



Interim report Jan-Mar 2024

Presentation material 3rd May 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 Q1/24 Helsinki MA represented **97%** of our investments.

Our net sales in Q1/24 were **74.7** 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 substantial supply of rental housing and the economic uncertainty still remained key factors affecting SATO's operating environment. Uncertainty is increased by the recession, the worsened employment situation and the tight interest rate policy of the European Central Bank (ECB). Geopolitical challenges, such as the war in Ukraine, global tensions and trade policy decisions and sanctions imposed, affect our operating environment. Headline inflation has continued to decline, but core inflation has still remained above the ECB target. Price increases have slowed, except for services, which are still showing higher prices accelerating inflation.

In Finland, economic confidence figures have declined, despite a clear slowdown in inflation. Business confidence has declined in all main industries. The confidence of construction enterprises in particular has declined further, and construction volumes concerning new construction have fallen to the lowest level ever recorded by Statistics Finland, which may lead from the current oversupply to a future housing shortage in growth centres.

Consumer confidence in the economy has remained low, and this is reflected in consumer caution. The employment situation has worsened and the number of unemployed persons increased year on year.

According to the Bank of Finland interim forecast of 15 March 2024, Finland's gross domestic product (GDP) will decrease by 0.5% this year. The economy is projected to begin to gradually bounce back from the recession towards the end of the year, with GDP growth at 1.7% expected for 2025.

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. The Helsinki Metropolitan Area (HMA), Tampere and Turku are large urban regions continuing to enjoy strong growth, while at the same time 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.

The development of wage earners' incomes, 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 an owner-occupied apartment may be considering a rental apartment as a housing option.

Rental housing providers are, however, still competing for good tenants, which results in rent revisions remaining moderate. 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-MAR 2024

Waiting mode in rental housing market

HIGHLIGHTS

Antti Aarnio

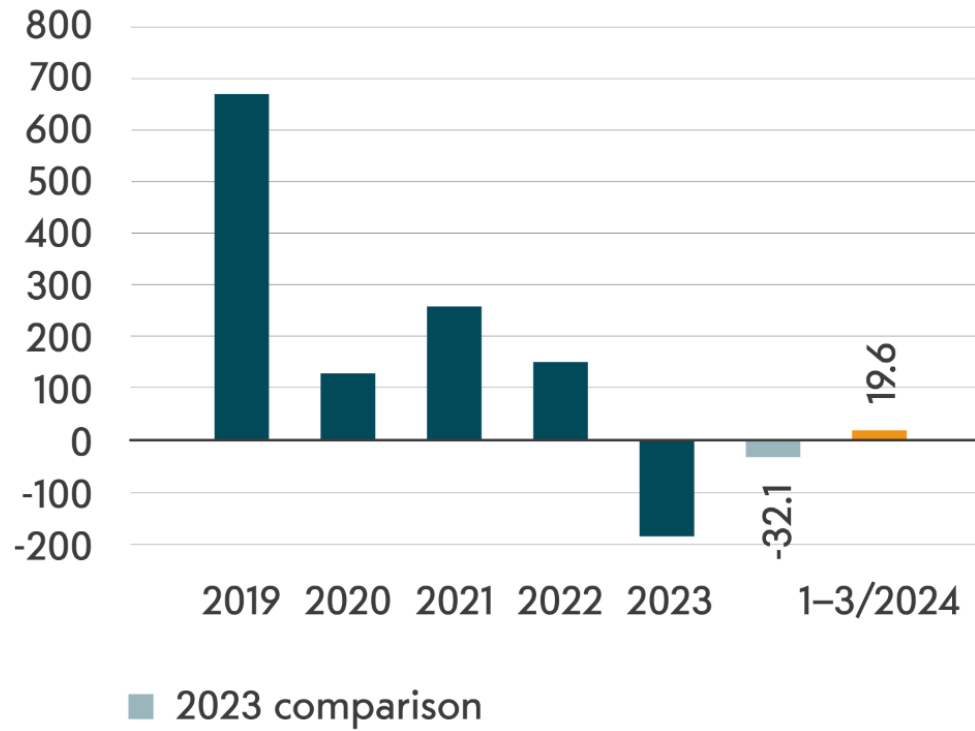
- Inflation has continued to slow in Finland and the entire euro area. The European Central Bank is expected to cut key interest rates later this year. The high interest rate level is still keeping consumers in a waiting mode, resulting in a persistently very low number of both old and new homes sold.
- During the period under review, SATO's occupancy rate was 94.9% (95.0). The slight decline is due to the intense competition still prevailing in the market.
- Due to the competitive situation, it has not been possible to transfer the higher maintenance and interest costs in full to apartment rents. Going forward, rents may be pushed up by the continuous strong migration boosting demand for housing, the high living costs and the major decline in the volume of new housing construction. Housing allowance changes effective from 1 April 2024 may increase demand for rental apartments with lower rents.
- There has been a major decrease in the number of new housing construction commenced in Finland, but there will still be a large number of new apartments completed this year.
- In February, the construction of 92 new SATO rental homes in Pataljoonantie, Rykmentipuisto, Tuusula and the renovation of 56 SATO rental homes in Hämeentie, Kallio, Helsinki, was completed.
- In March, we released an extensive upgrade of our digital OmaSATO service where residents can manage housing-related matters online. The revamp aims to make it easier for residents to take care of as many things as possible directly on OmaSATO.
- Based on a precontract concluded on 30 November 2020, SATO Corporation and Senate Properties signed the final contract on a property transaction concerning an upcoming block area of residential buildings in the Viikki district of Helsinki on 7 March 2024. The local detailed plan concerning the block area was confirmed on 1 February 2024. Located at Maakaarenkuja 2, the plot has residential building rights for around 300–350 new apartments.
- In line with our decision made in October 2022, we will still not be launching any construction projects of new apartments.
- We at SATO will be investing in clean energy and installing solar power systems in more and more of our home buildings. Solar power systems will be installed in three new properties completed this year, which will contribute towards our target of being carbon neutral in terms of energy used by our properties by the end of 2030. Use of clean energy will also be promoted by adding electric car charging points to our new and newly renovated buildings. At year-end 2023, SATO buildings had more than 1,200 charging points.
- SATO was ranked sixth in Finland's Best Workplaces 2024 listing published by Great Place to Work Finland in March. Being ranked higher than the year before is proof of the sustained efforts made at SATO to develop aspects such as the employee experience and managerial work as well as to promote the wellbeing of employees.
- The subscription period of SATO Corporation's rights offering expired on 14 February 2024. In the offering, a total of 28,279,377 new shares were subscribed for, which corresponds to approximately 99.90% of the new shares offered. The offering generated gross proceeds of around EUR 200 million for the company.
- On 28 February, we signed a EUR 150 million sustainability linked loan facility with LGIM. The secured facility has a tenor of 12 years.
- On 6 March, SATO Corporation repurchased notes amounting to EUR 50 million of its outstanding EUR 350 million notes due in February 2028.
- I would like to thank SATO personnel for an excellent workplace atmosphere and for their contributions to the continuous development of our residents' comfort and housing.

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

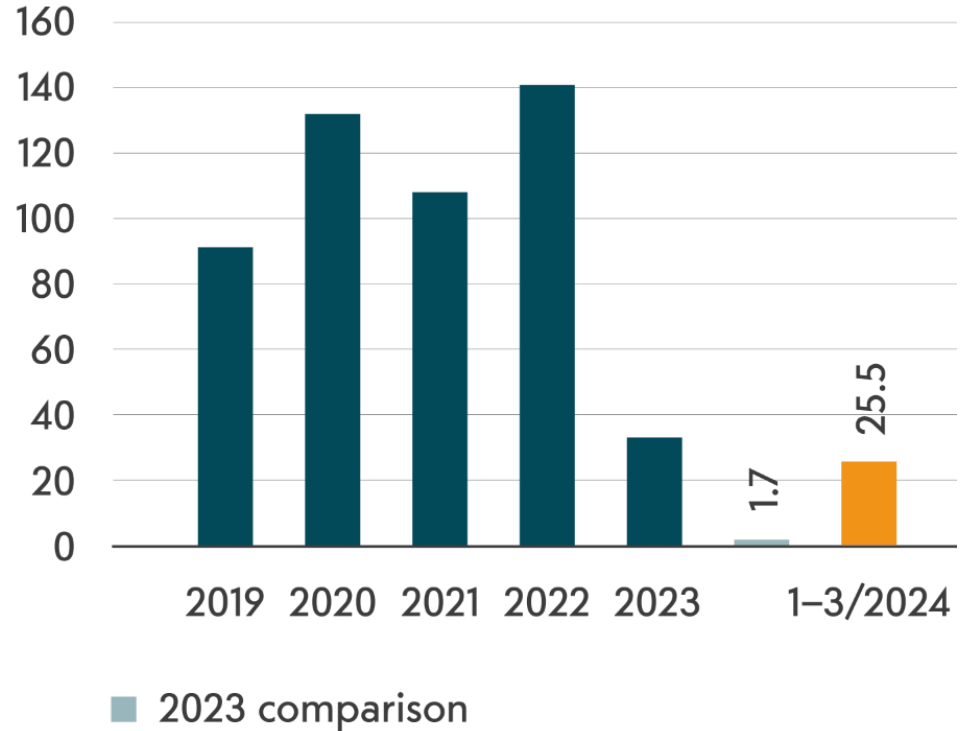
- The economic occupancy rate was 94.9% (95.0).
- Net sales totalled EUR 74.7 million (70.9).
- Net rental income was EUR 43.7 million (40.8).
- Profit before taxes was EUR 19.6 million (-32.1).
- The unrealised change in the fair value of investment properties included in the result was EUR 1.7 million (-46.9).
- Housing investments amounted to EUR 12.8 million (46.2).
- Invested capital at the end of the review period was EUR 4,807.5 million (4,822.4).
- Return on invested capital was 3.0% (1.4).
- Equity was EUR 2,538.7 million (2,453.6), or EUR 29.91 per share (43.34).
- Earnings per share were EUR 0.23 (-0.46).
- A total of 92 rental apartments (135) were completed. Renovation of 56 rental homes (72) was completed.
- A total of 257 rental homes (1,192) are under construction.
- The rental housing market is in a waiting mode due to housing allowance changes and a major decline in new construction.

PROFIT AND CASH EARNINGS

PROFIT BEFORE TAXES, MEUR

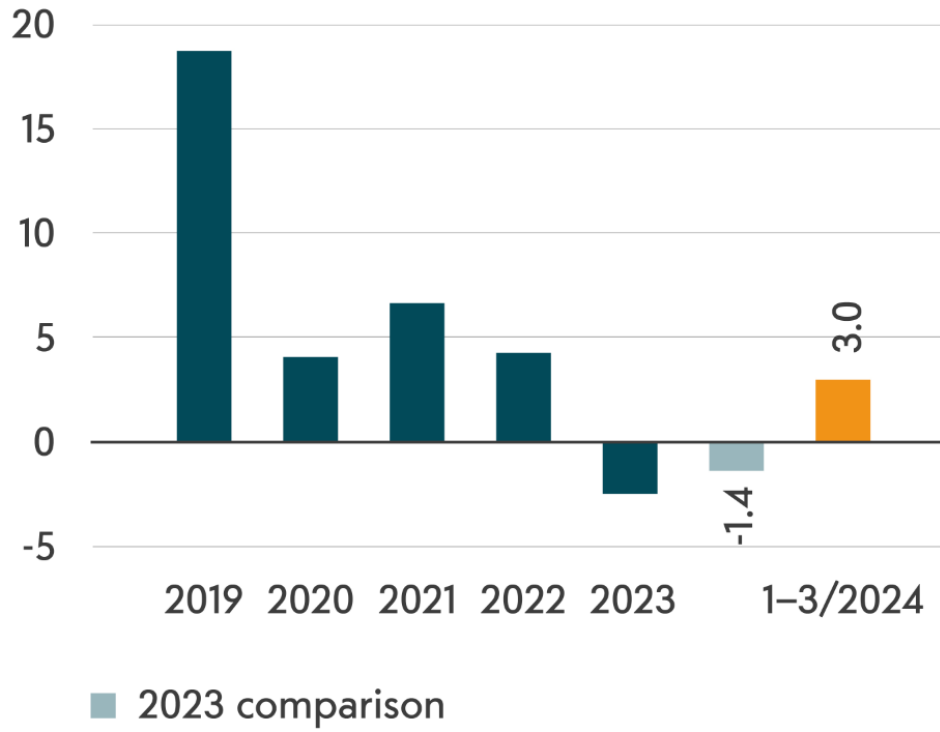


CASH EARNINGS (CE), MEUR



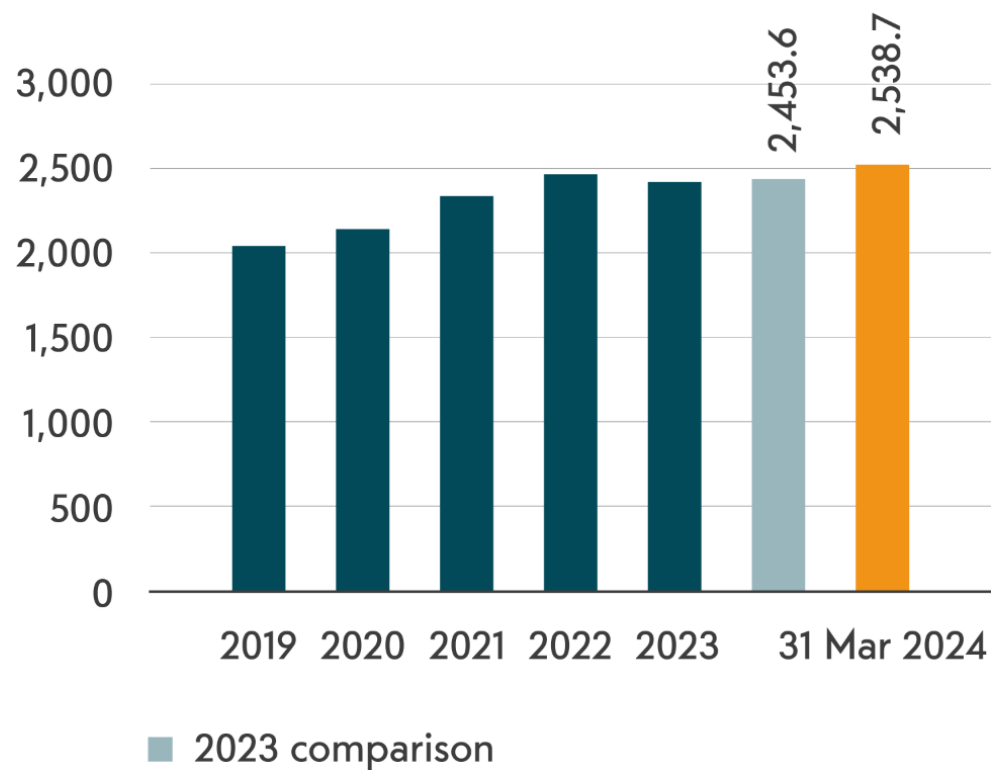
RETURN ON INVESTMENT

RETURN ON INVESTED CAPITAL, %

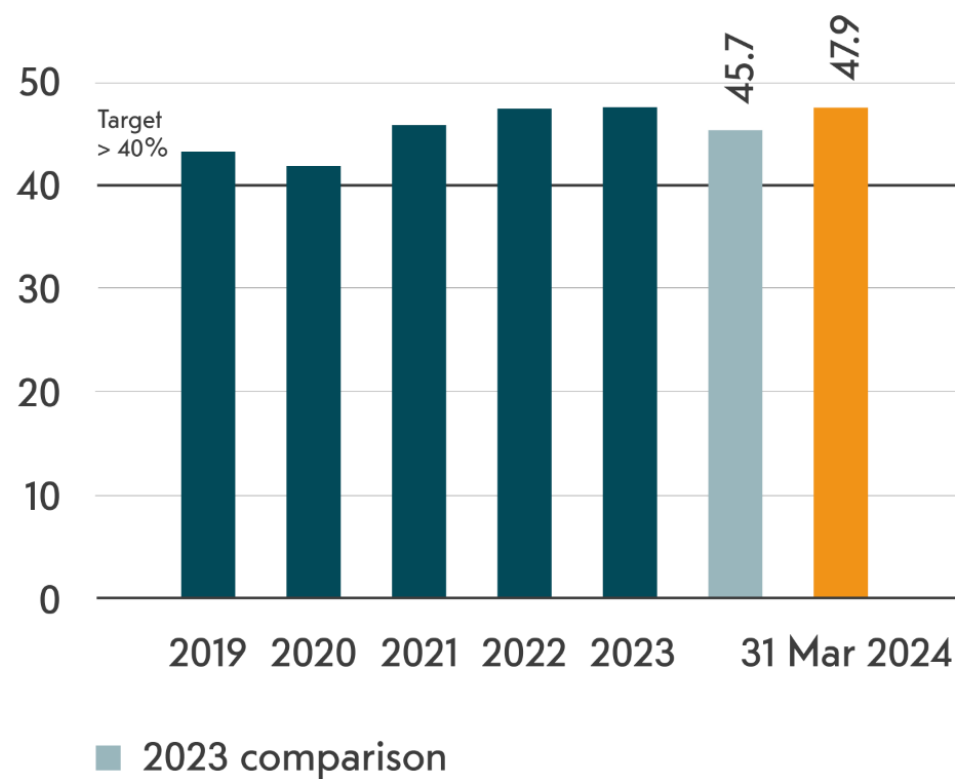


EQUITY

SHAREHOLDERS' EQUITY, MEUR

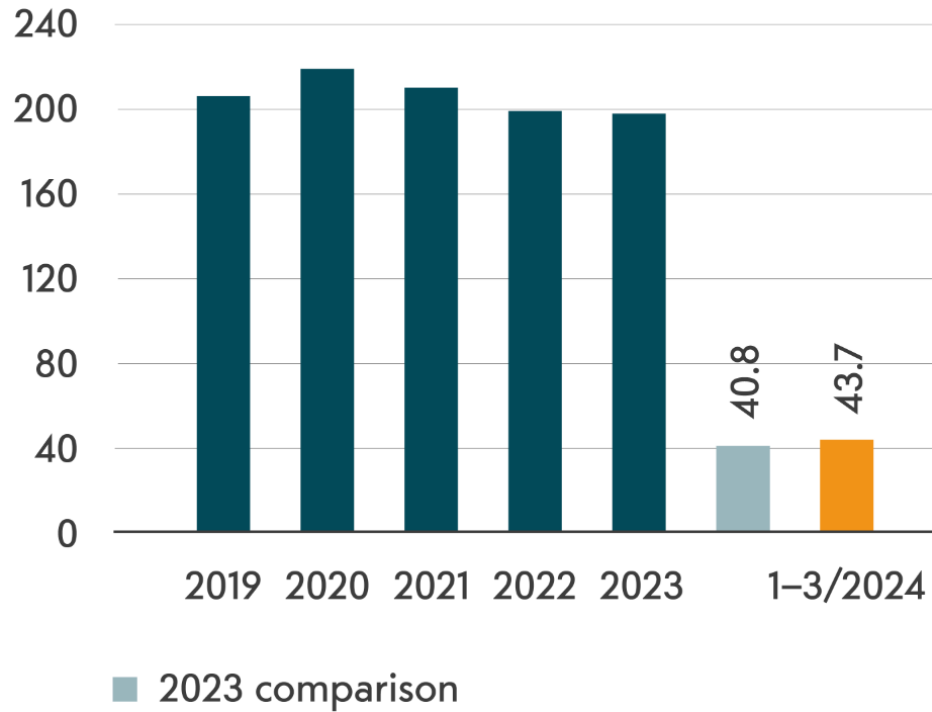


EQUITY RATIO, %



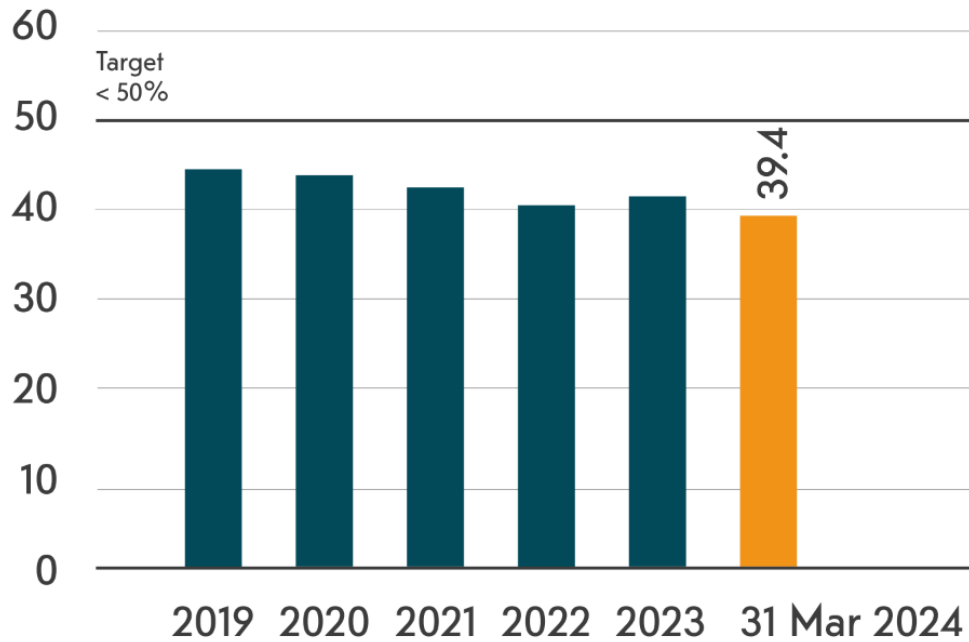
RENTAL INCOME

NET RENTAL INCOME, MEUR

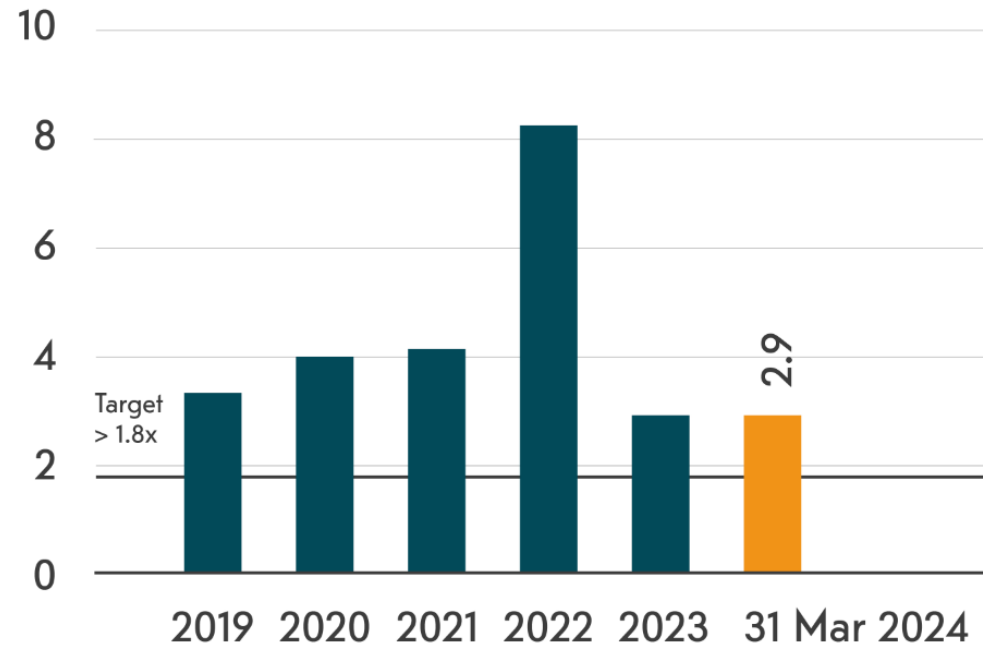


FINANCING

SOLVENCY RATIO, %

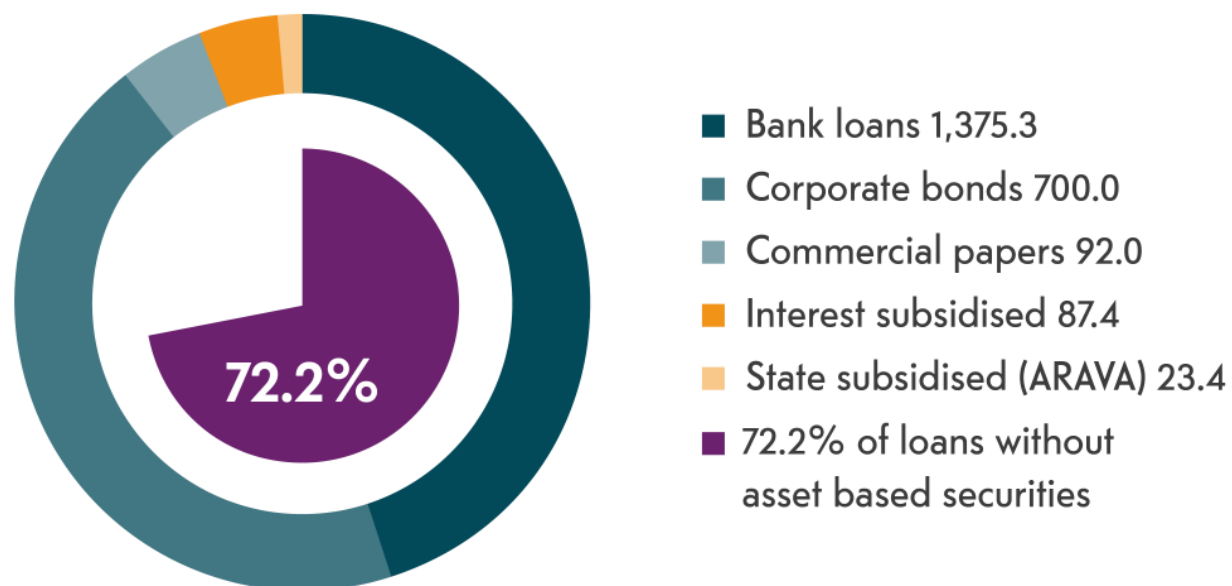


INTEREST COVERAGE RATIO

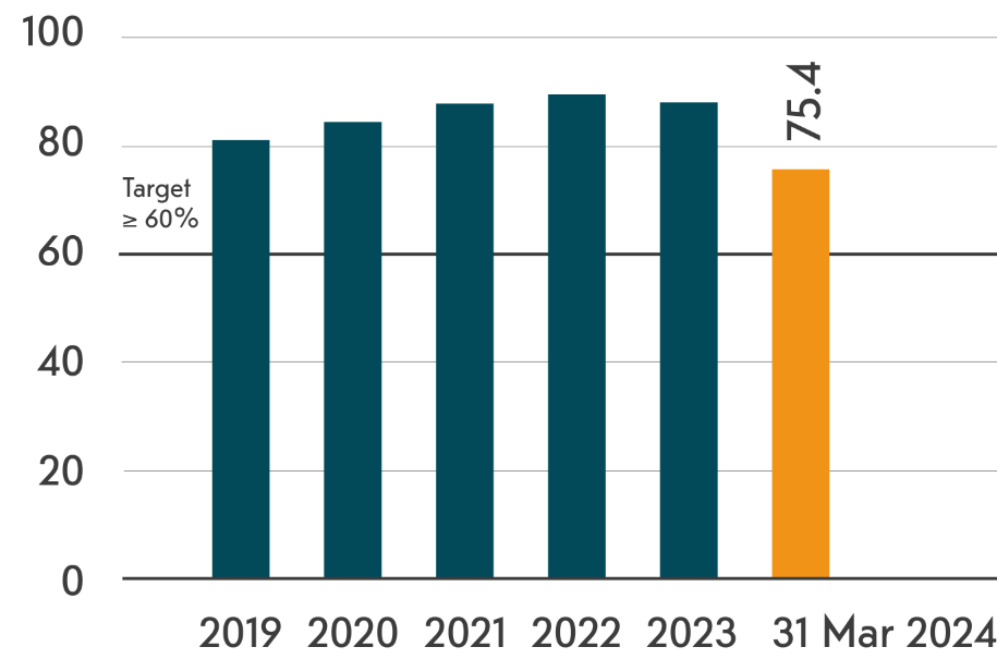


FINANCING

DEBT PORTFOLIO, nominal values 31 March 2024,
TOTAL MEUR 2,278.1

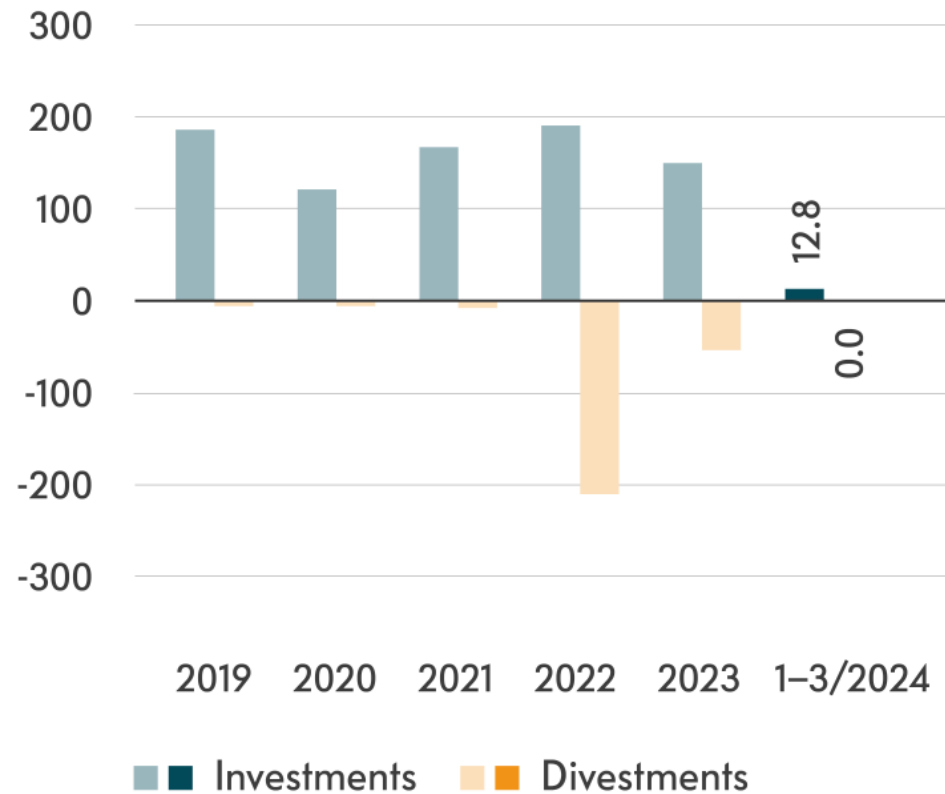


UNENCUMBERED ASSETS, %



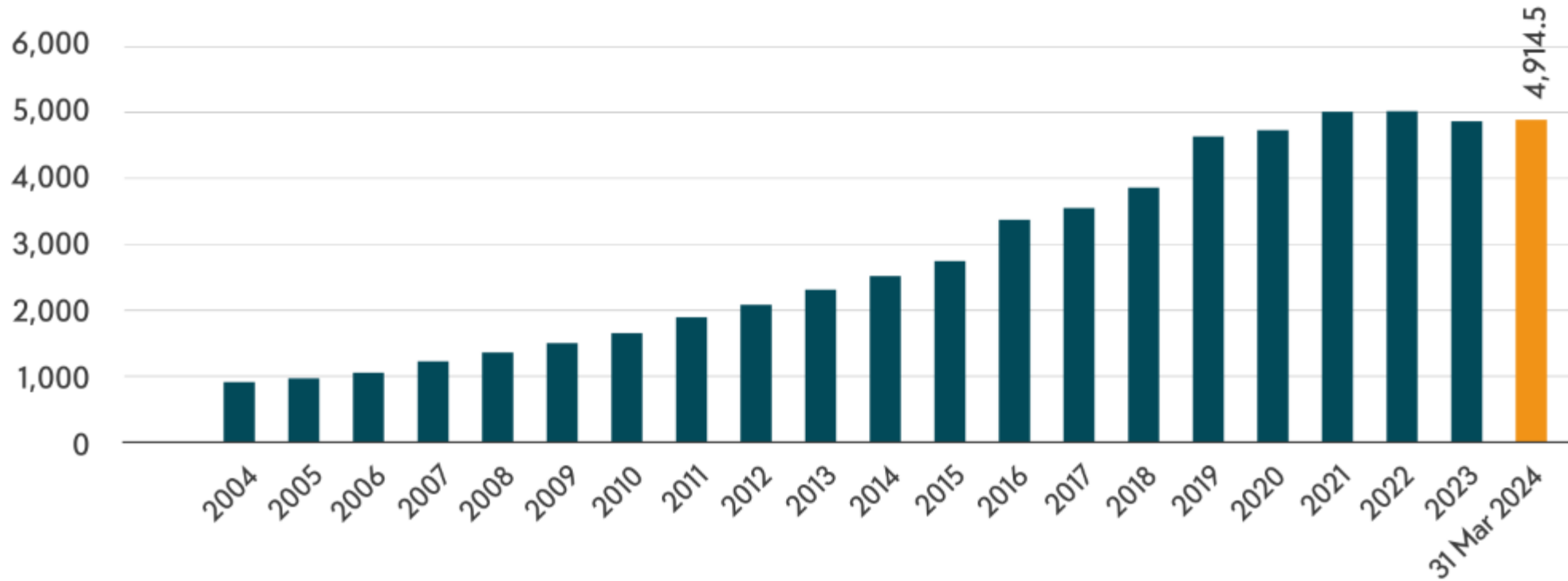
INVESTMENTS

HOUSING INVESTMENTS AND DIVESTMENTS, MEUR



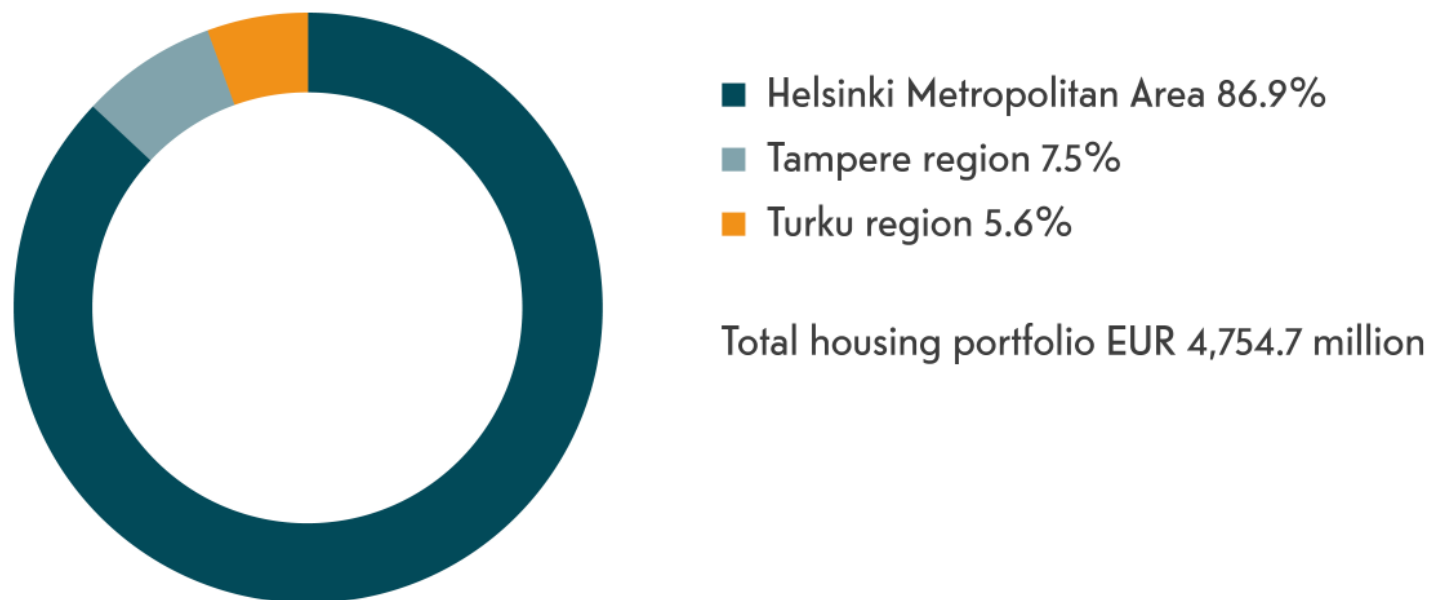
INVESTMENT PROPERTIES

TREND IN THE INVESTMENT PROPERTY PORTFOLIO, MEUR



HOUSING ASSETS

REGIONAL DISTRIBUTION OF THE HOUSING PORTFOLIO on 31 March 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 March 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 31 March 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.

In Finland, economic confidence figures have declined, despite a significant slowdown in inflation. Business confidence has declined in all main industries. The confidence of construction enterprises in particular has declined further, and construction volumes concerning new construction have fallen to the lowest level ever recorded by Statistics Finland, which may lead from the current oversupply to a future housing shortage in growth centres.

The Statistics Finland report published in March shows that construction costs in the first months of the year have remained at the same level year on year. In line with the decision made in October 2022, SATO will still refrain from launching any newbuild construction projects.

Consumer confidence in the economy has remained low, and this is reflected in consumer caution. The employment situation has worsened and the number of unemployed persons increased year on year.

According to the Bank of Finland interim forecast of 15 March 2024, Finland's gross domestic product (GDP) will decrease by 0.5% this year. The economy is projected to begin to gradually bounce back from the recession towards the end of the year, with GDP growth at 1.7% expected for 2025.

Urbanisation, income development, increasing housing needs of households and lower interest rates as well as the decrease in new housing production will increase housing demand from late 2024 onwards. The housing allowance policy changes may steer consumers towards looking for more affordable housing. Some of those looking for an owner-occupied apartment may now also consider a rental apartment as an option.

Rental housing providers are 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.

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.

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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For more information, please contact:
Antti Aarnio, President and CEO
p. +358 201 34 4200
Markku Honkasalo, CFO
p. +358 201 34 4226