



# Financial Statement 2023

Presentation material 9th Feb 2024 | Antti Aarnio, President and CEO

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# SATO IN BRIEF

With over **25,000** homes we are one of Finland's leading housing providers.

We have nearly **43,000** residents in Helsinki Metropolitan Area, Tampere, and Turku.

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

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

We grow profitably. In 2022 we invested **150.0** MEUR to strengthen our housing portfolio.

Our net sales in 2023 were **288.4** MEUR.

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

# OUR STRATEGY

**#1**

**CUSTOMER  
EXPERIENCE**

Close to  
customer

**#2**

**SUSTAINABILITY**

Homes to stand  
the test of time

**#3**

**PERSONNEL**

Forerunners  
now and tomorrow

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



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# SATO'S YEAR 2023

**Customer satisfaction improved in several areas**

# OPERATING ENVIRONMENT

For SATO, 2023 was marked by a tightened situation in the sector, Russia's war of aggression in Ukraine, higher interest rate costs, an inflation-driven rise in costs and the continued high supply of rental housing in relation to housing demand. The sharp rise in energy prices resulting from the war in Ukraine was reflected in the Finnish economy. Although an energy crisis was avoided, economic momentum remained weak throughout the reporting year as a result of prolonged inflation and high interest rates. The Finnish economy remained in a downturn in 2023, and according to the Bank of Finland's December projection, the gross domestic product contracted by 0.5% in 2023.

In 2023, headline inflation was at a high level, at around 4.4%. Core inflation persistently remained above the two per cent mark, which is why central banks continued their policy to tighten interest rates throughout the year. In late 2023, energy prices fell to a seasonally normal level and inflation began to fall. Consumers' confidence in their own finances remained low, which translated into cautious spending. The employment rate stopped rising and declined as economic growth stalled. The employment situation is expected to weaken further in 2024. On the other hand, inflation has slowed, interest rate costs are expected to fall and households' purchasing power is expected to increase. These developments are anticipated to have a positive impact on Finland's economy.

The housing sector was impacted by economic uncertainty, a high interest rate level and a rise in living costs. The outlook for housing construction darkened to an exceptional degree in 2023 as a result of rising costs and weaker demand. The record-low demand for housing also had a significant impact on housing starts for both owner-occupied and rental apartments. According to the Confederation of Finnish Construction Industries, housing starts contracted dramatically in 2023, although previously started projects kept the supply high in the Helsinki metropolitan area high during 2023.

Strong demographic growth is expected to continue in the Helsinki metropolitan area, Tampere and Turku, while growth in the whole country will likely start to decline in 2031. The Helsinki metropolitan area's population is expected to grow by over 200,000 new residents by 2040. Close to 80% of the area's residents already live in one- to two-person households, and the number of small households continues to rise. The proportion of immigrants living in the capital area is predicted to grow from the current 17% to 25% by 2030. Ageing populations typically move closer to growth centres and the services they offer, and they also increasingly expect housing-related services. 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.

Despite positive internal migration, competition for good tenants remained tight during the reporting year, and rent increases remained moderate. Housing providers have not been able to pass the actual cost rises on to rents. The increased cost level creates pressure to increase rents in the upcoming years.

Economic uncertainty may have a positive impact on the demand for rental apartments. Some of those looking for an owner-occupied apartment may also consider rental housing as an option.

The Bank of Finland projected, already in December 2023, that economic growth in 2024 would be negative 0.2%. The employment situation is expected to weaken slightly further in 2024. Economic growth is forecast to improve in 2025, as a result of which the employment situation will also take an upward turn.

# SUCCESSSES

- Despite the tough competition and nearly 1,000 newly built homes, our financial position remained strong and customer experience continued its positive development.
- SATO was awarded the Great Place To Work® certificate and ranked tenth in the list of Finland's Best Workplaces in the large company category.
- As proof of our owners' confidence in SATO, a share issue of up to EUR 200 million started up in December.
  - The share issue offers us more extensive financing options and strengthens our financial position.



# SUMMARY 1 JAN - 31 DEC 2023

- The economic occupancy rate decreased and was 94.9% (95.2).
- Net sales stood at EUR 288.4 million (291.2).
- Net rental income decreased and was EUR 198.7 million (200.4).
- Profit before taxes decreased and was EUR -185.8 million (151.9).
- The unrealised change in the fair value of investment properties included in the result was EUR -249.3 million (-14.9).
- Housing investments amounted to EUR 150.0 million (190.5).
- Invested capital was EUR 4,610.4 million (4,626.5).
- Return on invested capital was -2.5% (4.3).
- Earnings per share were EUR -2.72 (2.13).
- The Board of Directors proposes to the Annual General Meeting that dividends shall not be distributed (EUR 0).

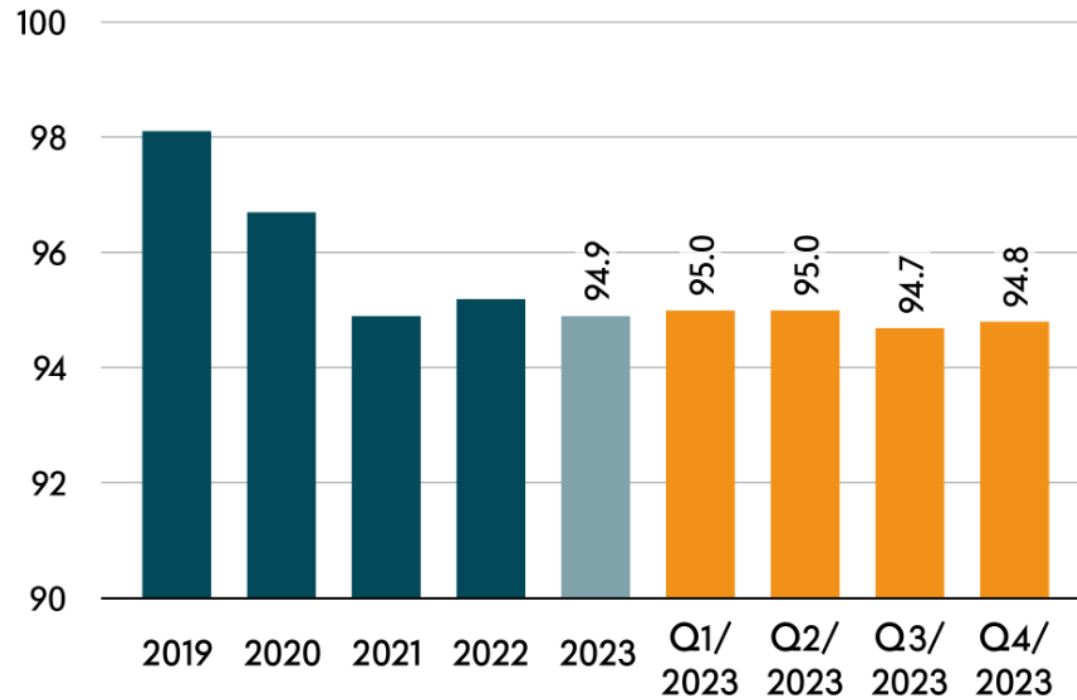


# SUMMARY 1 OCT - 31 DEC 2023

- The economic occupancy rate was 94.8% (95.5).
- Net sales were EUR 73.5 million (71.4).
- Profit before taxes was EUR -91.6 million (-31.0).
- The unrealised change in the fair value of investment properties included in the result was EUR -109.3 million (-58.1).
- Investments in rental apartments amounted to EUR 57.3 million (68.4).
- Earnings per share were EUR -1.3 (-0.45).

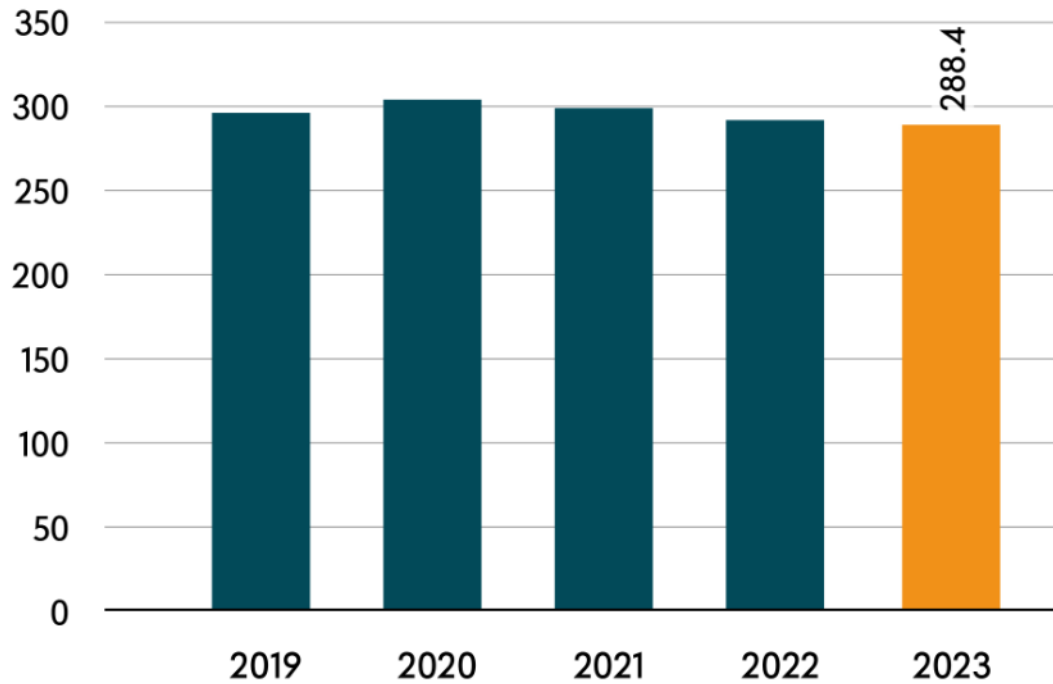
# OCCUPANCY RATE

ECONOMIC OCCUPANCY RATE OF RENTAL HOUSING, %

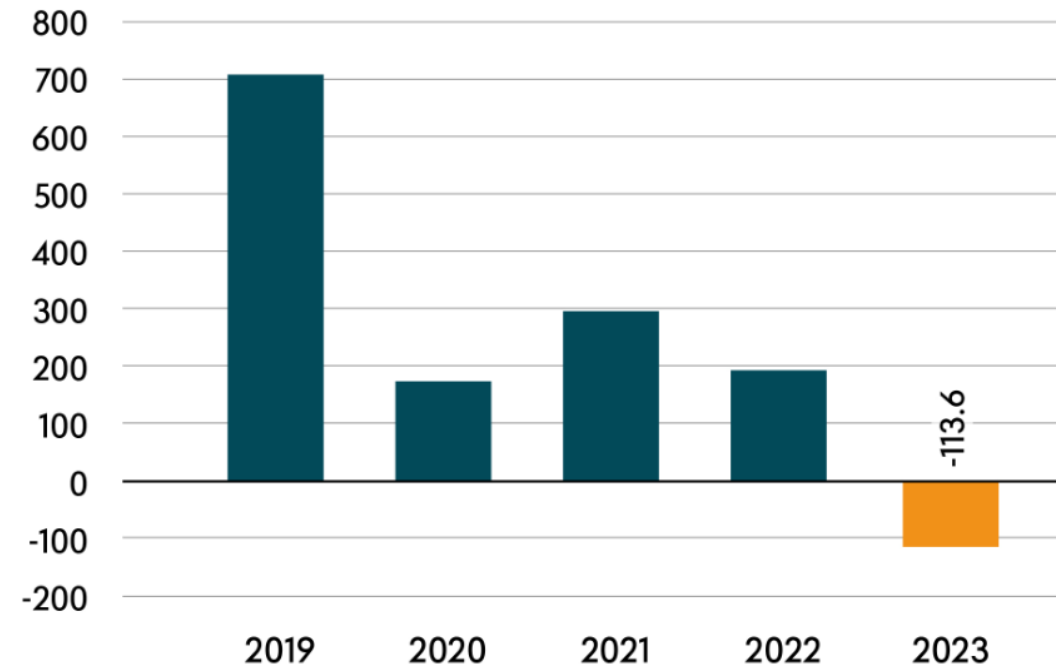


# NET SALES AND OPERATING PROFIT

NET SALES, MEUR

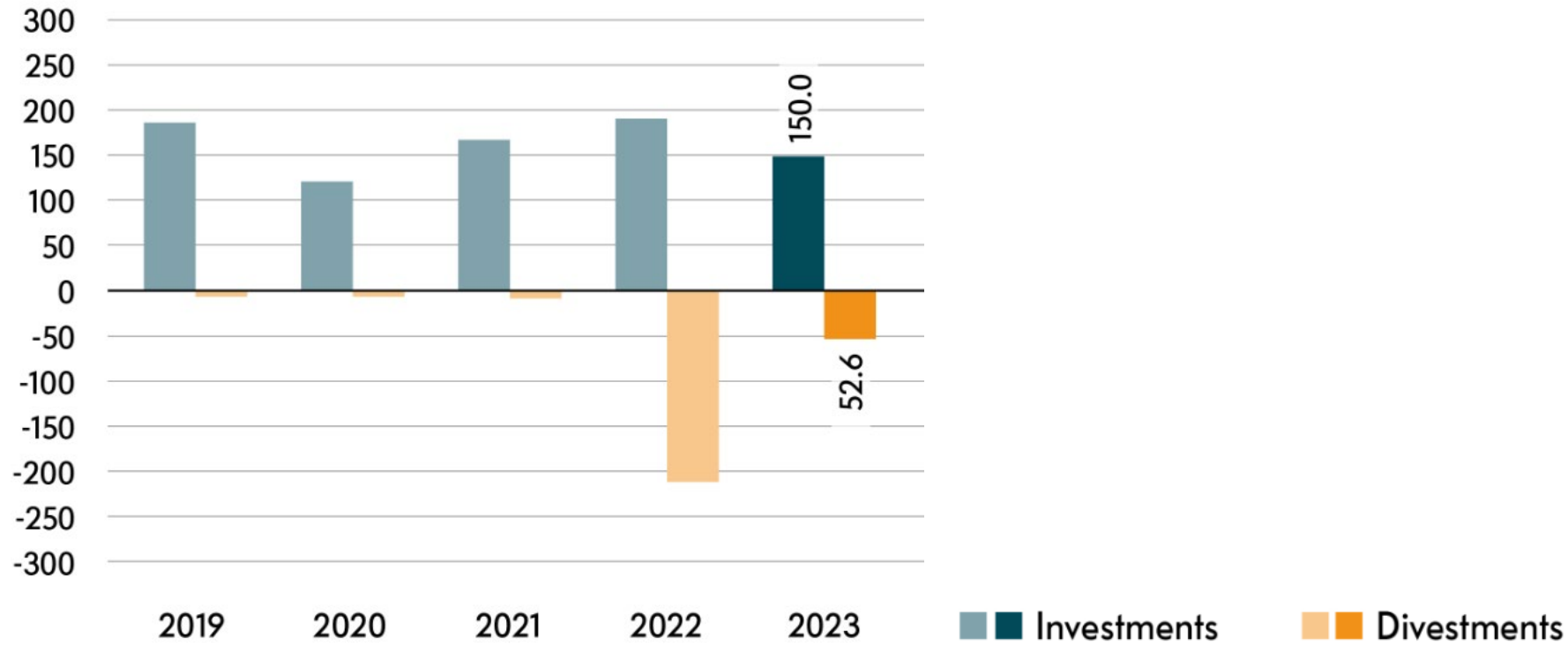


OPERATING PROFIT, MEUR



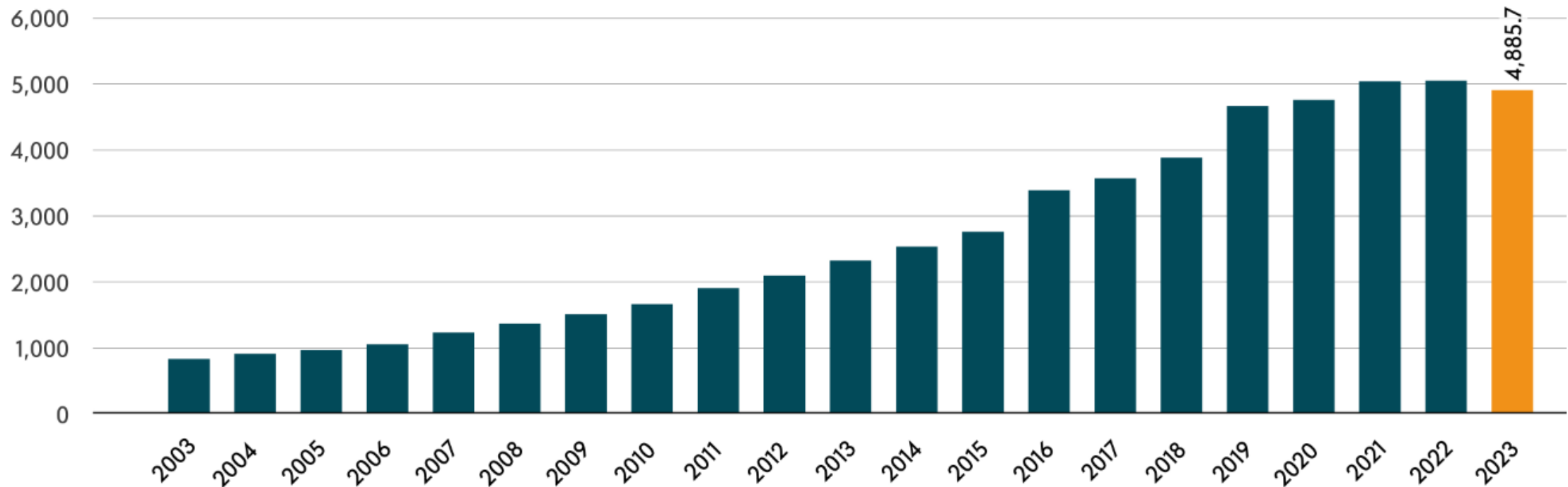
# DEVELOPMENT OF HOUSING ASSETS

HOUSING INVESTMENTS AND DIVESTMENTS, MEUR



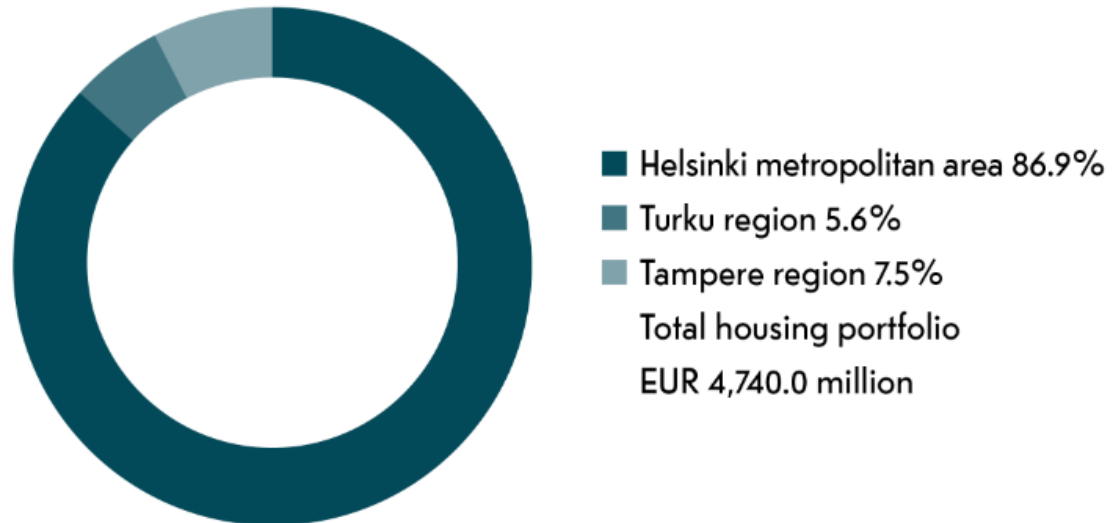
# DEVELOPMENT OF HOUSING ASSETS

TREND IN THE INVESTMENT PROPERTY PORTFOLIO VALUE, MEUR

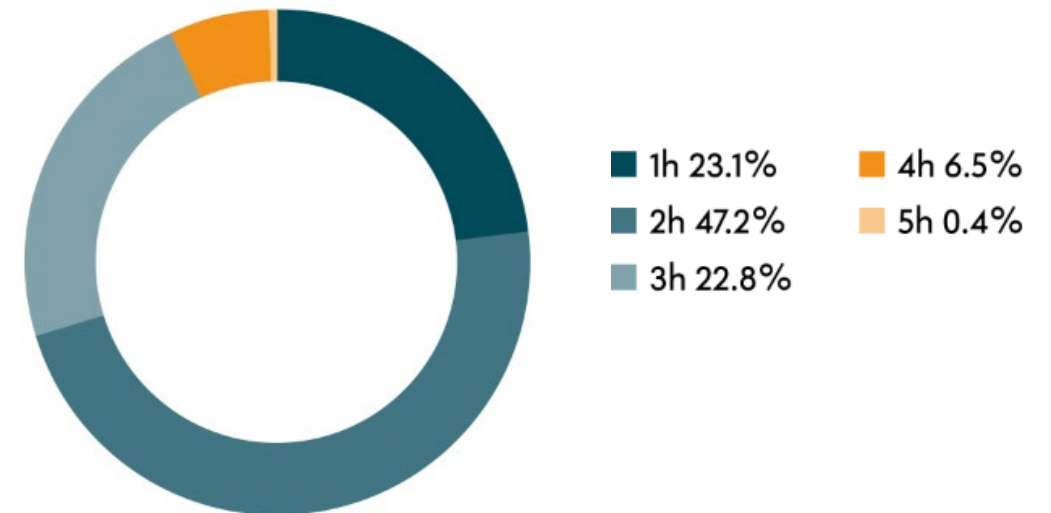


# DEVELOPMENT OF HOUSING ASSETS

REGIONAL DISTRIBUTION OF HOUSING PORTFOLIO 31 DEC 2023, %



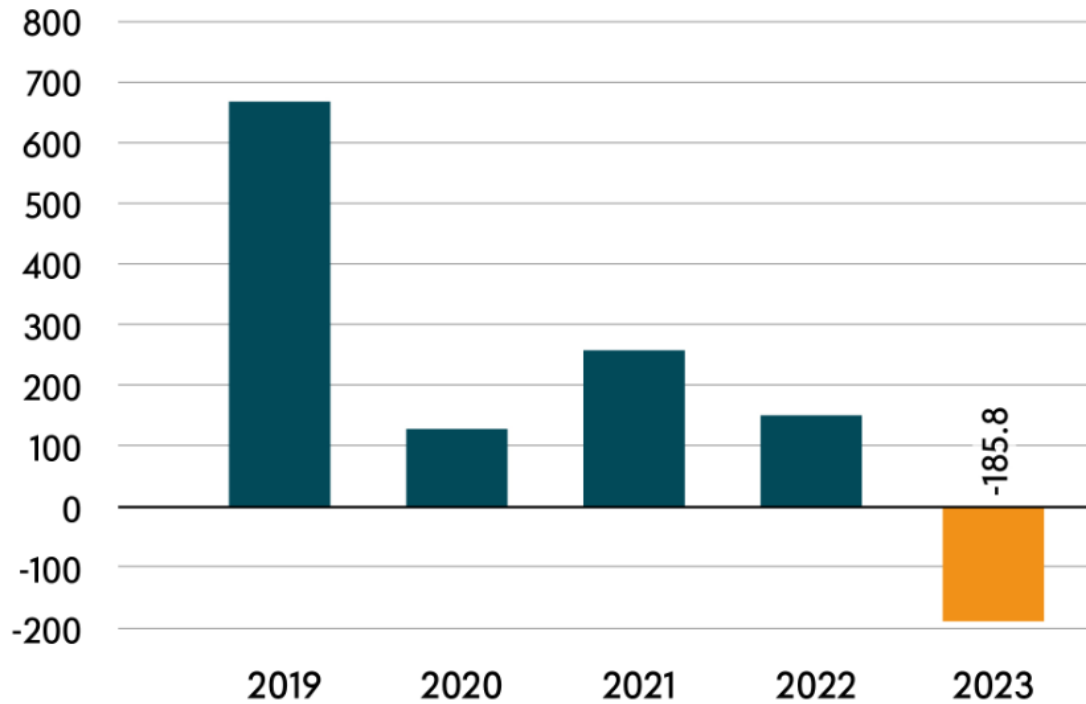
SATO'S OWNED RENTAL HOMES 31 DEC 2023, %



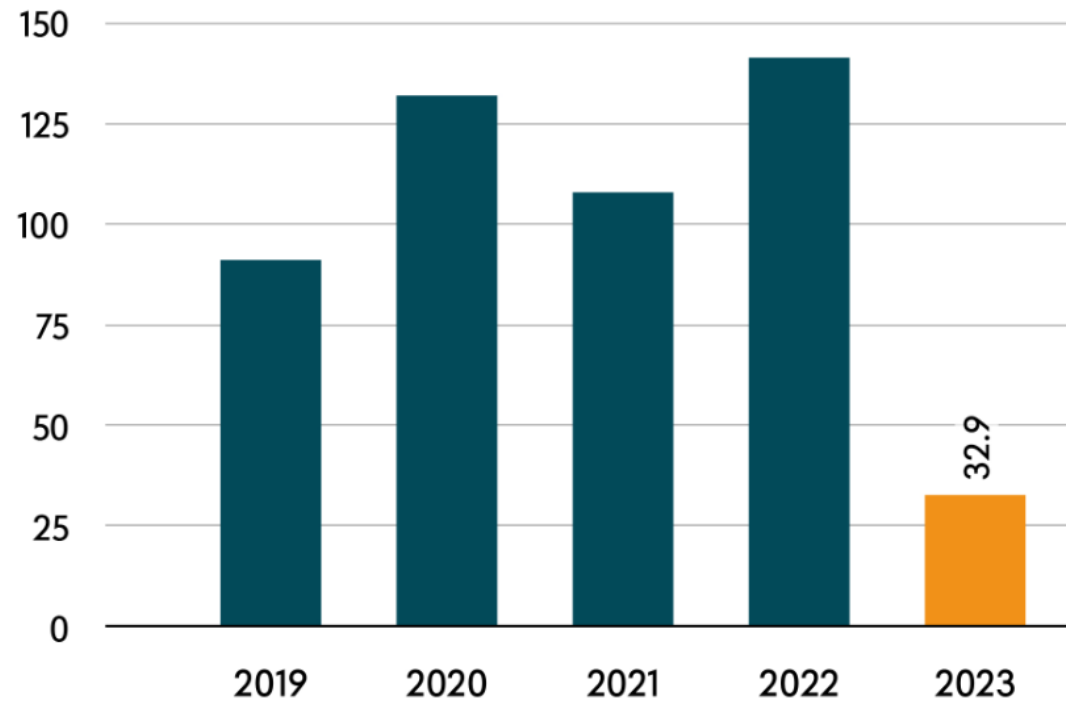
On 31 December 2023, SATO had 349 rental apartments under construction. During the year, 978 RentHomes and 0 FlexHomes were completed for the SATO Group.

# PROFIT AND CASH EARNINGS

PROFIT BEFORE TAXES, MEUR

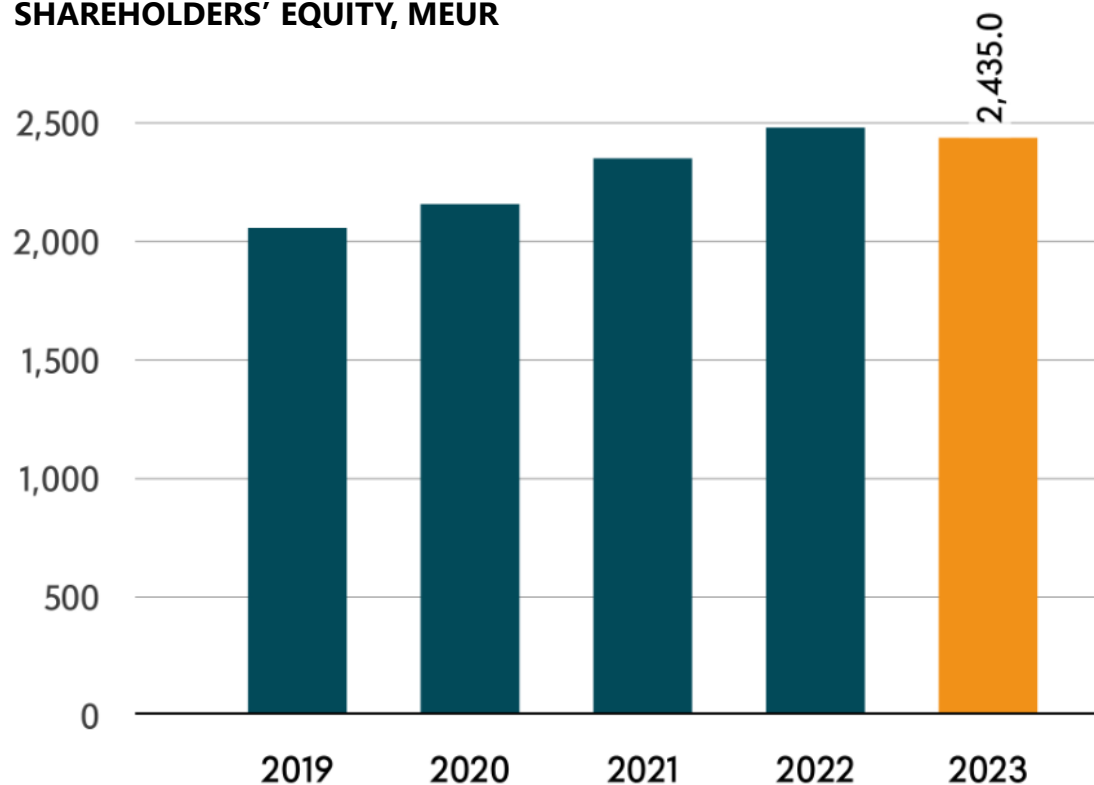


CASH EARNINGS (CE), MEUR

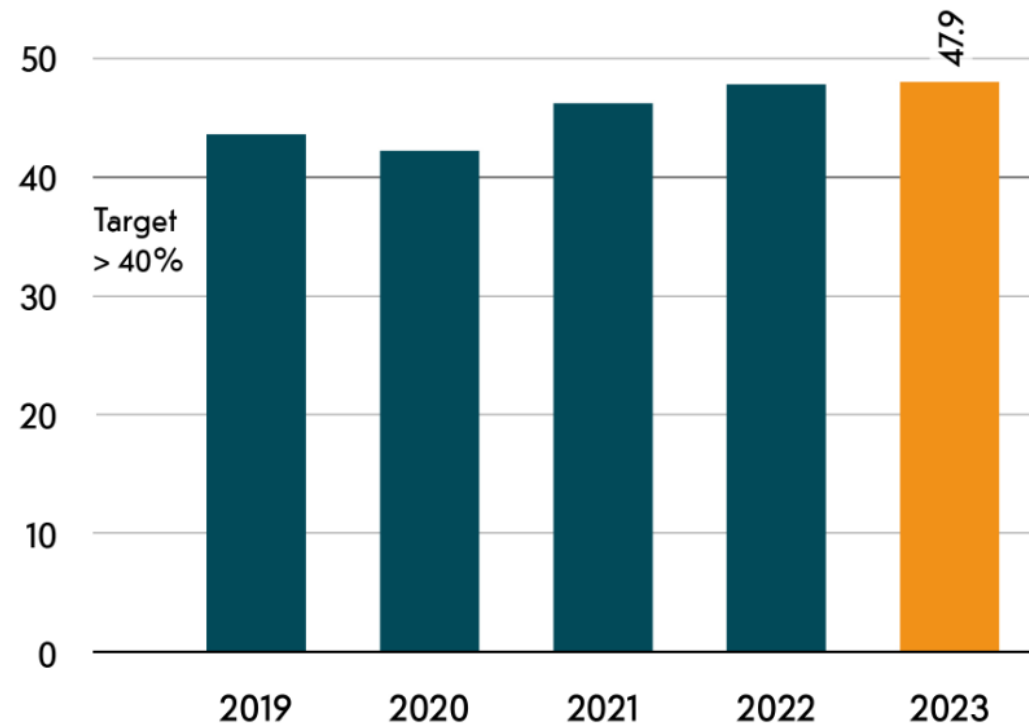


# FINANCIAL POSITION

SHAREHOLDERS' EQUITY, MEUR



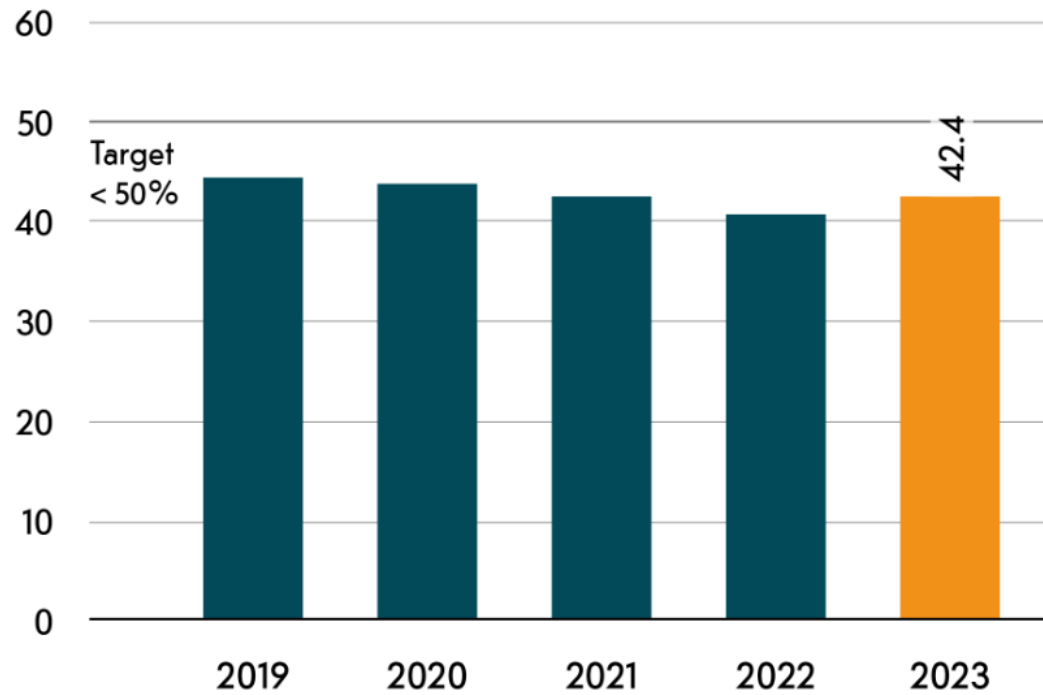
EQUITY RATIO, %





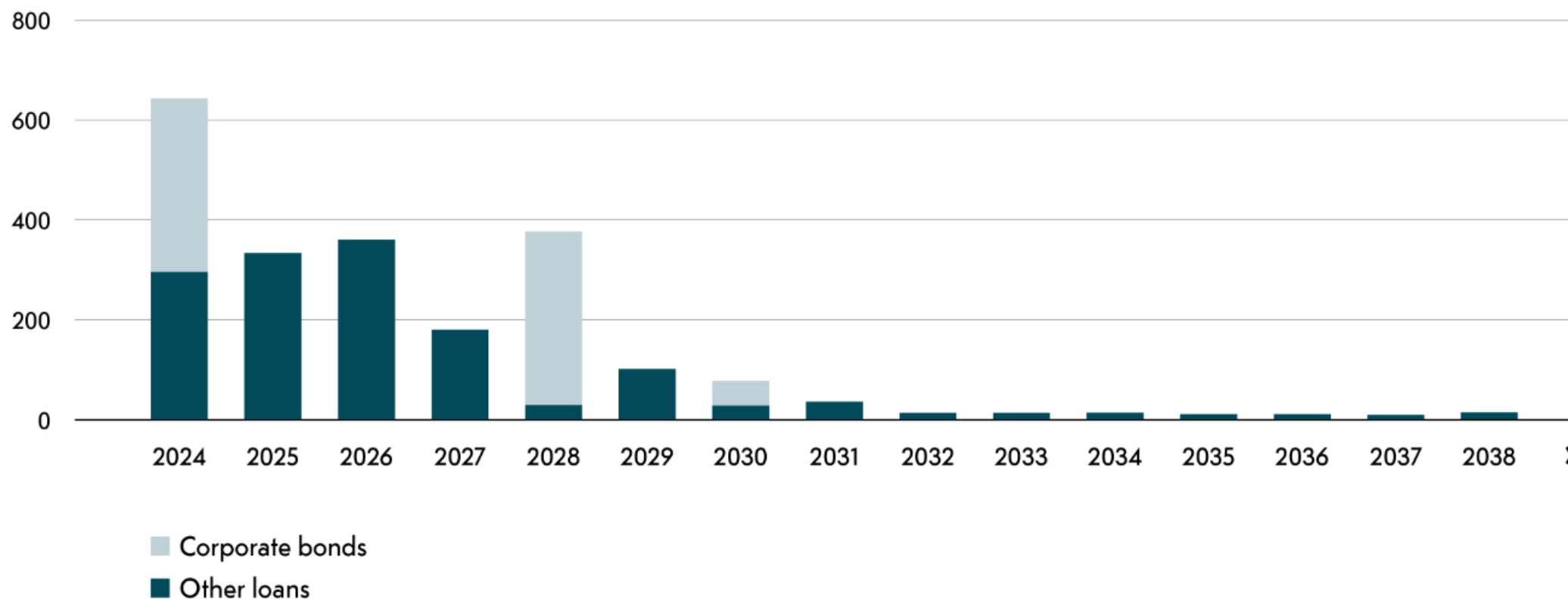
# SOLVENCY RATIO

SOLVENCY RATIO, %



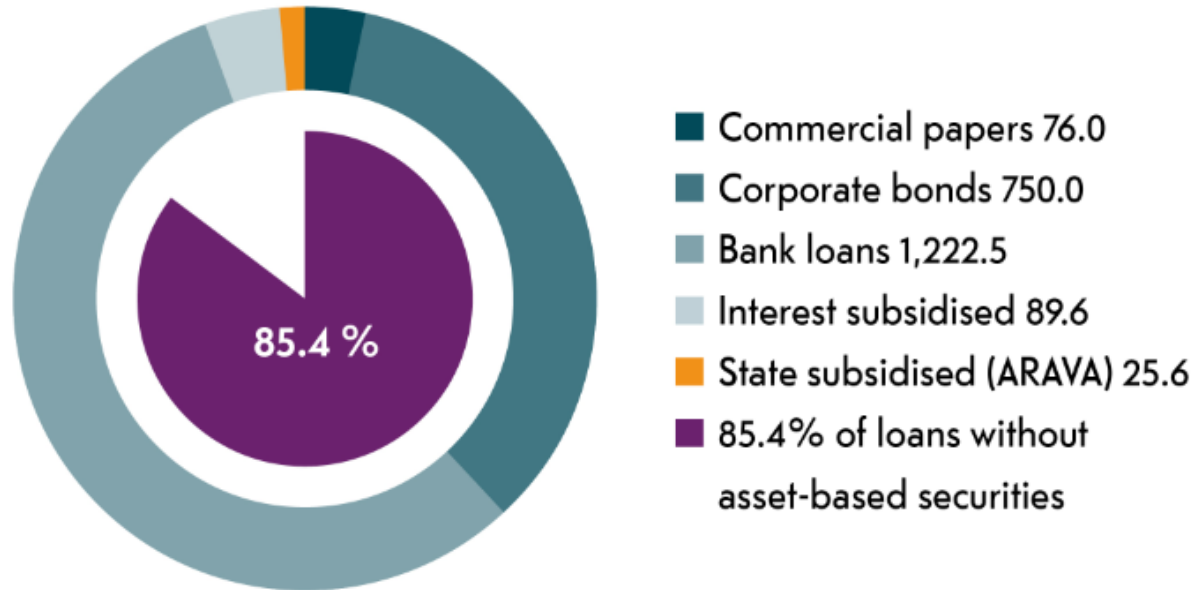
# BROAD FINANCING BASE

MATURITY PROFILE OF LONG TERM DEBT, MEUR



# BROAD FINANCING BASE

DEBT PORTFOLIO, nominal values 31 Dec 2023  
TOTAL MEUR 2,163.7



# MAIN SHAREHOLDERS

Balder Finska Otas AB (Fastighets AB Balder)	56,3 %
Stichting Depository APG Strategic Real Estate Pool	22,6 %
Elo Mutual Pension Insurance Company	12,7 %
The State Pension Fund	4,9 %
Valkila Erkka	0,7 %
SATO Corporation	0,3 %
Entelä Tuula	0,3 %
Heinonen Erkki	0,3 %
Tradeka Invest Ltd	0,2 %
Research Foundation of the Pulmonary Diseases	0,2 %
Others (119 shareholders)	1,5 %

On 29 December 2023, the Group had 129 shareholders entered in the book-entry register. The turnover of SATO Corporation's shares was 0.02% during the reporting year.

# OUTLOOK

In the operating environment, SATO's business activities are mainly affected by consumer confidence, the development of purchasing power, rent and price development for apartments, the general competitive situation and interest rates.

Finland's economic growth was negative in 2023. According to the Bank of Finland's December projection, increased prices, higher interest rates and consumers' weak confidence in the economy will slow economic growth also in 2024.

Inflation slowed strongly in late 2023 as a result of lower energy prices, tightened monetary policy and easing of supply bottlenecks. Core inflation has remained above the European Central Bank's (ECB) target, but the markets expect the ECB to start interest rate cuts during 2024. The slowing inflation and falling interest rates, coupled with households' decent income development, will increase households' purchasing power. Employment is expected to weaken slightly in 2024 but to improve as of 2025.

The continued high level of new housing production has kept competition for good tenants tight and rent increases moderate, and it has not been possible to pass the higher maintenance and financing costs on to rents in full. Higher material costs and interest rates have led to housing starts decreasing almost without interruption since early 2022. The construction of new housing has been in a steep fall in 2023 and the fall will continue in 2024.

There is demand for housing in growth centres thanks to immigration and internal migration. According to Statistics Finland, the Helsinki metropolitan area's net positive migration rate in 2023 was clearly higher than in the previous year, whereas the number of people moving out was smaller. Of the municipalities in the area, Helsinki and Espoo experienced the highest net positive migration rates.

Decreasing new housing production and population growth in growth centres will reduce supply and increase demand for rental apartments, which will likely translate into higher rents in the future.

As tenants have a wider array of choices, 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 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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