

FINANCIAL STATEMENT 2021

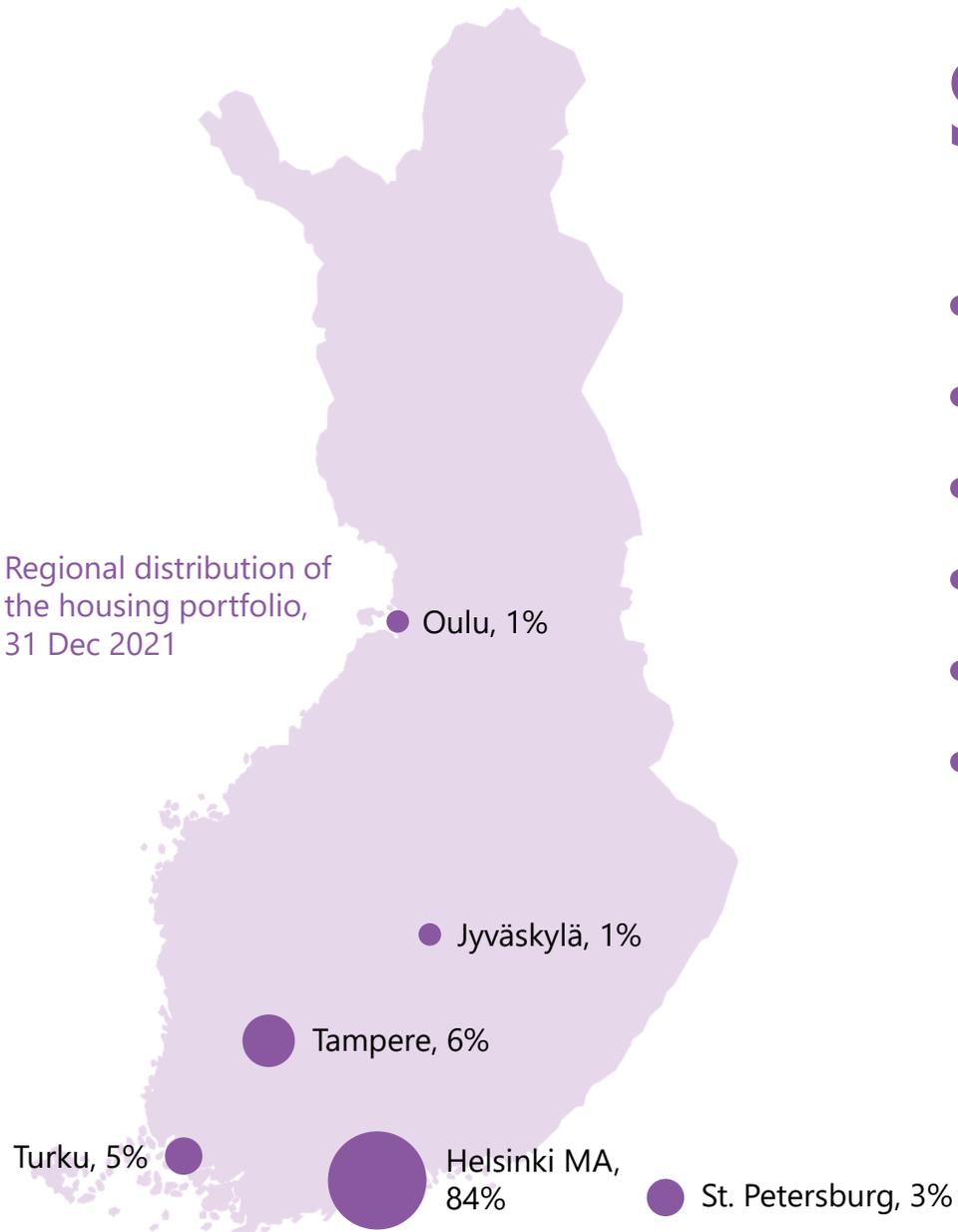
Presentation material 11th Feb 2022 | Antti Aarnio, President and CEO

CONTENT

- SATO in brief
- Strategy
- SATO's year 2021
- Outlook

SATO IN BRIEF

Regional distribution of
the housing portfolio,
31 Dec 2021



- Number of SATOhomes **26,800**
- Number of personnel **313**
- Net sales **€298.3 million**
- Investments **€167.1 million**
- Fair value of investment properties **€5 billion**
- Operating area
 - **Helsinki Metropolitan Area**, Tampere, Turku, Jyväskylä, Oulu in Finland
 - St. Petersburg in Russia

SATO'S STRATEGY

MEGATRENDS: POPULATION SHIFT, CLIMATE CHANGE, DIGITALISATION, SUSTAINABILITY



VALUES: HUMAN TO HUMAN | BE BOLD, AIM HIGH | JOY OF SUCCEEDING TOGETHER

”It is so awesome to get to meet our residents. Last time we were visiting one of our houses, we had long conversations about all kinds of living and housing related issues with multiple residents. I got this feeling that we really are doing an important work here.”

Shugri Mohamed, asumisneuvoja

A young child with light brown hair, wearing a dark blue long-sleeved shirt with yellow and teal horizontal stripes, is holding a blue and white toy helicopter with both hands. The child is looking up at the helicopter with a focused expression. The background is a blurred indoor setting with a window and some furniture.

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SATO'S YEAR 2021

Better customer experience to beat the challenging market

OPERATING ENVIRONMENT

SATO's operating environment in 2021 was affected by economic recovery and the acceleration of inflation towards the end of the year, the continuation of the pandemic, increased supply of rental housing especially in the Helsinki metropolitan area, and net migration into the surrounding municipalities.

Recovery from the recession of 2020 has been rapid. Easing of COVID-19 restrictions resulted in higher demand, and positive development in employment. The Bank of Finland's economic growth projection for Finland was 3.5% for 2021 and 2.6% for 2022. Growth in 2022 will be slowed by supply bottlenecks, the development of the pandemic and the inflation that accelerated in late 2021.

Inflation accelerated especially in late 2021. Due to the strong recovery in demand and the bottlenecks that have built up in supply chains the prices have risen. The sharp rise in energy prices meant a sharp rise in the price of district heating especially in Helsinki. To mitigate the rise in costs and reduce emissions, we look into the possibility to use a heating solution based on renewable energy, such as geothermal heating, at every new building and renovation site.

Housing construction has risen to a record-high level. The increase in construction permits and housing starts will show in the number of completed buildings especially in 2021 and 2022. Roughly half of the new residential buildings will be located in the Helsinki metropolitan area. Housing remains an appealing investment. The COVID-19 crisis that hit several other real estate sectors hard further reinforces the status of housing investment. Foreign housing investors continued to beef up their investment portfolios during the reporting year.

Municipalities surrounding large cities, especially Helsinki, Tampere and Turku, experienced the highest positive net migration rates in January–June 2021. The pandemic has slightly shifted the focus of demand for rental apartments to larger apartments and areas with lower rent levels. Behind both of these developments is the increase in teleworking.

After the early year, SATO's economic occupancy rate took a slight upward turn. Demand returned to normal during summer in the Tampere and Turku regions and in the rest of Finland. Increased housing supply in the Helsinki metropolitan area has kept competition tight, which translated into high tenant turnover in SATO's business during the reporting year, leading to a weaker economic occupancy rate and a slight fall in average rents.

Despite the COVID-19 pandemic, there is demand for rental apartments, dense urban living along good public transport connections is becoming increasingly popular, and the urbanisation trend continues. The Helsinki metropolitan area, Tampere and Turku continue to enjoy strong growth, while Finland's population is expected to begin declining in 2031. The Helsinki metropolitan area is expected to grow by over 200,000 new residents by 2040, and the number of small households continues to rise. The proportion of immigrants living in the metropolitan area is predicted to grow from the current 17% to 25% by 2030. The aging population typically moves closer to growth centres and the services they offer, and housing-related services are increasingly expected.

The change in the population structure and development in the prices of owner-occupied apartments create a stable foundation for demand for rental housing especially in the capital area and in Tampere and Turku. Outside of growth centres, the real prices of homes are declining, which makes acquiring an owner-occupied apartment in growth centres more challenging for people coming from those areas.

Finland targets carbon neutrality by 2035. Mitigating emissions from the construction sector plays a significant role in international climate targets as well. Construction and the use of buildings currently account for over a third of Finland's greenhouse gas emissions.

SUCCESSSES

We developed our processes and revamped our digital service environment.

- The changes made daily work more efficient for our customer service and rental activities, which means smoother service for our customers.

We further expanded the house expert operating model in the Helsinki metropolitan area, Tampere and Turku.

- At the end of 2021, more than 50 house experts worked at SATO.

We published our refined strategy.

- Customer experience, sustainability and sustainable housing, and SATO employees at the core of the strategy.

At the end of the reporting year, we had seven properties that use geothermal heat as their heat source.

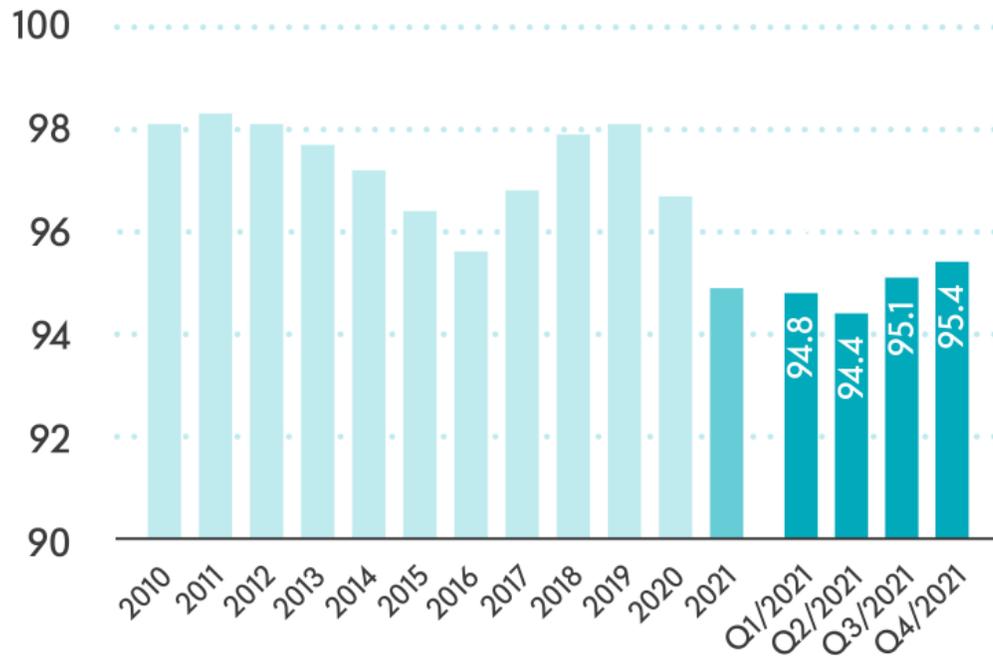
- 22 more planned/under construction.



OCCUPANCY RATE

Affected by pandemic related uncertainties and intensified competition in Helsinki MA

FINANCIAL OCCUPANCY RATE OF RENTAL HOUSING, %*

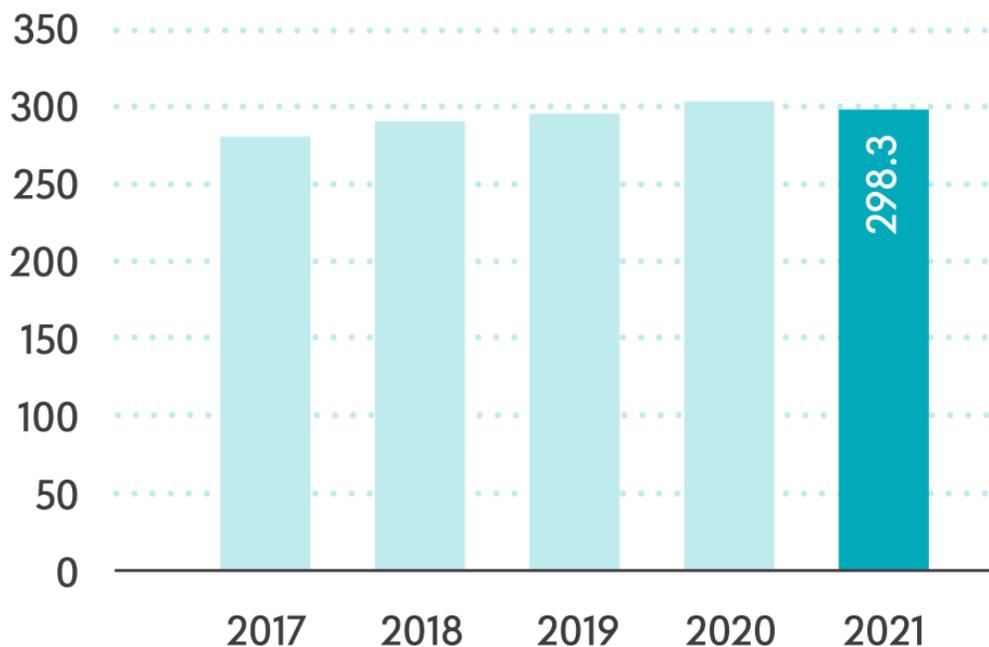


*Housing business in Finland

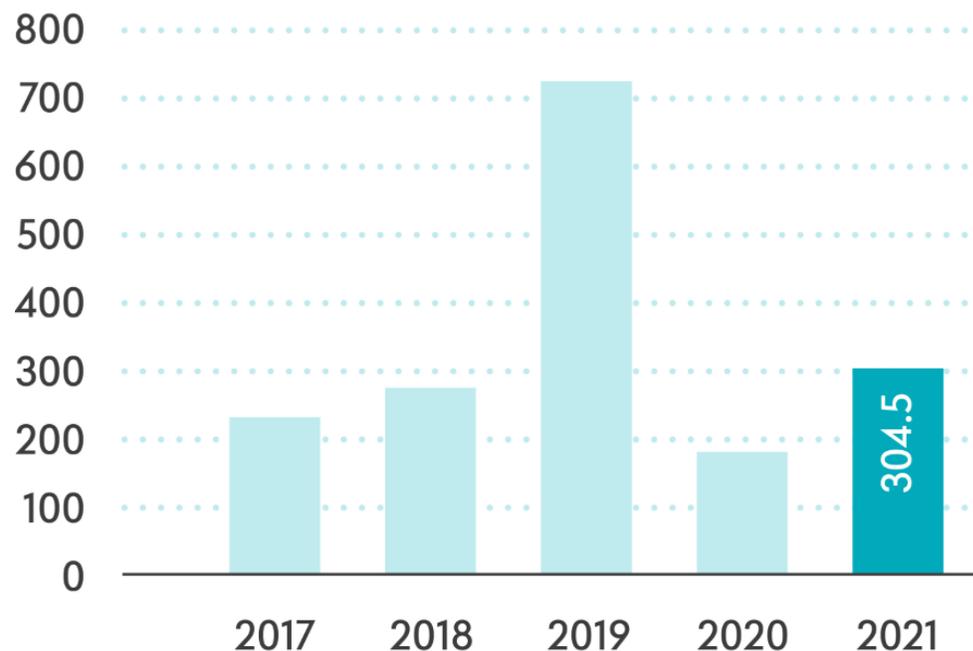
NET SALES AND OPERATING PROFIT

Change in fair value visible in operating profit

NET SALES, MEUR



OPERATING PROFIT, MEUR



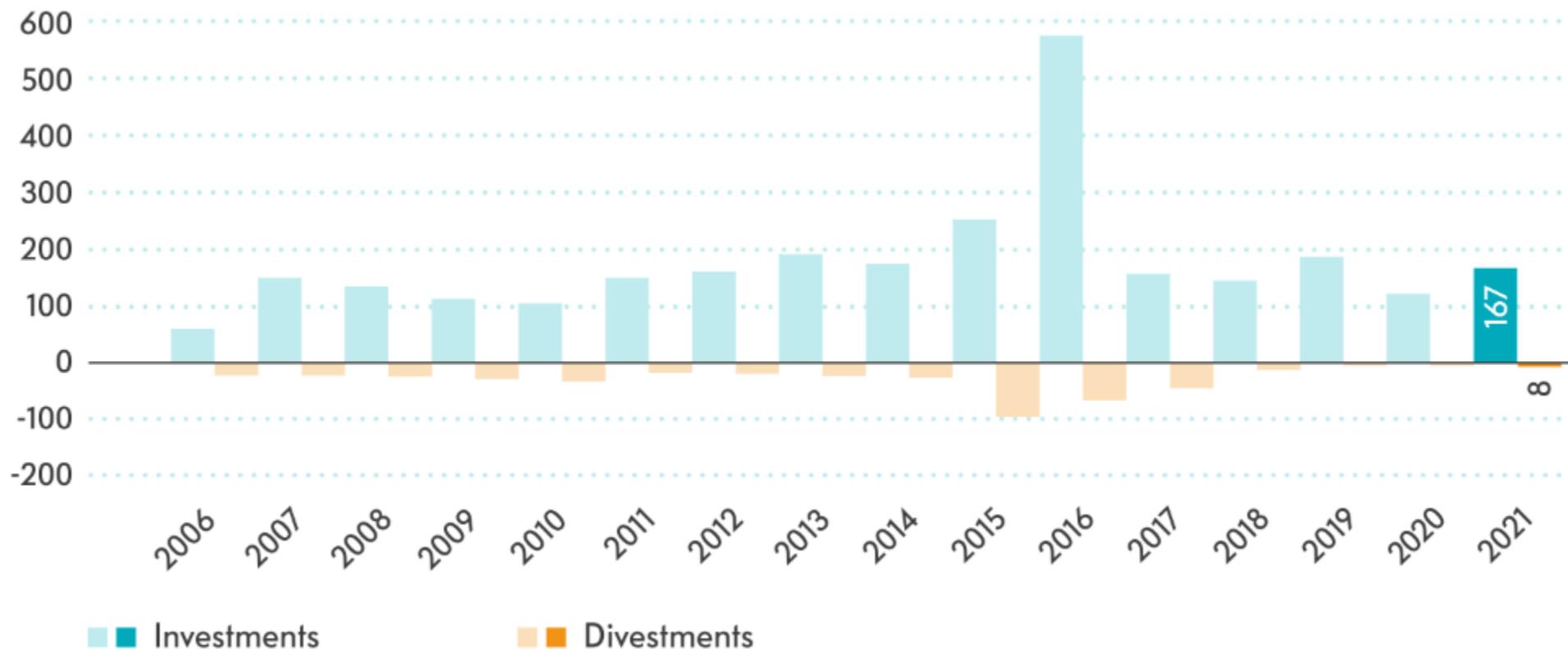
”We are taking into account the environmental aspects in construction project. The ease of maintenance as well as the durability of the framework and surface materials are thought of when planning and building. The concrete frame of a house should last for a 100 years to prevent the building being demolished in 40 years.”

Jussi Väisänen, Planning Manager

DEVELOPMENT OF HOUSING ASSETS

Investments focused on Helsinki MA, Tampere, and Turku

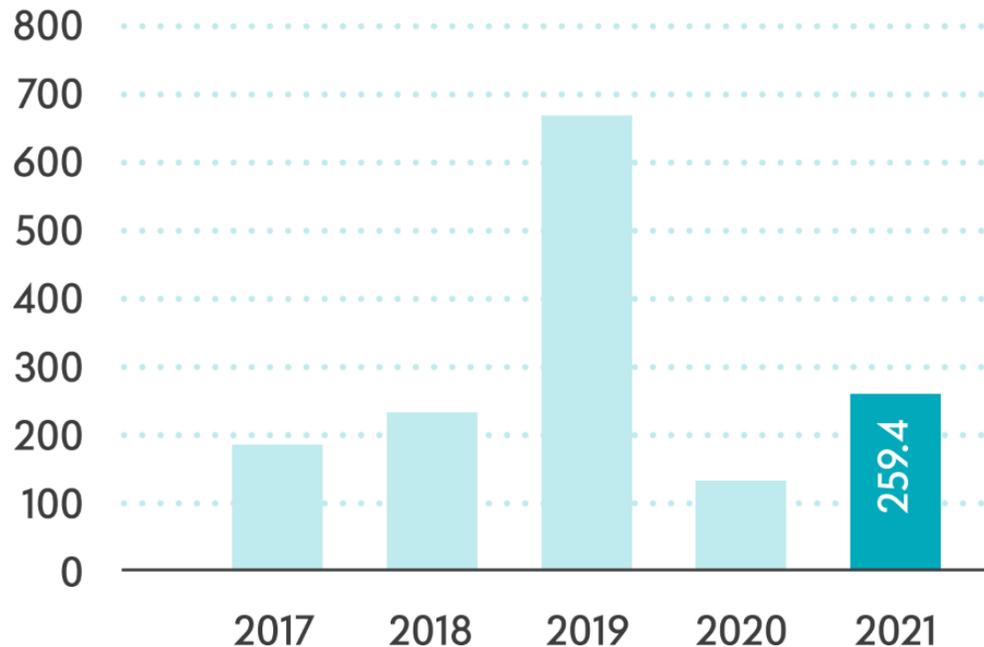
HOUSING INVESTMENTS AND DIVESTMENTS, MEUR



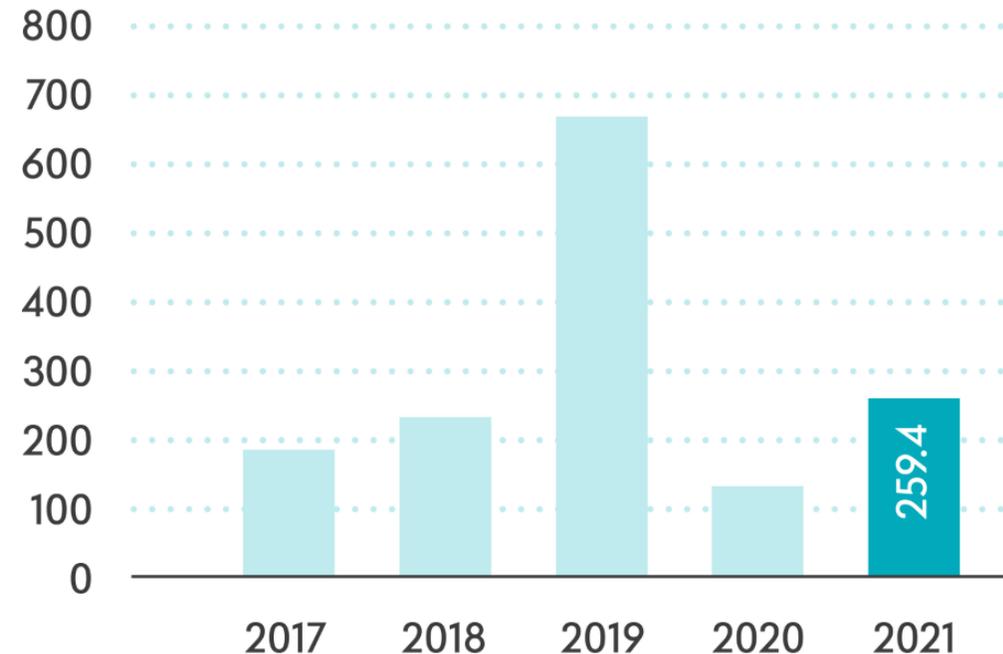
PROFIT AND CASH EARNINGS

Change in fair value of investment properties included in profit before taxes

PROFIT BEFORE TAXES, MEUR



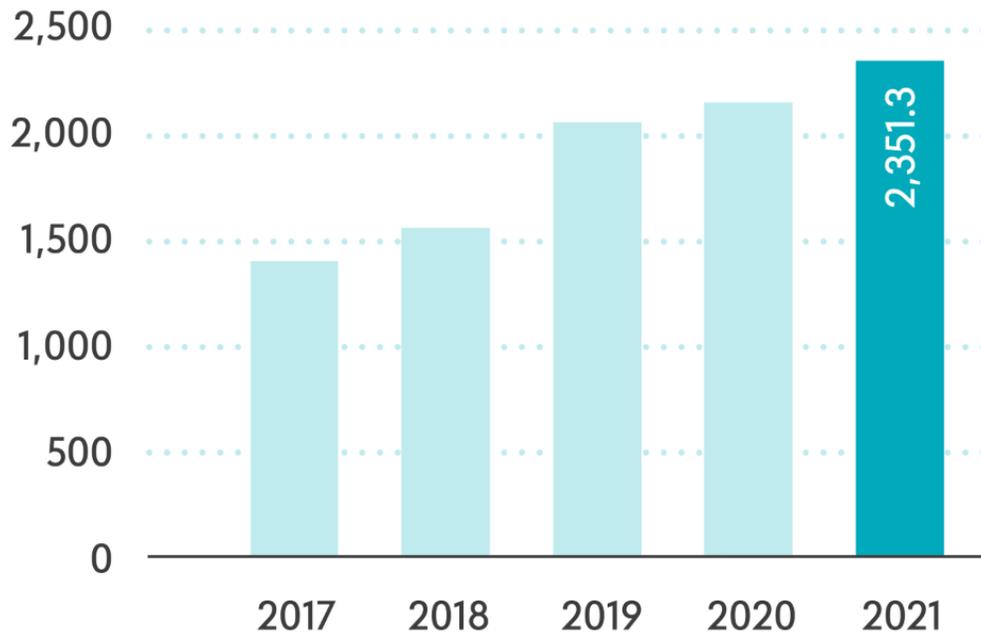
CASH EARNINGS (CE), MEUR



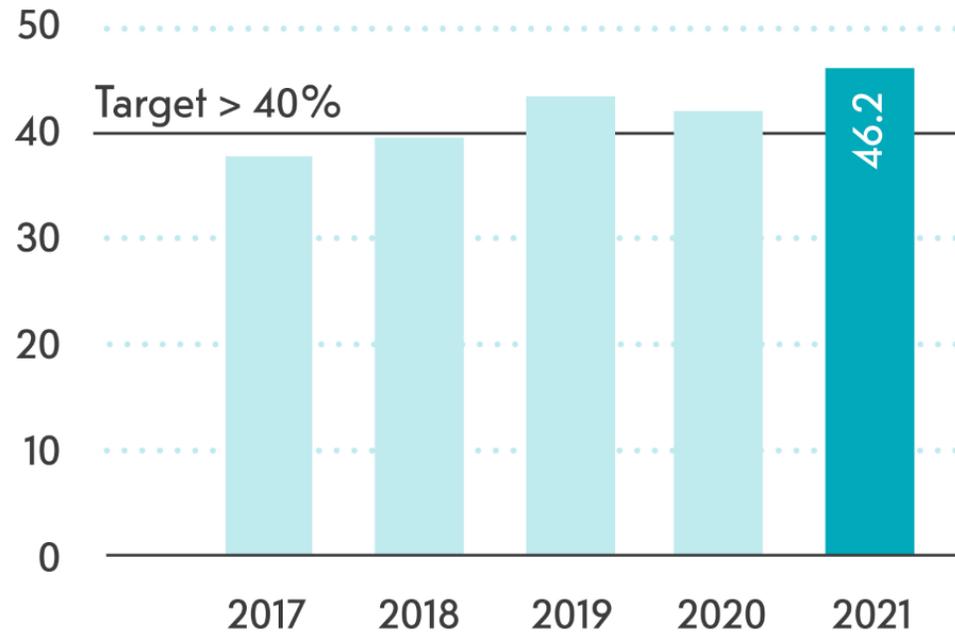
FINANCIAL POSITION

Even stronger equity ratio enables growth

SHAREHOLDERS' EQUITY, MEUR



EQUITY RATIO, %



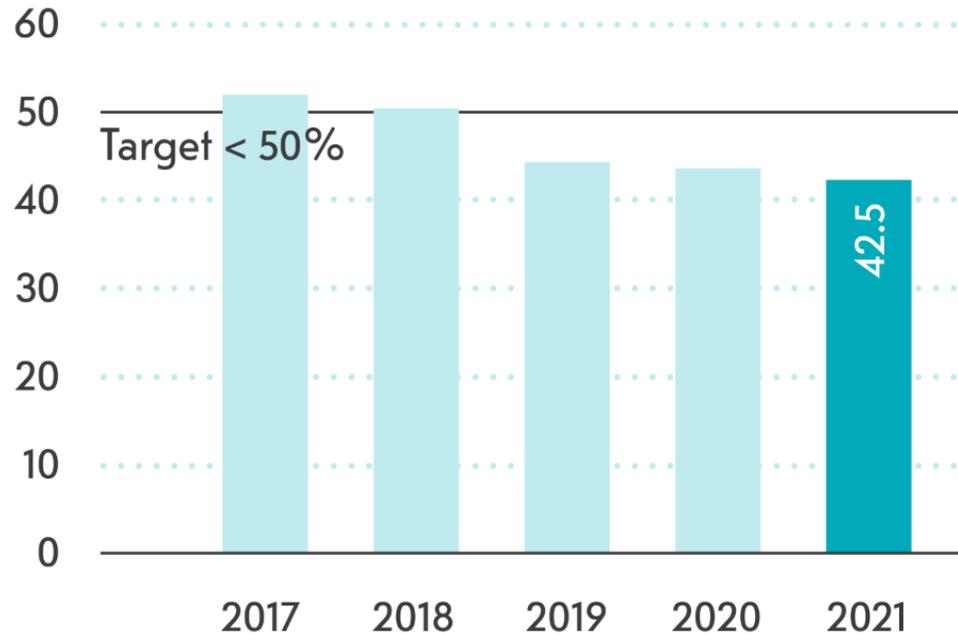
”It’s good to be prepared for changes, and to see things from the customer’s perspective. In addition I recommend learning every essential bit of information about the home - on sale or ready to rent - so you can offer your customer the best possible option.”

Katja Grönroos, Sales Negotiators’ Team Leader

SOLVENCY RATIO

Steadily stronger solvency ratio

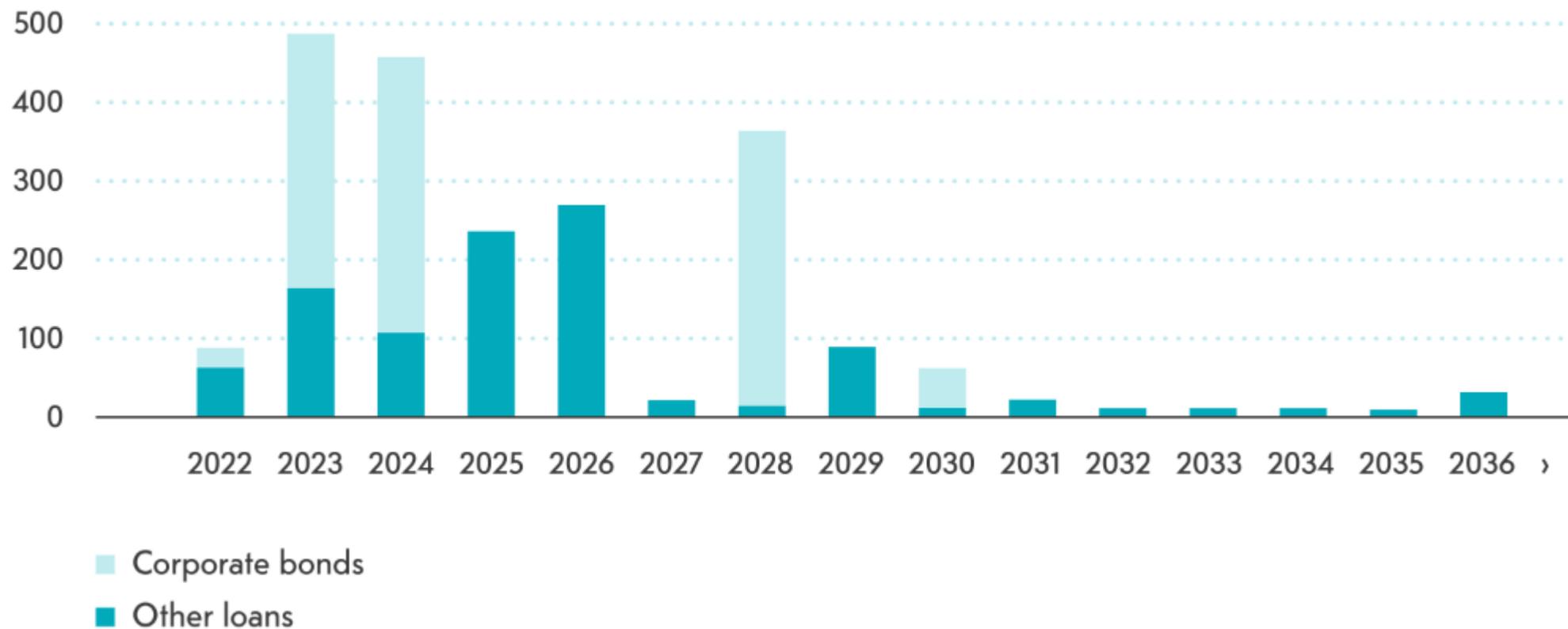
SOLVENCY RATIO, %



BROAD FINANCING BASE

Finances mainly free from real securities

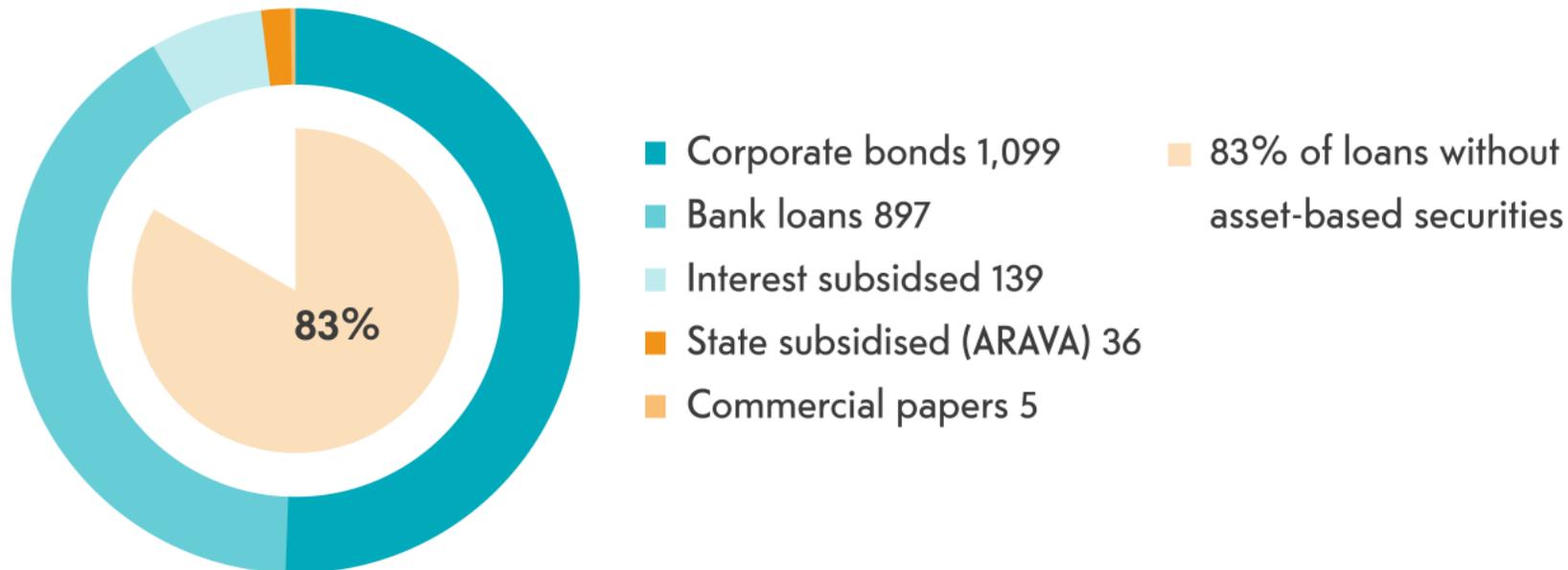
MATURITY PROFILE OF LONG TERM DEBT, MEUR



BROAD FINANCING BASE

Interest bearing debt €2,176 million

DEBT PORTFOLIO, nominal values 31 Dec 2021
TOTAL MEUR 2,176



”There is a variety of know-how in the team: One has worked with plumbing, the other might have proficiency in electrics. So we combine our strengths and work out all the challenges!”

Ahmed Ismael, House Expert

SUMMARY 1 JANUARY - 31 DECEMBER

- The economic occupancy rate declined in Finland and was 94.9 % (96.7).
- Net sales stood at EUR 298.3 million (303.4).
- Net rental income decreased and was EUR 210.6 million (220.3).
- Profit before taxes increased and was EUR 259.4 million (129.5).
- The change in the fair value of investment properties included in the result was EUR 129.1 million (-13.0).
- Housing investments amounted to EUR 167.1 million (120.6).
- Invested capital was EUR 4,520.8 million (4,537.2).
- Return on invested capital was 6.7 % (4.1).
- Earnings per share were EUR 3.64 (1.80).
- The Board of Directors proposes to the Annual General Meeting that EUR 0.50 per share (0.50) is paid in dividends.

MAIN SHAREHOLDERS

Balder Finska Otas AB (Fastighets AB Balder)	55.9 %
Stichting Depository APG Strategic Real Estate Pool	22.6 %
Elo Mutual Pension Insurance Company	12.7 %
The State Pension Fund	4.9 %
Valkila Erkkä	0.7 %
Hengityssairauksien tutkimussäätiö	0.4 %
SATO Oyj	0.3 %
Entelä Tuula	0.3 %
Heinonen Erkki	0.3 %
Tradeka Invest Ltd	0.2 %
Others (116 shareholders)	1.7 %

On 31 December 2021, the Group had 126 shareholders entered in the book-entry register. The turnover of SATO Corporation's shares was 0.25% during the reporting year.

OUTLOOK

In the operating environment, SATO's business operations are mainly affected by urbanisation, competition, interest rates, consumer confidence, the development of purchasing power, the rent and price development for apartments, housing policies and in addition COVID-19 pandemic that began year 2020.

According to the Bank of Finland's projection, the Finnish economy will continue to grow in 2022. However, factors that will slow economic growth include supply bottlenecks, the development of the COVID-19 pandemic and the inflation that accelerated in late 2021. The greatest uncertainty for the 2022 outlook comes from the re-escalation of the pandemic in late 2021 and the resulting restrictions.

Efforts are being made to limit the negative impact of the pandemic on Finland's economy through support measures adopted by the European Central Bank, the European Union and the State of Finland. Due to Europe's economic development, interest rates are expected to remain low, which will have a positive impact on SATO's financing costs. Going forward, the development of inflation may lead to changes in the interest rate level. Short-term interest rates remain low but long-term interest rates have slightly risen from their level in early 2021.

In recent years, the rental housing markets in major cities have been characterised by sharp growth in supply. The growth largely stems from the brisk production of rental housing, driven by strong investor demand. The numbers of granted construction permits and housing starts have been increasing since summer 2020. The increase in construction permits and housing starts will be reflected in the number of completed buildings in 2022 and 2023. Roughly half of the new residential buildings will be located in the Helsinki metropolitan area. Supply has also increased as a result of offering previously short-term rental apartments for longer rental periods.

Despite the COVID-19 pandemic that erupted in 2020, there is demand for rental apartments, and the strong urbanisation trend that temporarily decelerated during the pandemic is believed to continue also in the coming years. The pandemic has slightly shifted the focus of demand for rental apartments to larger apartments and areas with lower rent levels. Demand for rental housing is primarily focused on major cities and their surrounding municipalities in the Helsinki metropolitan area and the Tampere and Turku regions. When all restrictions to contain the spread of the coronavirus are lifted, travel rates increase and students return to classrooms, the demand for rental housing is expected to start growing. The tight competitive situation in the Helsinki metropolitan area is expected to continue even after the pandemic, due to increased supply.

As tenants have a wider choice, a successful customer experience is more important than ever. SATO is investing strongly in increasing its customer presence and developing digital services.

In line with its majority shareholder's operating model, SATO Corporation will not publish guidance on its 2022 earnings. The parent company of Balder Finska Ots AB is Fastighets AB Balder, which is quoted on the Stockholm Stock Exchange.



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