

SATO CORPORATION

Interim Report

Jan-Sep 2014

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SATO in brief



- A leading corporate investor in housing
- Diverse rental housing concepts
- Growth by investing
- Operating area the largest growth centres in Finland and St. Petersburg in Russia
- A focus on developing and managing the housing portfolio and customer relations
- A network of partners in maintenance services and construction



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Operating environment

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sato

Operating environment

- Outlook for the Finnish economy has worsened and consumer confidence decreased.
- Despite the weak economic development, immigration and urbanisation are increasing the demand for rental apartments. Especially in the Helsinki Metropolitan Area and largest urban centres of growth, increased amount of rental apartments are needed.
- A low level of new construction of owner-occupied homes, low interest rates and a fairly good employment situation in the Helsinki Metropolitan Area all support a moderate increase in prices.
- Economic growth in Russia has slowed.



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Strategy



Mission and vision



Value for stakeholders

Supply of housing that supports well-being and growth

Value for shareholders



We operate profitably and with a long-term view



We grow by investing

Value for customers



We recognise customer needs and develop solutions for them



We offer comprehensive alternatives of rental housing and an excellent customer experience

Inspiring corporate culture



We are constantly improving our operating methods



The personnel consider their work to be meaningful and are dedicated to their job

Aiming high – A human to human – Joy and ease of expertise

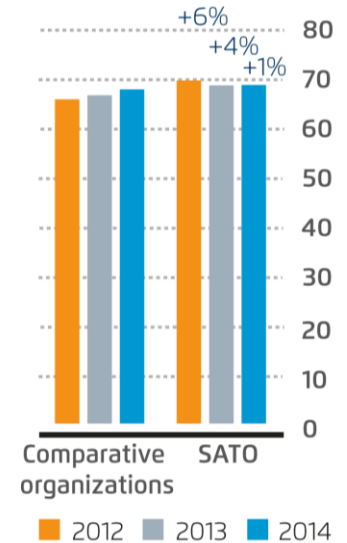
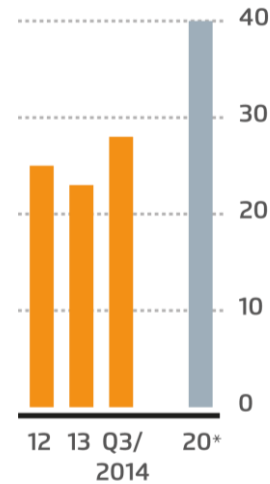
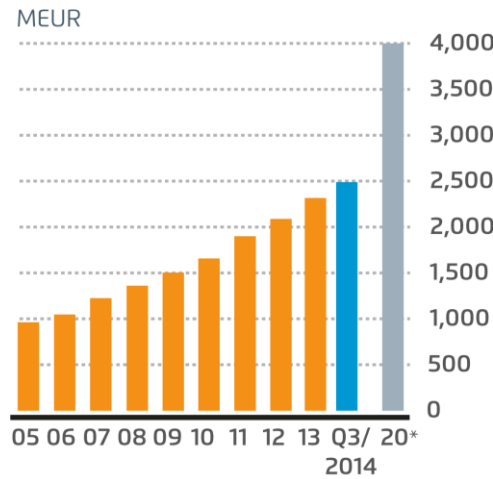
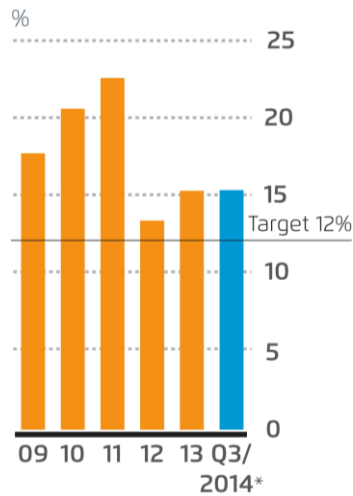
Strategic goals 2020

Increasing ownership value
Return on Equity $\geq 12\%$

Increasing ownership value
Housing property $> \text{€}4 \text{ billion}$

Creating value for customers
Net Promoter Score NPS > 40

Inspiring company culture
Personnel satisfaction index $> \text{benchmark} +10\%$



* annualised

4

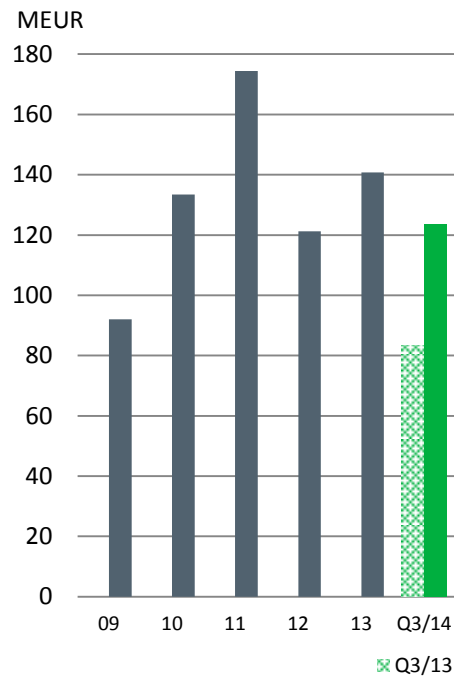
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Profit and Shareholders' equity

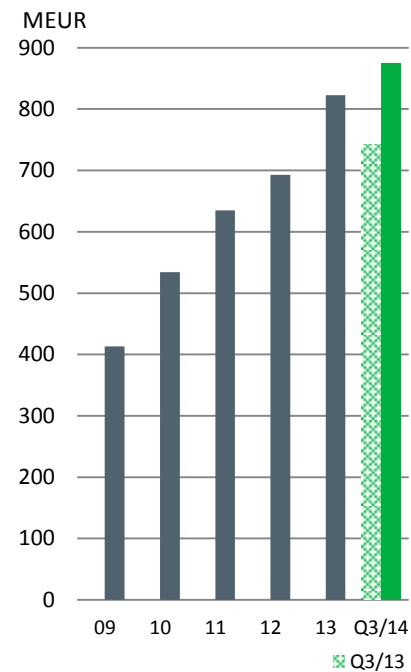
€124 million

Profit before taxes



€875 million

Shareholders' equity



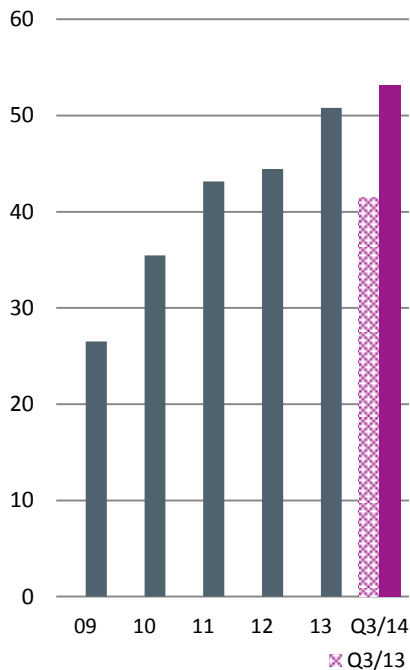
New key indicators introduced

€53.2 million

€62.1 million

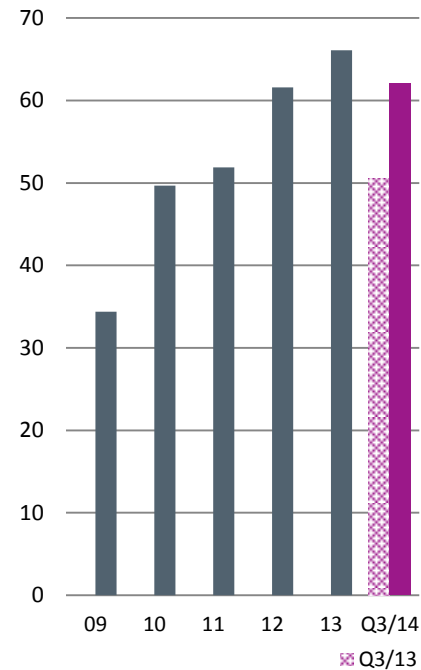
EPRA Earnings

MEUR



Cash Earnings

MEUR



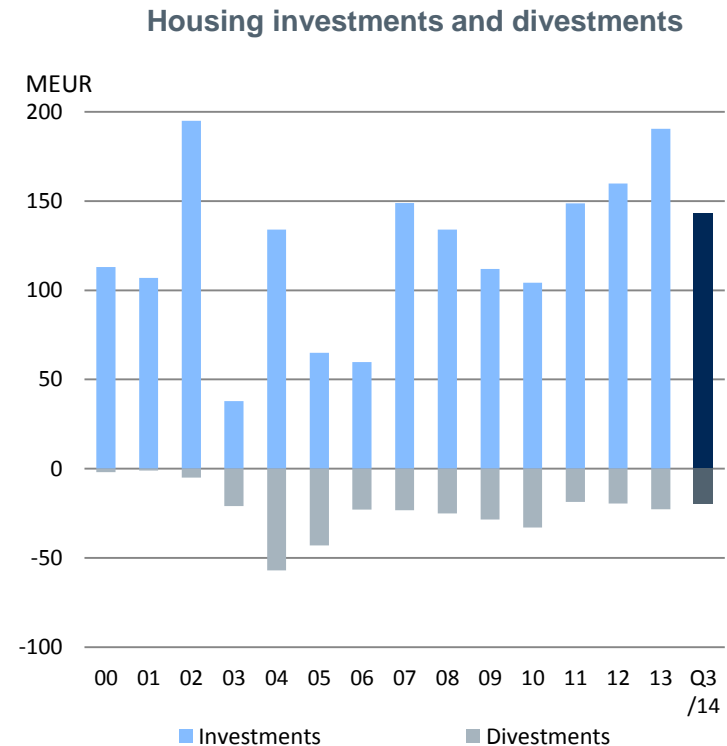
Rental housing investments and divestments

Investments

€140 million

680

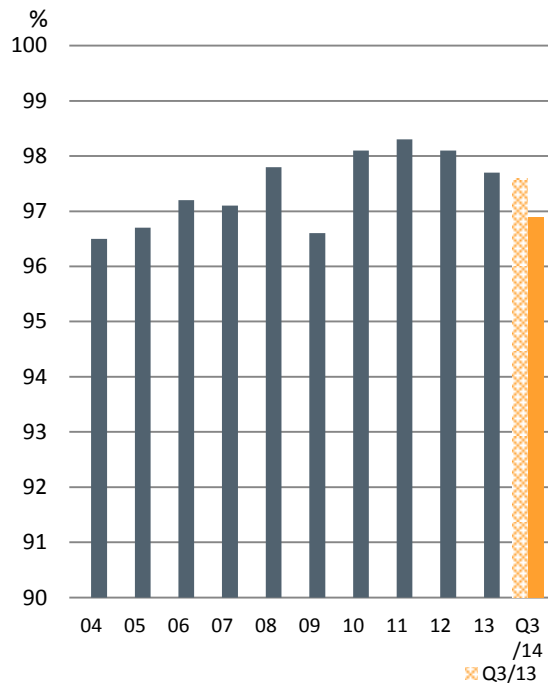
rental apartments under construction



Rental income

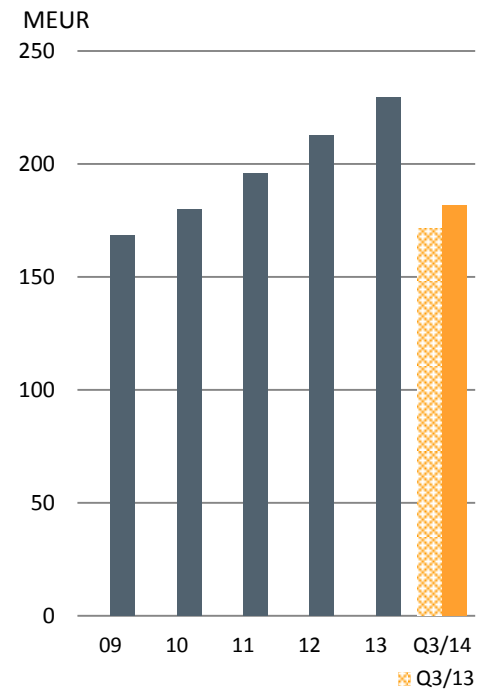
96.9%

Financial occupancy rate of rental housing



€182 million

Rental income



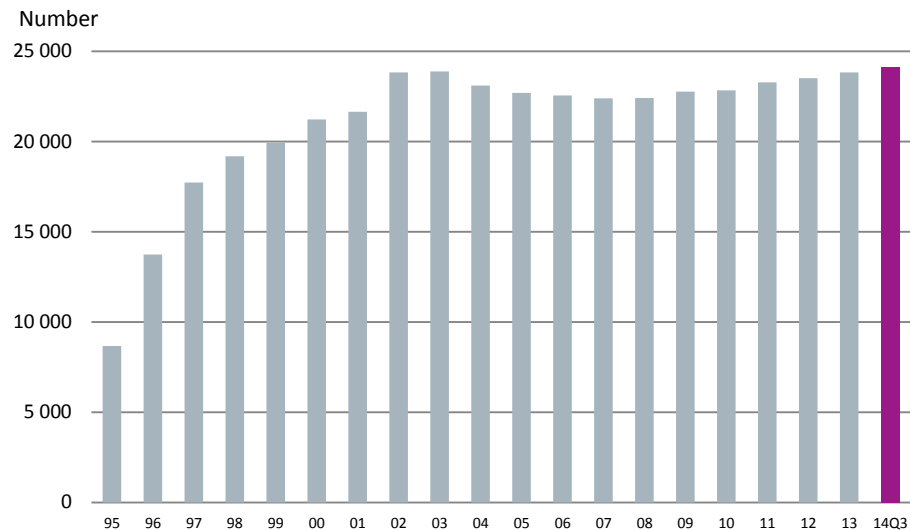
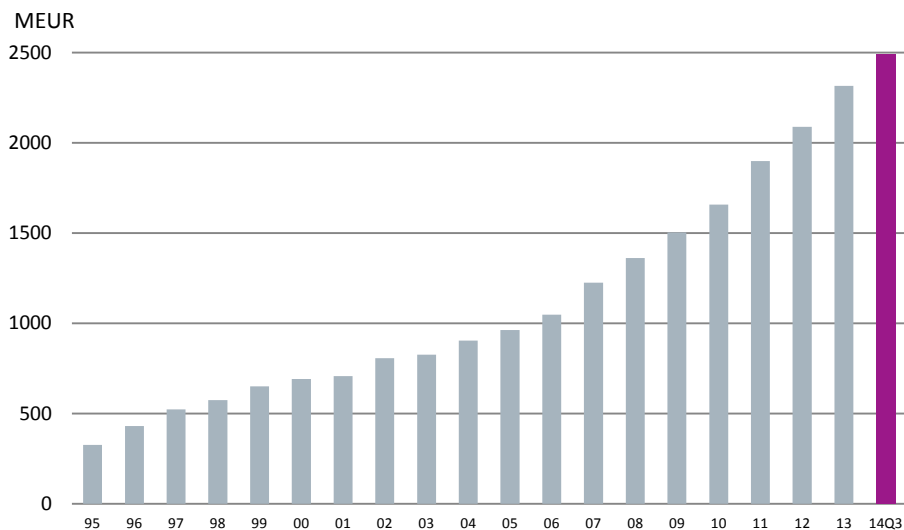
Trend in the value of the housing portfolio 1995-Q3/2014

Housing portfolio

€2,5 billion

Housing portfolio

24,100 apartments



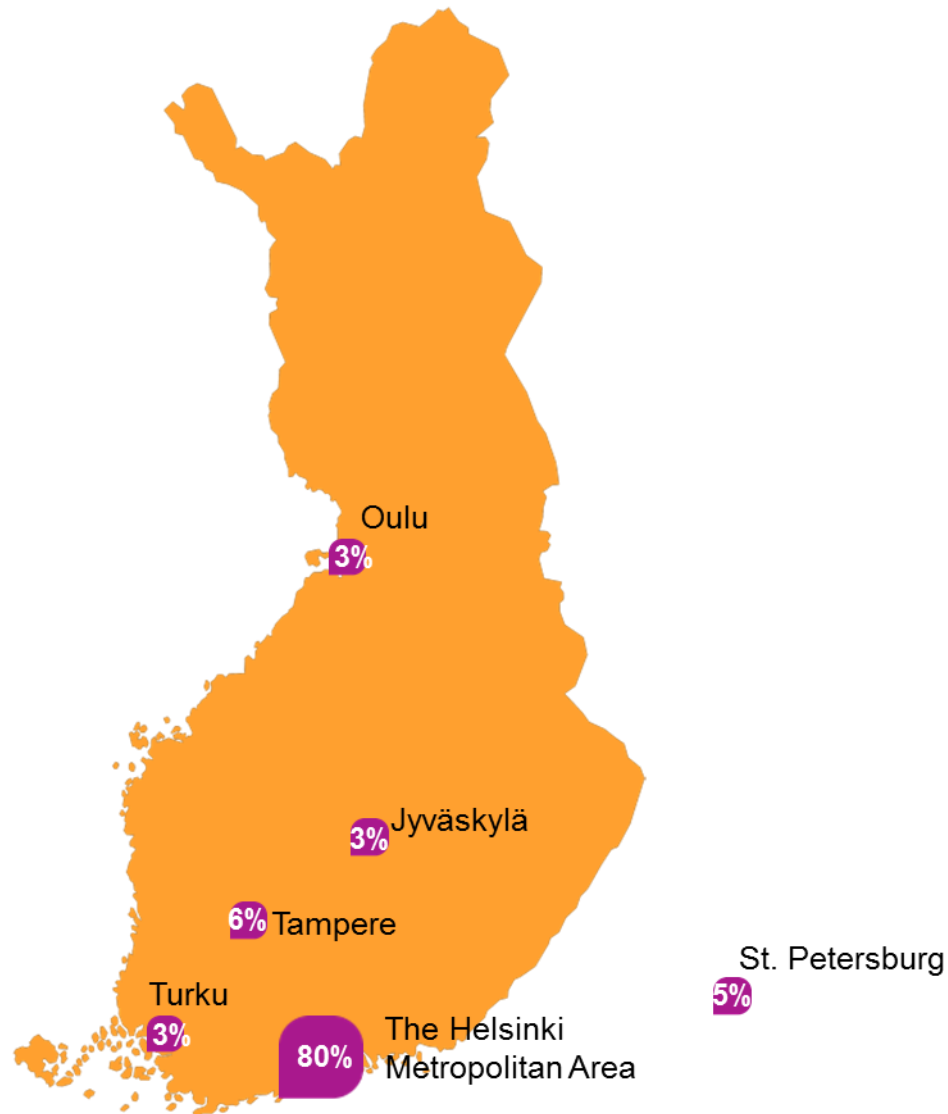
Regional distribution of the housing portfolio 30 Sep 2014

Housing portfolio

2,5 billion €

Helsinki

1,1 billion€



SATO in St. Petersburg

Investment properties

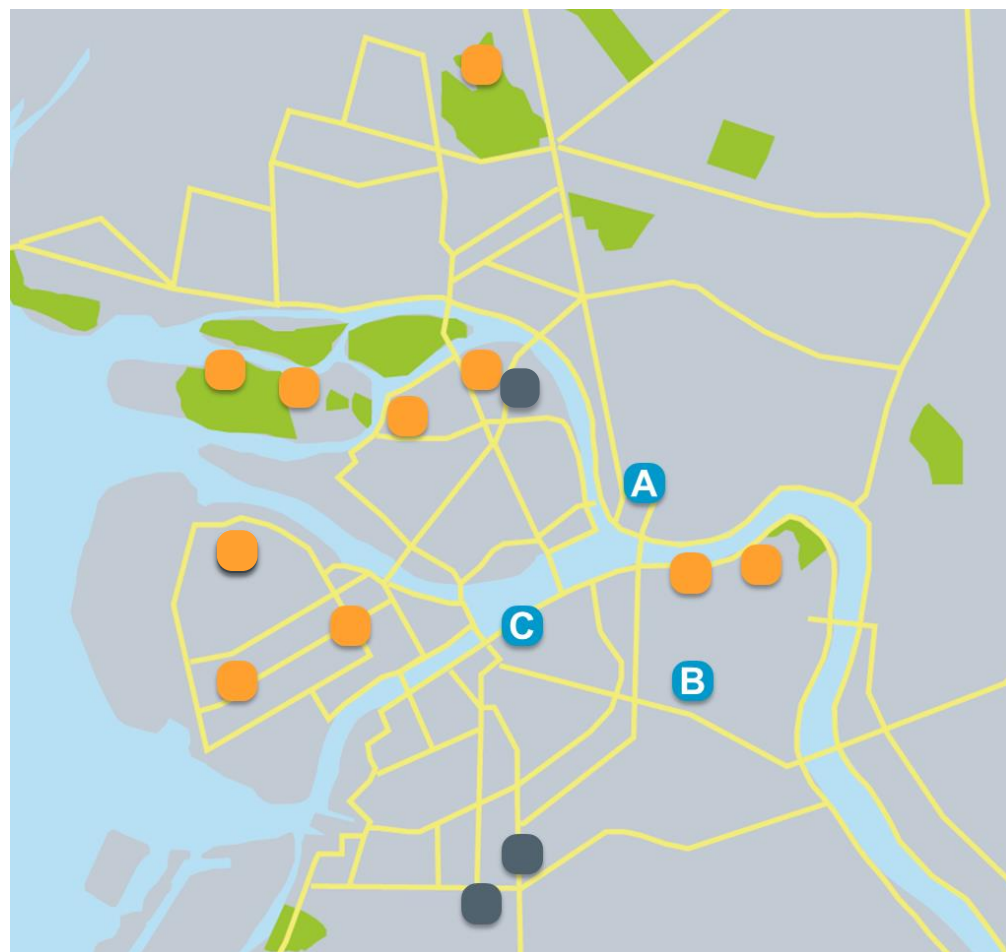
310 completed

Investments properties

220 under construction

Value of housing portfolio

€130 million



Landmarks:

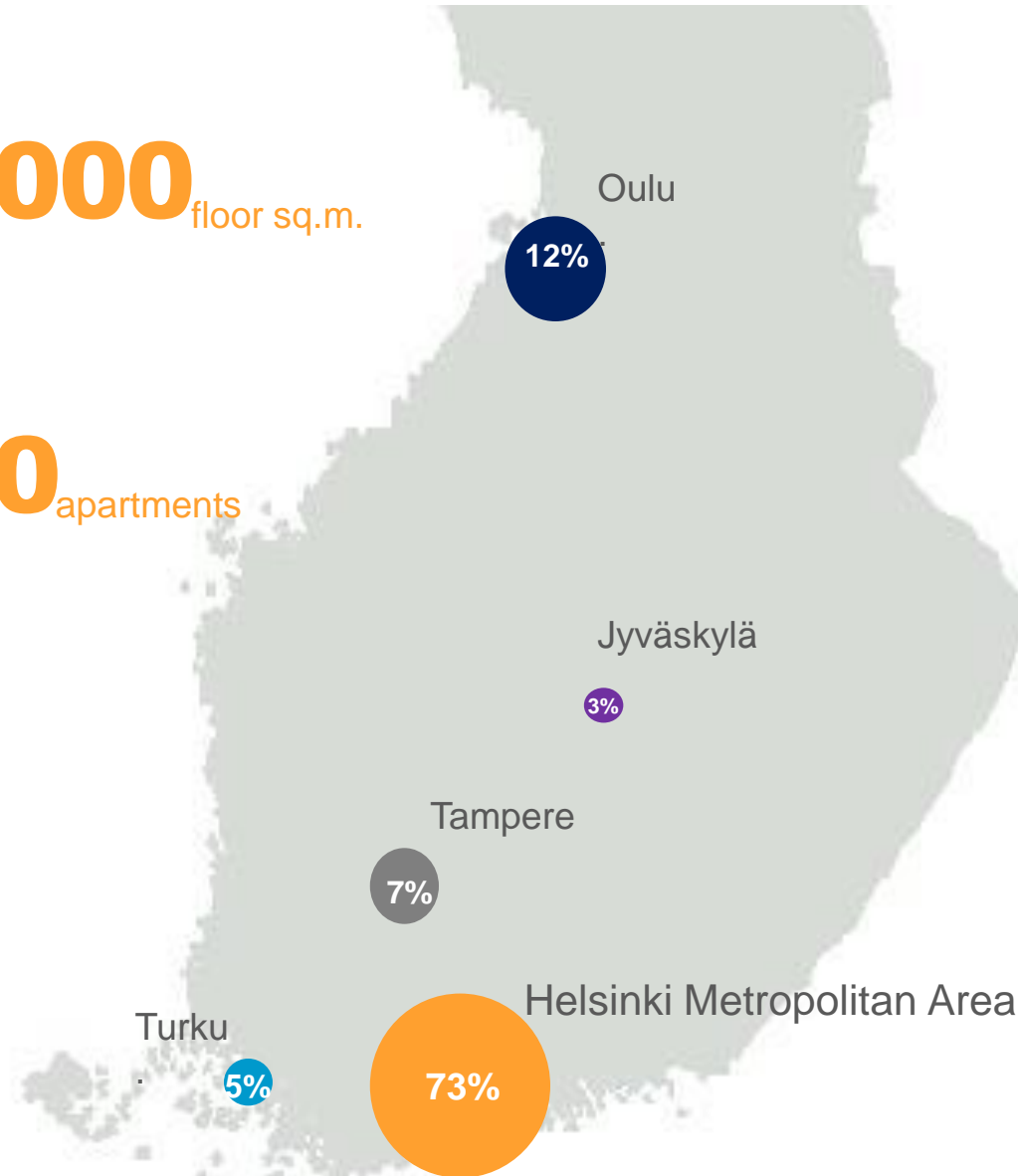
- A. Finland Station (Finlyandsky)
- B. Moscow Station (Moskovsky)
- C. State Hermitage Museum

Building land inventory 30 Sep 2014

300 000 floor sq.m.

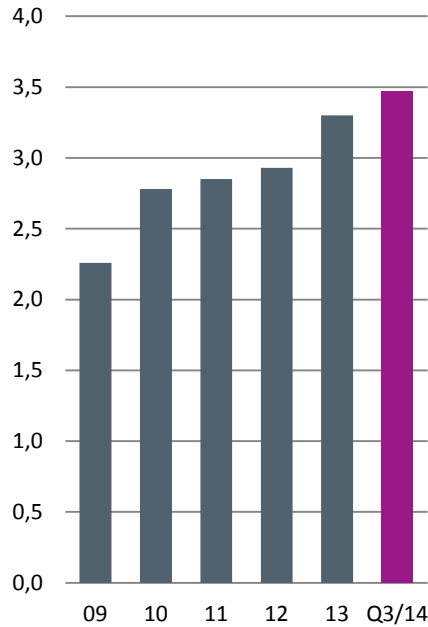
For building

3 300 apartments

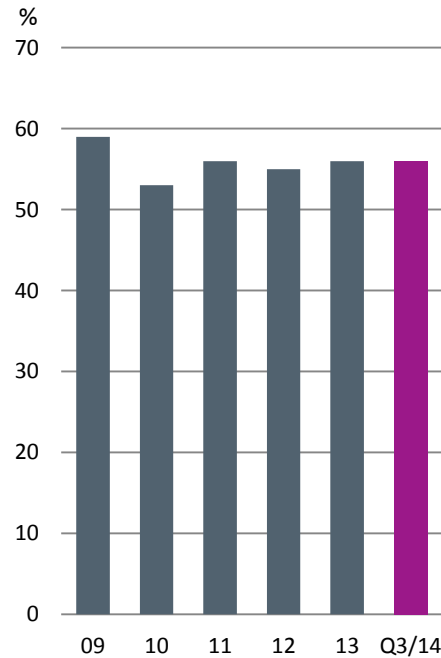


Finance

Interest coverage ratio

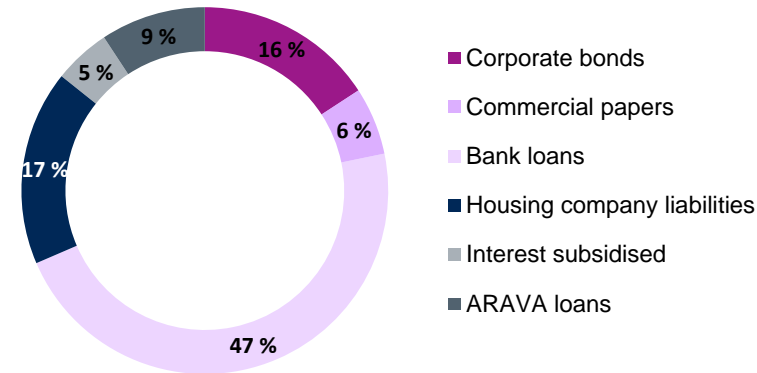


LTV (Loan to Value) *



* Excluding VATRO segment

Debt portfolio
Nominal values 30 Sep 2014
Total MEUR 1,575



Key indicators

	30 Sep 2014	30 Sep 2013	31 Dec 2013*
Key financial indicators			
Net sales, MEUR	236	219	312
Operating profit, MEUR	153	111	178
Profit before taxes, MEUR	124	83	141
Balance sheet total, MEUR	2,748	2,463	2,596
Investment property, MEUR	2,489	2,184	2,316
Shareholders' Equity and non-controlling interest, MEUR	875	743	823
Return on Equity (%)	15.5	11.6	15.5
Return on invested capital (%)	8.3	6.8	7.7
Equity ratio (%)	31.9	30.2	31.7
Key indicators per share			
Earnings per share, EUR	1.94	1.23	2.34
Equity per share, EUR	17.19	14.59	16.16
Key figures according to EPRA recommendations and operational cash earnings			
EPRA Earnings, MEUR	53	41	63
EPRA Net Asset Value, MEUR	1,088	953	1,007
Cash Earnings, MEUR	62	51	66

* Adoption of IAS 40 Investment properties -standard fair value model has been taken into account retrospectively in key figures. Retrospectively adjusted figures are unauditted.

The biggest shareholders

13 Oct 2014

Varma Mutual Pension Insurance Company	22.8%
APG Asset Management NV*	22.8%
Ilmarinen Mutual Pension Insurance Company	16.1%
Suomi Mutual Life Assurance Company	14.8%
Elo Mutual Pension Insurance Company	12.9%
LocalTapiola Group	4.8%
Pohjola Insurance Ltd	2.7%
Other	3.1%

On 13 Oct 2014, the number of SATO shares was 51,001,842 and the number of shareholders subscribed in the book-entry system was 30. The turnover of shares during the review period amounted to 22.9 per cent.

*In June, SATO Corporation shareholder Varma announced that it has sold 50 per cent of its SATO shares to the Dutch pension provider APG.

Outlook for 2014

- Outlook for the Finnish national economy has weakened. The growth of the Russian economy has stopped, and uncertainty about the direction of economic development has increased.
- According to forecasts, the interest rate level will remain low for a long time.
- The demand for rental housing is expected to continue to be good in SATO's areas of operation and mainly be targeted at small homes. Rental activity is expected to develop positively and SATO's net rental income will improve from the previous year.
- Steady demand for rented homes is creating good prospects for continuing investments in SATO's areas of operation in Finland. Making new investment decisions regarding St. Petersburg depends on the development of the Russian operating environment.



Homes will always be needed.

Additional information:

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Chief Financial Officer Esa Neuvonen, tel. +358 40 5001 003

www.sato.fi