



Half-year report Jan-Jun 2024

Presentation material 16th July 2024 | Antti Aarnio, President and CEO

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SATO IN BRIEF

With some **25,500** 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 over **300** housing specialists working in SATO.

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

We grow profitably. In H1/24 Helsinki MA represented **91%** of our investments.

Our net sales in H1/24 were **150.5** 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

OPERATING ENVIRONMENT

During the period under review, the continued abundant supply of rental housing and the economic uncertainty still remained key factors affecting SATO's operating environment. Uncertainty is increased by the slow rate of economic growth, the increase in the number of unemployed jobseekers, the high interest rate level, and geopolitical risks.

Inflation continued its decline and was 1,9% in Finland and 2.4% in the euro area in April. In May, the inflation in the eurozone rose to 2.6%. The long decline enabled the European Central Bank to decide on a key interest rate cut in June, and the markets expect further rate cuts this year. Weak economic growth and the declining employment rate are keeping consumer confidence at a low level. Going forward, both the lower interest rate level and waning inflation will improve consumers' purchasing power and the employment rate, and Finland is expected to see moderate economic growth.

Newbuild construction of homes is still declining. According to Statistics Finland, the volume of building permits for newbuilding granted in January–March 2024 was 20% lower than a year earlier. The prolonged decline in the building permits granted and building projects started is reflected in the number of completed dwellings. 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, albeit in Helsinki a slight downturn in the number of vacant rental homes was seen in April. The continued high level of housing supply has maintained intense competition for good tenants.

The urbanisation trend continues, and dense urban housing is becoming increasingly popular. 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. This 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 towards the end of the year. 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 increases 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.

HALF-YEAR REPORT JAN-JUN 2024

Demand for rental homes is recovering

HIGHLIGHTS

Antti Aarnio

- We improved our profit from operations before depreciation by increasing our operational efficiency and implementing savings measures. Profit from operations before depreciation was also affected positively by the higher occupancy rate.
- Demand for rental housing particularly in Helsinki is growing slightly, which is why our occupancy rate has improved year on year.
- Inflation is continuing to decline and was 1.9% in Finland in April. In the eurozone, inflation rose to 2.6% in May (YoY) from 2.4% in April and was slightly higher than forecasts. In its June meeting, the European Central Bank lowered the deposit facility rate by 0.25 percentage points and is likely to continue rate cuts this year.
- The renting of our latest rental apartments, the SATO homes to be completed at Peijinkuja 6, Finnoo, Espoo, in the autumn, started in May. The neighbouring building, Peijinkuja 10, will be completed in December 2024 and is, for the time being, our last property under construction.
- According to market research company Nepa, SATO is clearly the most recognised brand in its segment, that is, rental housing. According to the 2023 research summary, we were the first rental housing provider that came to mind for more than one in five respondents.
- Following the change negotiations completed in June, SATO's organisation has been adjusted to reflect the current operating environment, with our fixed costs decreasing by about one million euros. Most of the savings will be realised in 2025.
- I would like to thank SATO staff members for their openness, expertise and persistence and for their contributions to the continuous development of our residents' comfort and housing.

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

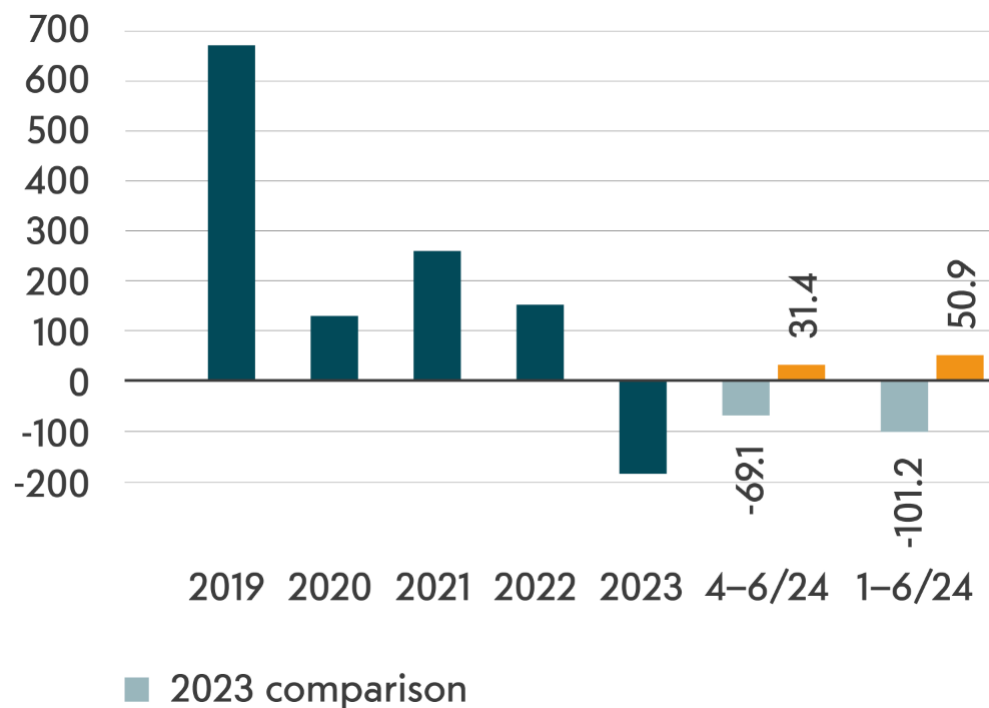
- The economic occupancy rate was 95.1% (95.0).
- Net sales totalled EUR 150.5 million (142.4).
- Net rental income was EUR 101.1 million (93.4).
- Profit before taxes was EUR 50.9 million (-101.2).
- The unrealised change in the fair value of investment properties included in the result was EUR 6.8 million (-122.0).
- Housing investments amounted to EUR 22.8 million (92.7).
- Invested capital at the end of the review period was EUR 4,531.2 million (4,554.9).
- Return on invested capital was 3.8% (-3.0).
- Equity was EUR 2,564.7 million (2,400.9), or EUR 30,21 per share (42.41).
- Earnings per share were EUR 0.53 (-1.51).
- A total of 92 rental apartments were completed (648). Renovation of 56 rental homes (197) was completed.
- A total of 257 rental apartments are under construction (679).
- Profit from operations before depreciation improved year on year due to increased operational efficiency and savings measures.
- The occupancy rate improved slightly as demand increased.

REVIEW PERIOD APR-JUN/2024 (APR-JUN/2023)

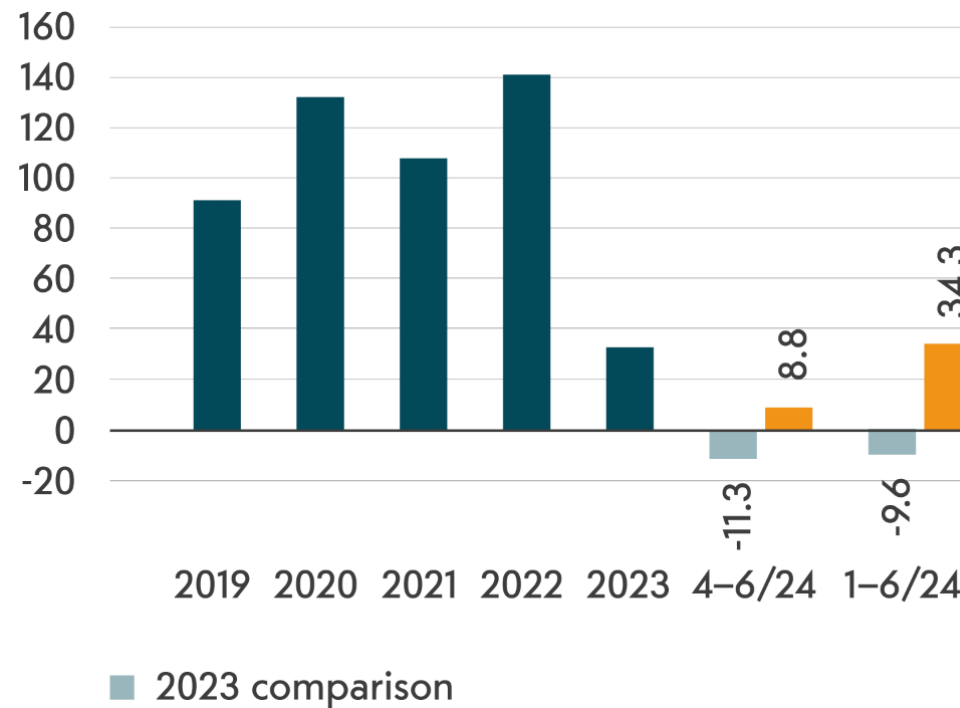
- The economic occupancy rate was 95.3% (95.0).
- Net sales totalled EUR 75.8 million (71.5).
- Net rental income was EUR 57.5 million (52.5).
- Profit before taxes was EUR 31.4 million (-69.1).
- The unrealised change in the fair value of investment properties included in the result was EUR 5.1 million (-75.1).
- Housing investments amounted to EUR 10.0 million (46.5).
- Earnings per share were EUR 0.30 (-1.05).
- A total of 0 rental apartments were completed (513). Renovation of 0 rental homes (125) was completed.
- A total of 257 rental apartments are under construction (679).

PROFIT AND CASH EARNINGS

PROFIT BEFORE TAXES, MEUR

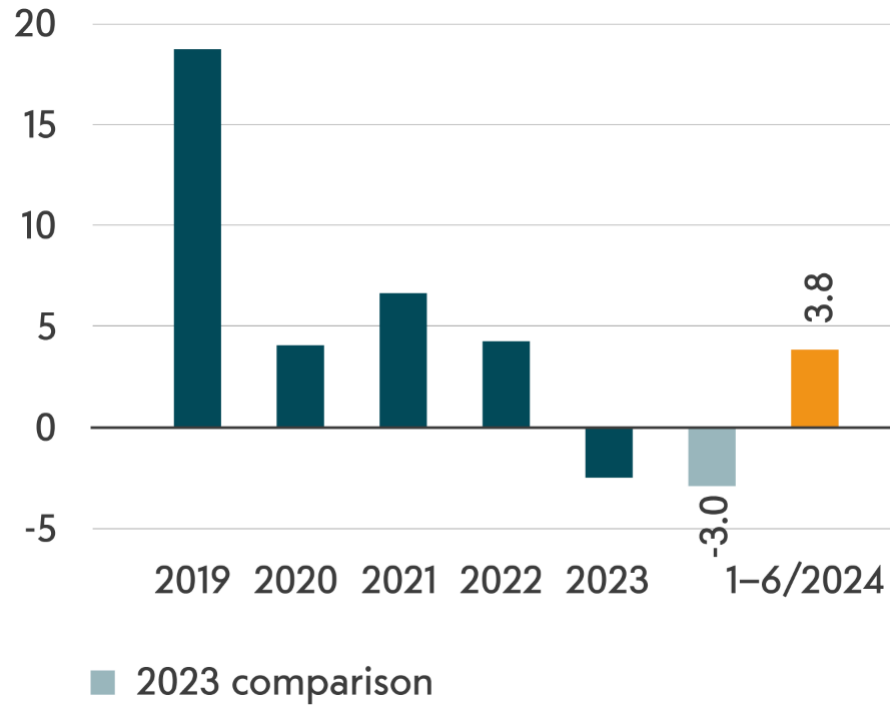


CASH EARNINGS (CE), MEUR



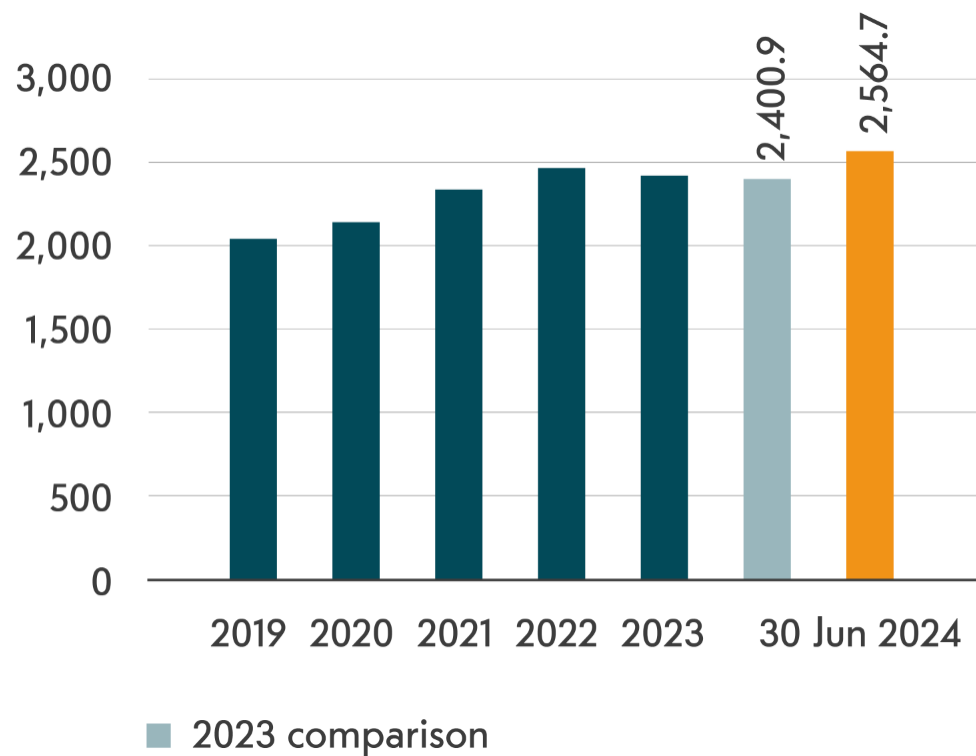
RETURN ON INVESTMENT

RETURN ON INVESTED CAPITAL, %

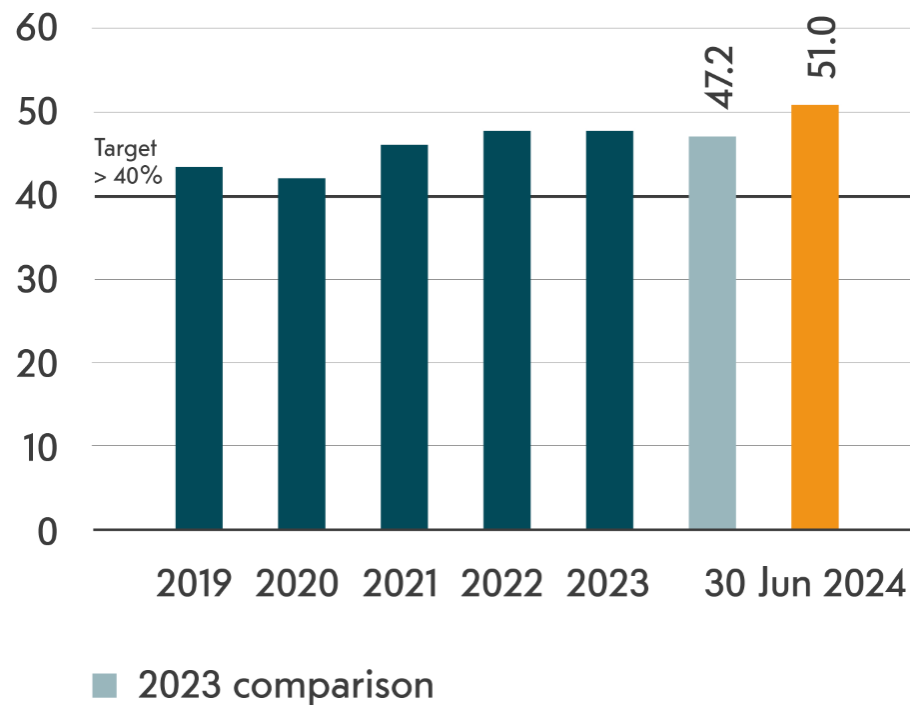


EQUITY

SHAREHOLDERS' EQUITY, MEUR

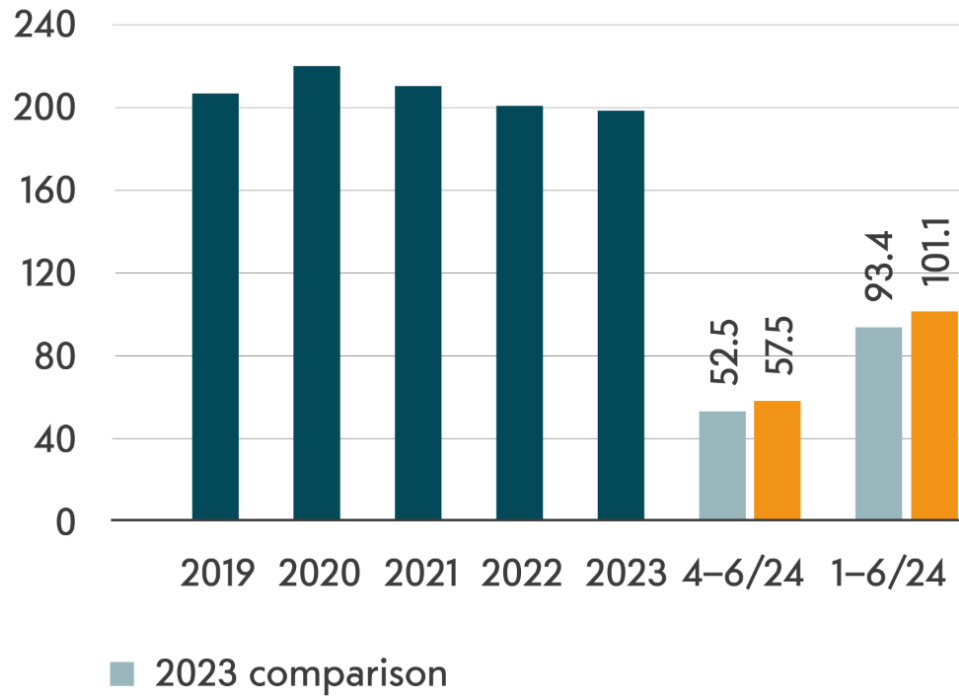


EQUITY RATIO, %



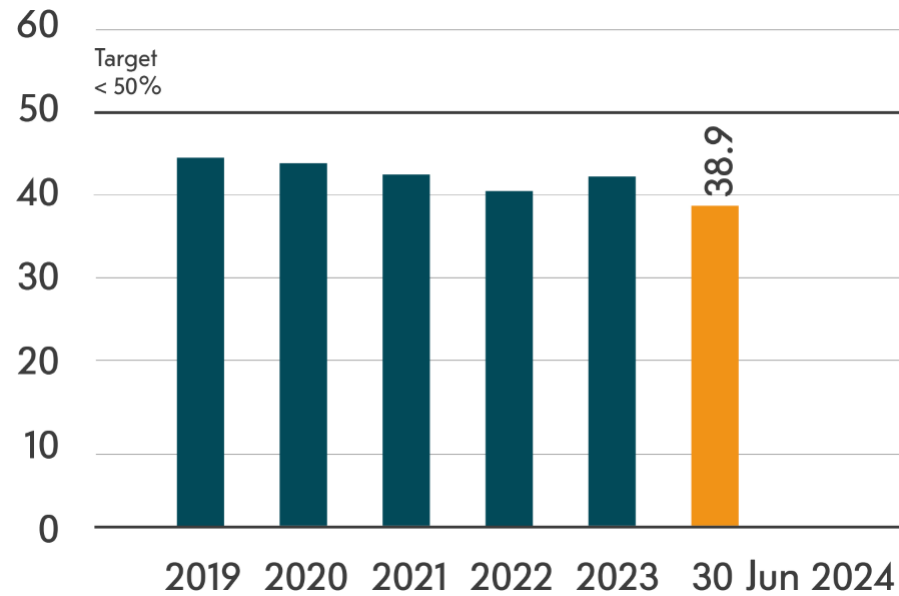
RENTAL INCOME

NET RENTAL INCOME, MEUR

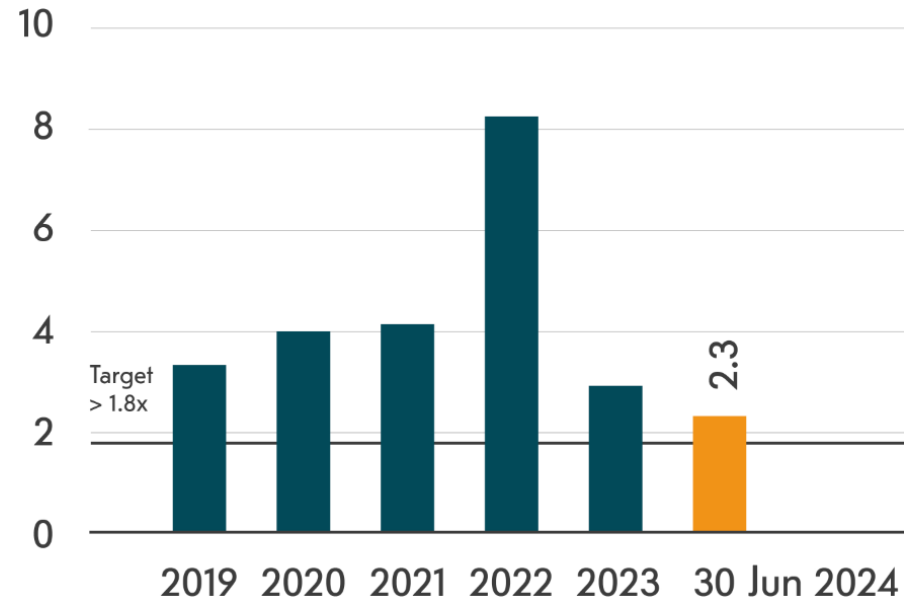


FINANCING

SOLVENCY RATIO, %

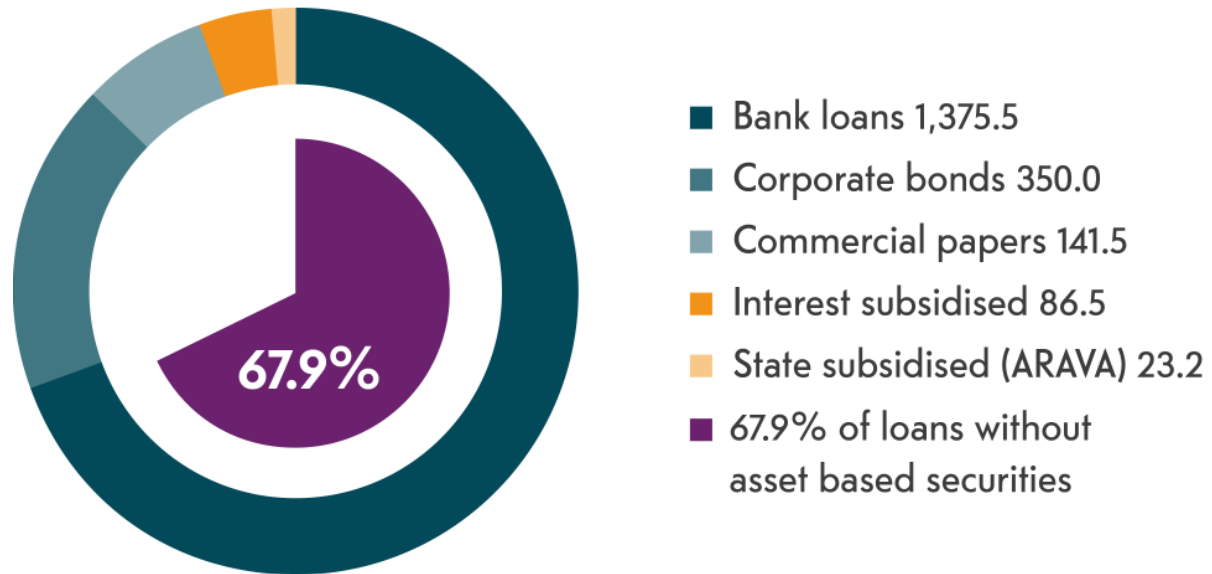


INTEREST COVERAGE RATIO

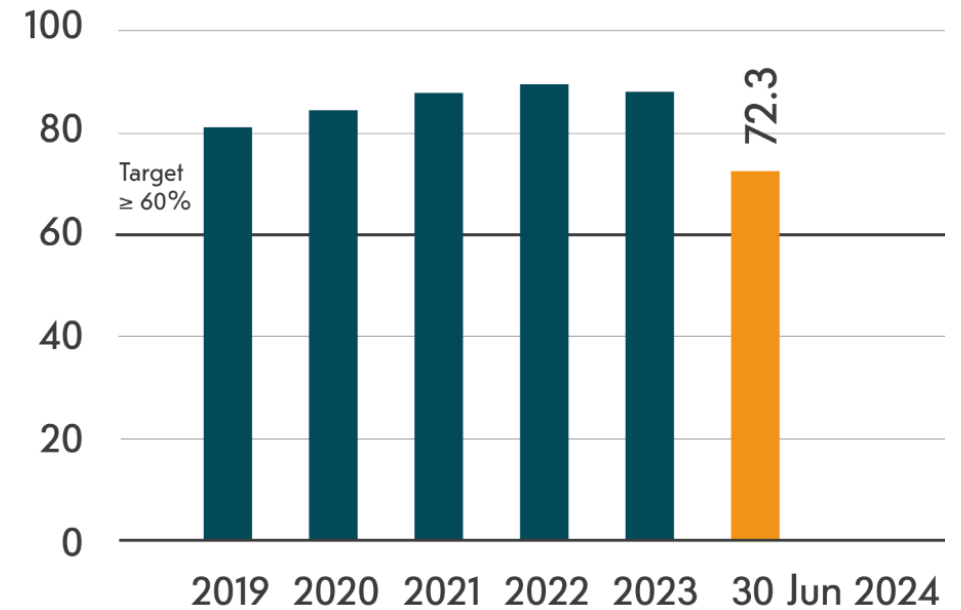


FINANCING

DEBT PORTFOLIO, nominal values 30 June 2024,
TOTAL MEUR 1,976.7

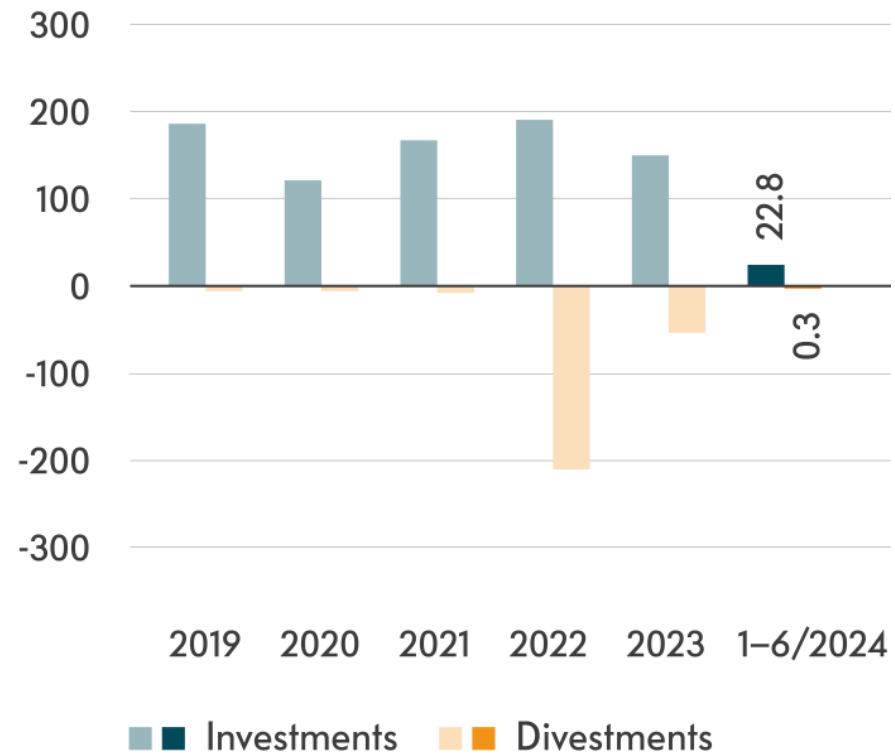


UNENCUMBERED ASSETS, %



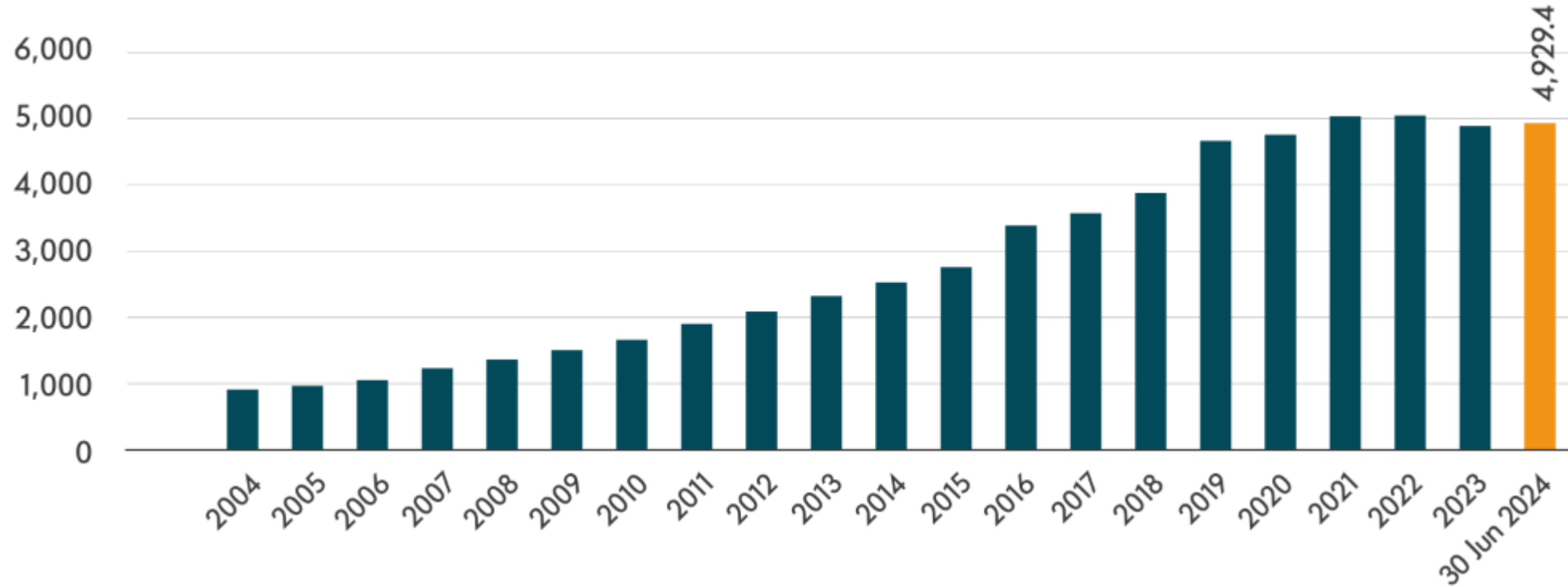
INVESTMENTS

HOUSING INVESTMENTS AND DIVESTMENTS, MEUR



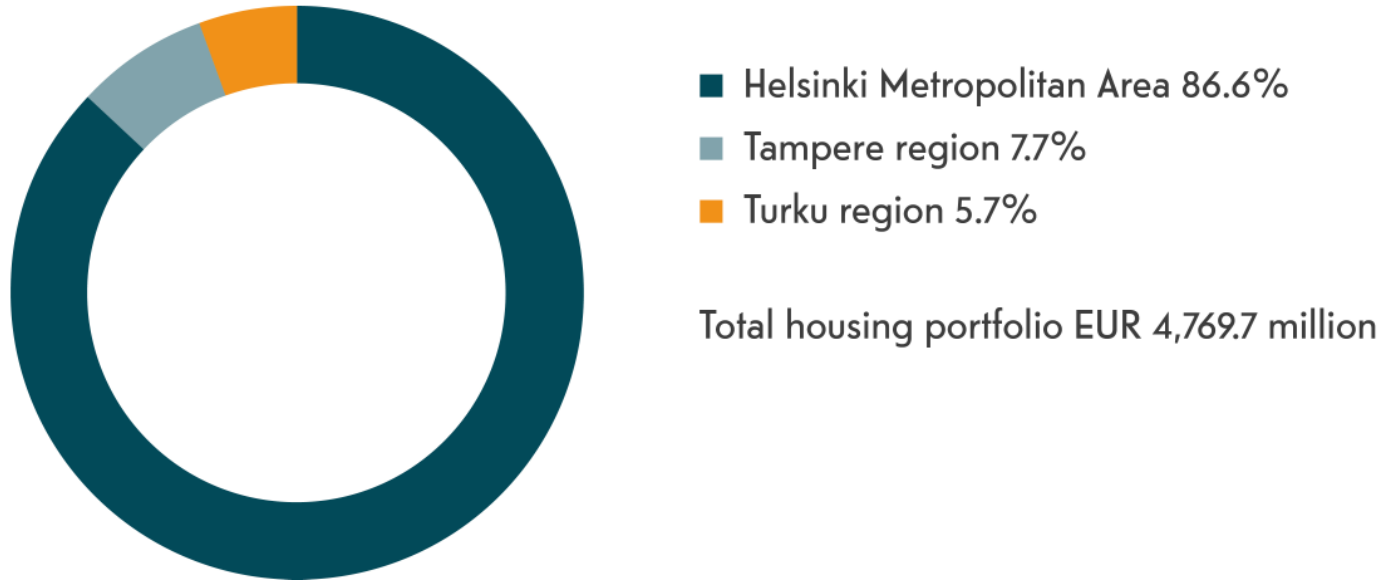
INVESTMENT PROPERTIES

TREND IN THE INVESTMENT PROPERTY PORTFOLIO, MEUR



HOUSING ASSETS

REGIONAL DISTRIBUTION OF THE HOUSING PORTFOLIO on 30 June 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 28 June 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 June 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 are keeping consumer confidence at a low level. Going forward, both the lower interest rate level and waning inflation will improve consumers' purchasing power and the employment rate, and Finland is expected to see moderate economic growth.

Newbuild construction of homes is still declining. According to Statistics Finland, the volume of building permits for newbuilding granted in January–March 2024 was 20% lower than a year earlier. The prolonged decline in the building permits granted and building projects started is reflected in the number of completed dwellings. 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, albeit in Helsinki a slight downturn in the number of vacant rental homes was seen in April. The continued high level of housing supply has maintained intense competition for good tenants.

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Rental housing providers are, however, still competing for good tenants, which results in rent revisions 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.

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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