Erkkä	0.5%
Tradeka Invest Ltd	0.2%
Research Foundation of the Pulmonary Diseases	0.2%
SATO Corporation	0.2%
Komulainen Pekka	0.2%
Entelä Tuula	0.2%
Others (119 shareholders)	1.3%

On 30 September 2024, SATO had 85,062,444 shares and 129 shareholders registered in the book-entry system. The share turnover rate was 0.00% for the period from 1 January to 30 September 2024.

OUTLOOK

In the operating environment, SATO's business activities are mainly affected by consumer confidence, development of purchasing power, rent and price development for apartments, competitive situation and interest rate level. Weak economic growth and the declining employment rate have kept consumer confidence at a low level. Going forward, the lower interest rate level, declining inflation and pay rises will improve consumers' purchasing power and the employment rate, and the Finnish economy is expected to turn to moderate economic growth in 2025.

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In line with the decision made in October 2022, SATO will still refrain from launching any newbuild construction projects.

In line with its majority shareholder's operating model, SATO Corporation will not publish guidance on its 2024 earnings. The parent company of Balder Finska Otas AB is Fastighets AB Balder, which is quoted on the Stockholm Stock Exchange.



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