

SATO CORPORATION
Financial statements
information 29 Jan 2015
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SATO in brief





- Leading housing investment company
- Value creation by focusing on growth centres
- Active housing property development and maintenance
- Customer-oriented and efficient operations
- Steady cash flow and net rental income

MAIN FACTS:

Number of SATO homes:

24,200

Investments/year:

150-200 million €

Fair value of
investment property:

2.5 billion €

Number
of personnel:

170

*Business areas: Helsinki Metropolitan Area, Tampere, Turku, Jyväskylä, Oulu
and St. Petersburg*

Major owners: Pension insurance and insurance companies

SERVICE CONCEPTS:

SATO RentHome • star-rated rented homes

SATO HotelHome • for home comforts in short-term accommodation

**SATO OwnerHome • individual owner-occupied homes ready for
moving into**

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The housing market



The housing market becoming differentiated

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- Demand for rental apartments in growth centres
 - SATO made c. 9,000 new rental agreements in 2014
- Supply of rental apartments changes slowly
 - In the Helsinki Metropolitan Area, the demand for rental apartments exceeds supply
- In 2014 average increases in rents 3 to 4%
 - Considerable area-specific differences
- Moderate increases in apartment prices
 - Price development in the HMA clearly differentiated from the rest of Finland
 - Trading has slowed
- New players on the market
 - Steady profits created by apartments are attractive
 - New property-investing funds

More rented apartments needed



URBANISATION



GROWTH IN THE NUMBER OF PEOPLE LIVING ALONE



IMMIGRATION



GREYING POPULATION



NEED FOR FLEXIBILITY



ST. PETERSBURG

Helsinki Metropolitan Area needs special measures



- Too few small rental apartments are completed in the Helsinki Metropolitan Area compared with demand



- Faster city planning process
- More flexible norms
- From authority guidance to innovation and competition
- From supporting production to supporting living
- Comprehensive renewal of housing legislation

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Strategy



Mission, vision and values

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sato

MISSION
SATO provides
good housing

VISION
Best home address–
50,000 happy
residents

VALUES AIMING HIGH
A HUMAN TO HUMAN
JOY AND EASE OF EXPERTISE

Strategic topics

PROFITABILITY

ensures the creation of well-being in the long term

GROWTH

increases the supply of rental apartments and the company's value

EXCELLENT CUSTOMER EXPERIENCE

provides competitive edge

INSPIRING CORPORATE CULTURE

supports employee engagement

RESPONSIBILITY CREATES WELL-BEING

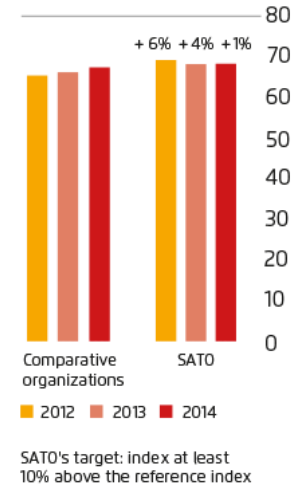
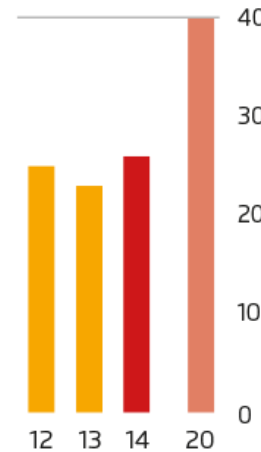
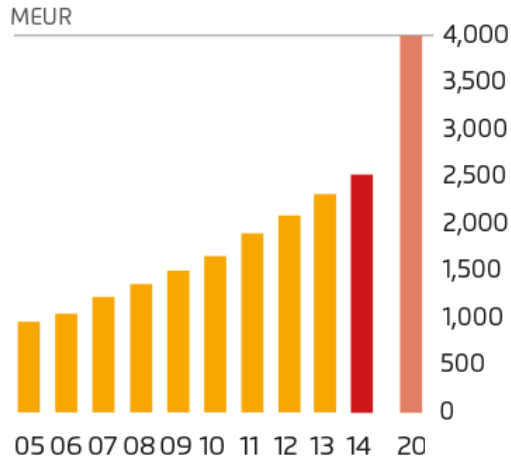
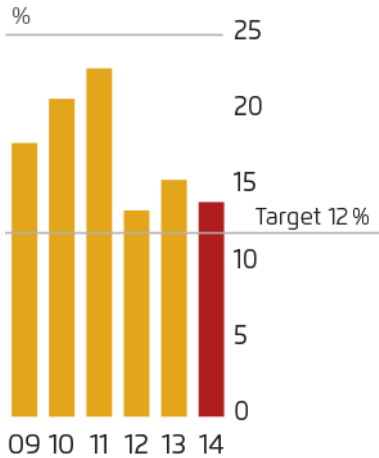
Strategic goals 2020

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

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

Creating value for customers
Net Promoter Score NPS > 40

Inspiring company culture
Personnel index at least 10% above the reference index



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SATO's year 2014

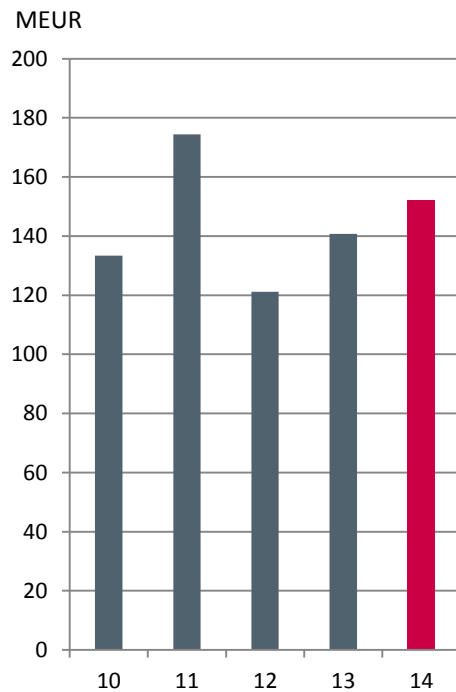


Profit and Shareholders' equity

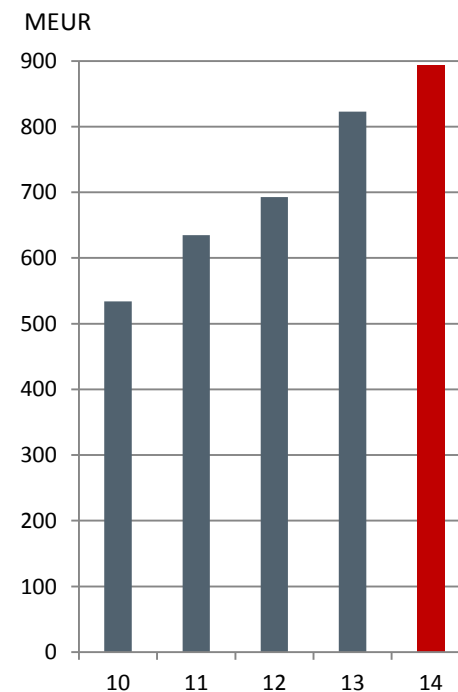
€152 million

€892 million

Profit before taxes



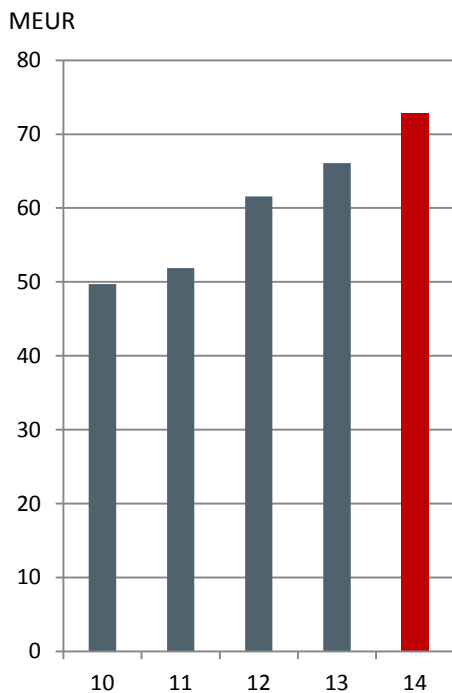
Shareholders' equity



Cash Earnings and EPRA Earnings

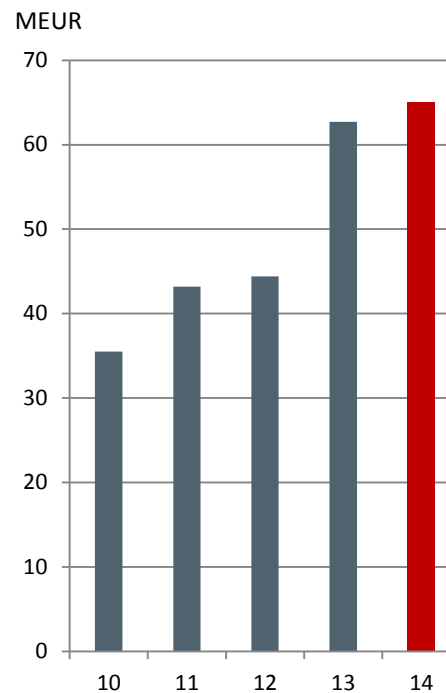
€72.9 million

Cash Earnings



€65.1 million

EPRA Earnings



Housing investments and divestments

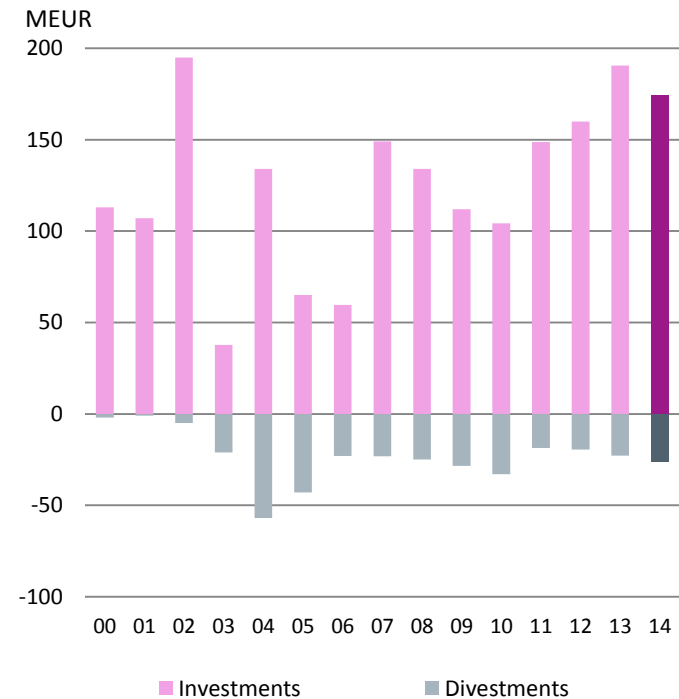
Investments

€174 million

790

rental apartments under construction

Housing investments and divestments

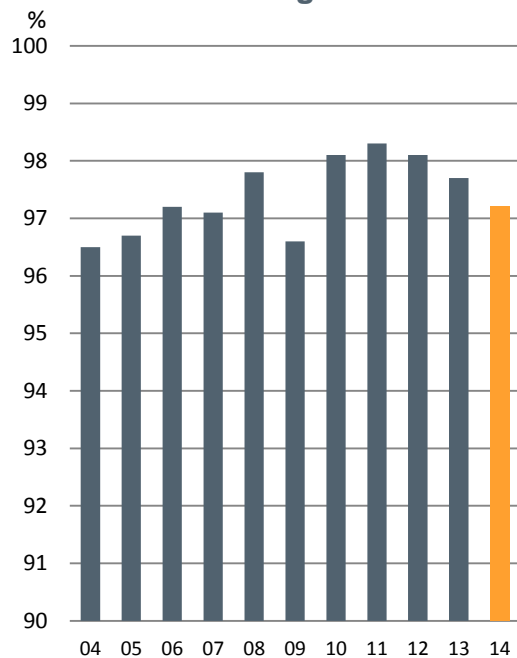


Rental occupancy rate and income

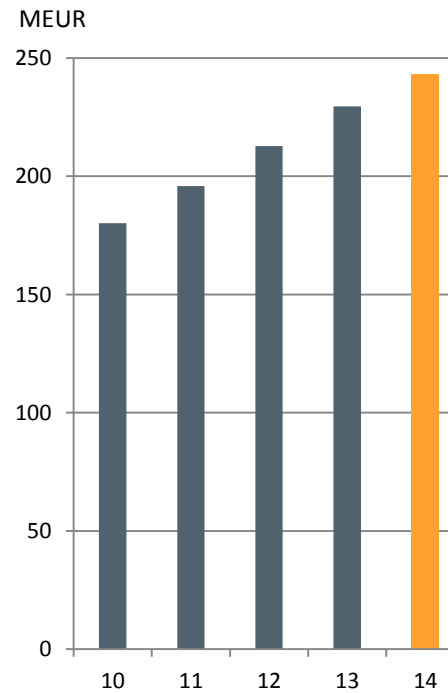
97.2%

€243 million

Financial occupancy rate of rental housing



Rental income



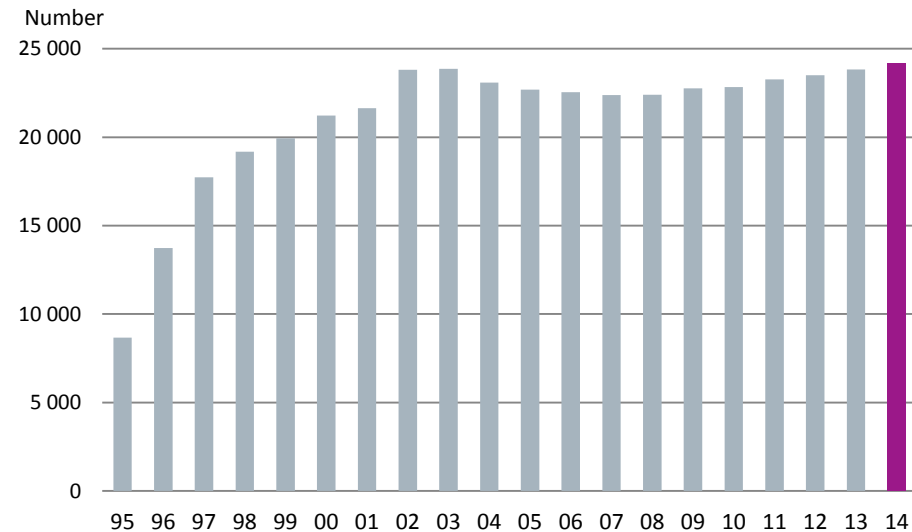
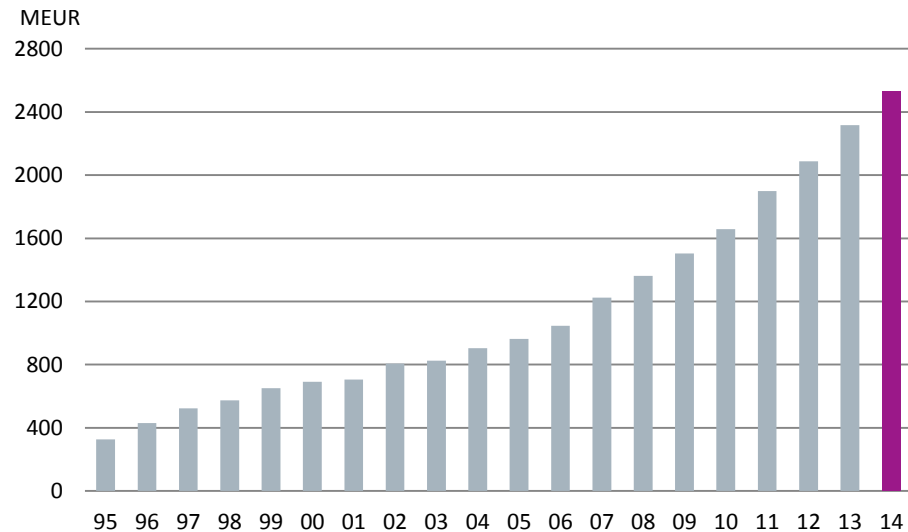
Trend in the housing portfolio

Housing portfolio

€2,5 billion

Housing portfolio

24,200 apartments



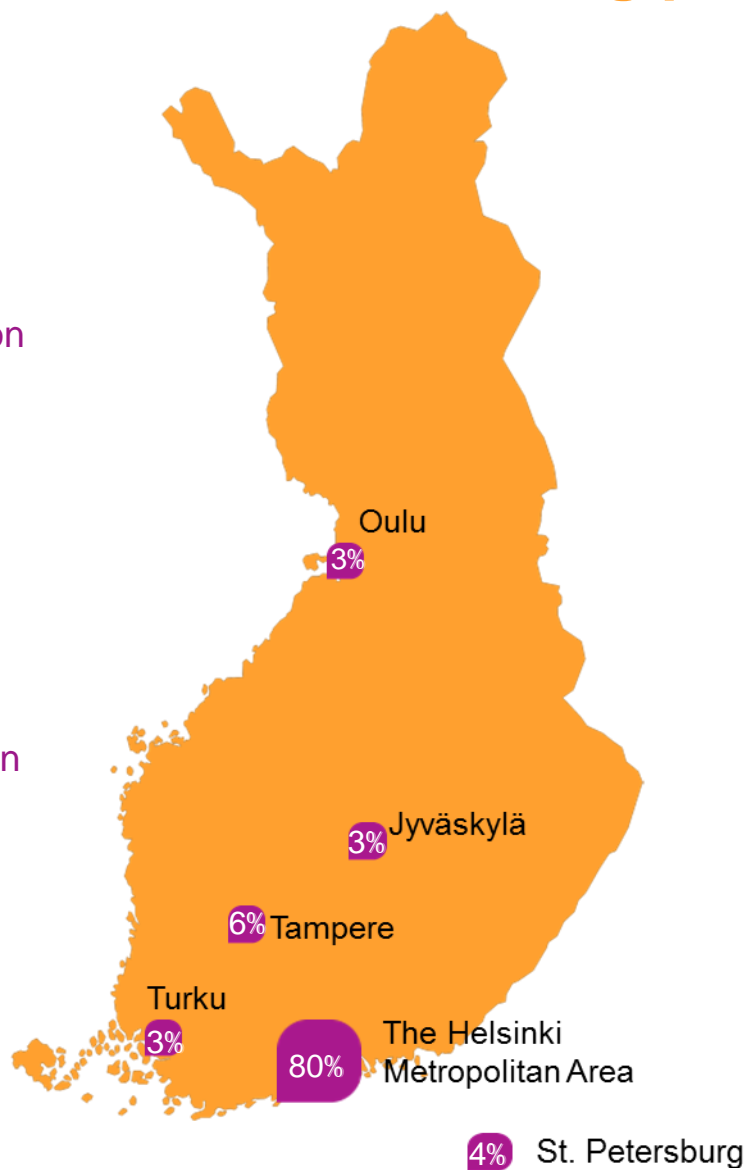
Regional distribution of the housing portfolio

Housing portfolio

€2,5 billion

Helsinki

€1,1 billion



SATO in St. Petersburg 2014

Rental homes

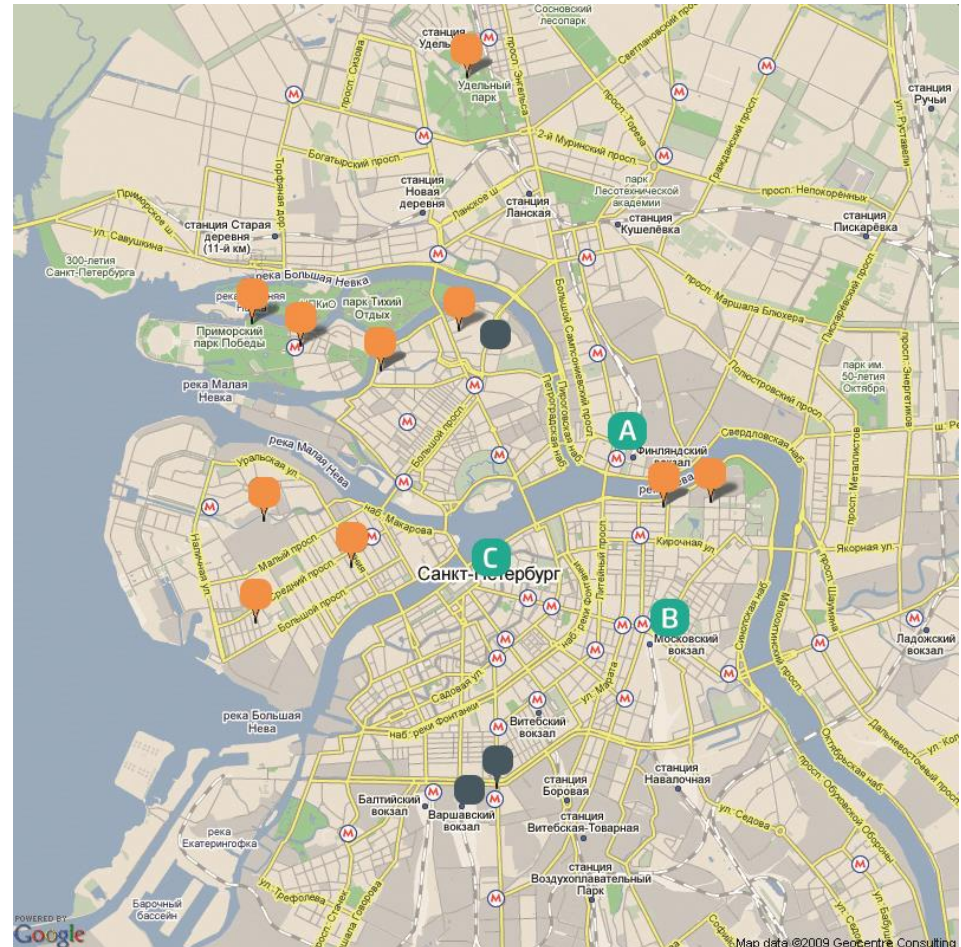
310 completed

Rental homes

220 under construction

Value of housing portfolio

€102 million



Landmarks:

A. Finland Station (Finlyandsky)

B. Moscow Station (Moskovsky)

C. State Hermitage Museum

sato

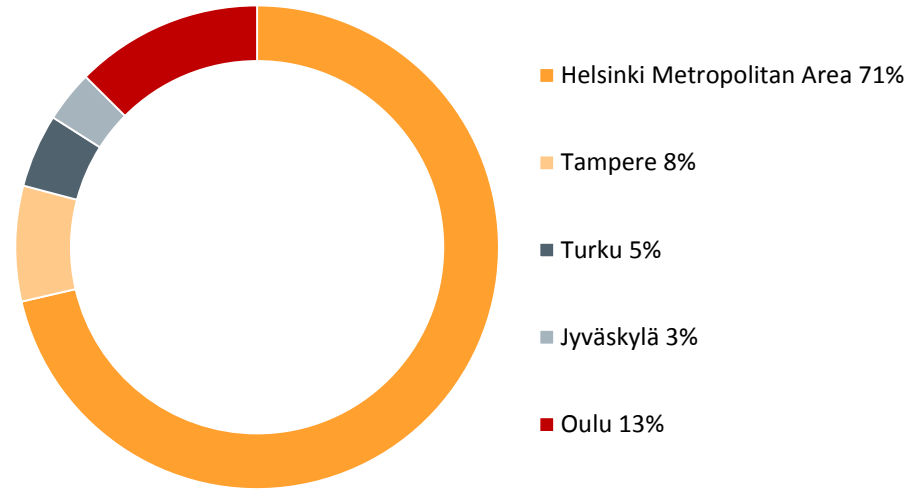
Building land inventory 31 Dec 2014

€72million

For building

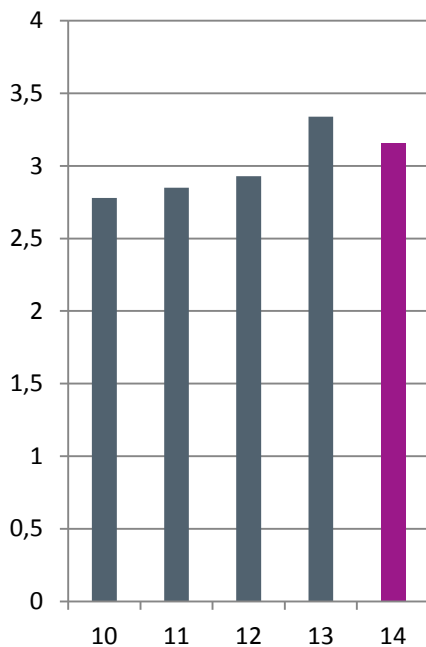
3,200
apartments

70%
in the Helsinki Metropolitan Area

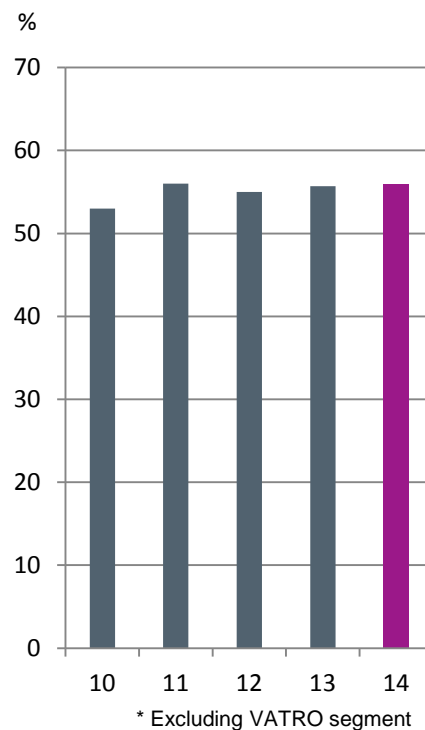


Finance

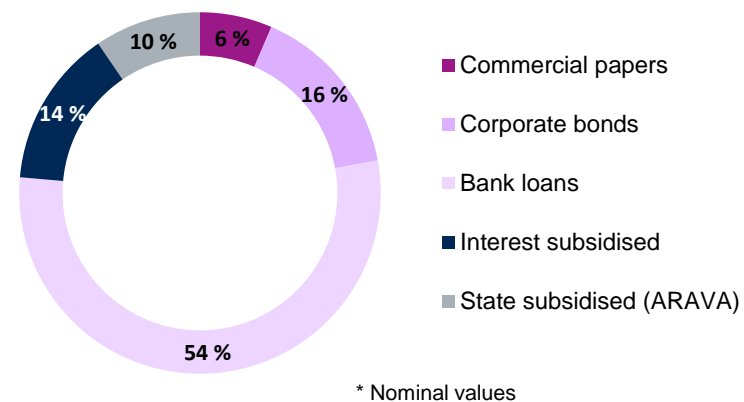
Interest coverage ratio



LTV (Loan to Value) *



Debt portfolio* 31 Dec 2014 total MEUR 1,593



Financial figures 2010-2014

	2014	2013**	2012**	2011**	2010**
Key financial indicators					
Net sales, MEUR	312	312	287	232	193
Operating profit, MEUR	191	178	160	209	167
Net financing expenses, MEUR	-39	-38	-39	-35	-33
Profit before taxes, MEUR	152	141	121	174	133
Balance sheet					
Balance sheet total, MEUR	2,802	2,596	2,360	2,167	1,805
Shareholders' equity and non-controlling interest, MEUR	892	823	693	635	534
Liabilities, MEUR	1,909	1,773	1,696	1,554	1,289
Return on invested capital, % (ROI)	7.7 %	7.7 %	7.7 %	10.9 %	10.3 %
Return on equity, % (ROE)	14.0 %	15.5 %	13.5 %	22.8 %	20.8 %
Equity					
Equity ratio, %	31.8 %	31.7 %	29.4 %	29.5 %	29.5 %
Investment property, MEUR	2,528	2,316	2,088	1,899	1,657
Gross investments, MEUR	174	191	160	150	104
Personnel, average ***	165	156	152	137	129
Key indicators per share					
Earnings per share, EUR	2.37	2.34	1.78	2.63	2.01
Equity per share, EUR ****	17.55	16.16	13.72	12.59	10.48
Number of shares, million *	50.8	50.8	50.8	50.8	50.8
Key figures according to EPRA recommendations and operational cash earnings					
EPRA Earnings, MEUR	65.1	62.7	44.4	43.2	35.5
EPRA Earnings per share, EUR	1.28	1.23	0.87	0.85	0.72
EPRA Net Asset Value, MEUR	1,120	1,007	900	825	685
EPRA Net Asset Value per share, EUR	22.04	19.80	17.71	16.23	13.47
Cash earnings, MEUR	72.9	66	62	52	50
Cash earnings per share, EUR	1.43	1.30	1.21	1.02	0.98

* The 160,000 shares held by the Group have been deducted from the number of shares.

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

*** Including summer trainees

*** Equity excluding minority interest

Main shareholders

15 Jan 2015

Varma Mutual Pension Insurance Company	22.8%
APG Asset Management NV	22.8%
Ilmarinen Mutual Pension Insurance Company	16.1%
Elo Mutual Pension Insurance Company	12.9%
Suomi Mutual Life Assurance Company	6.2%
The State Pension Fund	5.0%
LocalTapiola Group	4.8%
Pohjola Insurance Ltd	2.5%
Mandatum Life Insurance Company Ltd	1.7%
The Finnish Construction Trade Union	0.8%
Other	4.3%

On 15 January 2015, the number of shareholders subscribed in the book-entry system was 38. The turnover of shares during the review period amounted to 31.8 per cent.

Outlook



- The growth of the Finnish economy and general confidence are estimated to remain weak. In SATO's operating environment, business is most affected by consumer confidence, the rent and price development of apartments and interest rates.
- 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. Approximately 80 per cent of SATO's apartments are located in the Helsinki Metropolitan Area, where rent and price development is steadiest. SATO's supply responds to the need for small homes; the average surface area of SATO's apartments is 57 square metres.
- Increasing urbanisation and immigration are creating good prospects for continuing investments in Finland. Due to continuing demand and new investments, SATO's net rental income is estimated to improve compared to last year. Rent rises, however, are estimated to be more moderate than in the last few years.
- Interest rates are expected to remain low, which has a positive effect on SATO's business.
- According to forecasts, the Russian economy will decline as a result of the economical sanctions placed because of the crisis in Ukraine, and the decreasing price of oil. Approximately 4 per cent of SATO's housing portfolio is located in St. Petersburg. SATO will refrain from new investment decisions until the Russian economy and political situation stabilise.

Homes will always be needed.

Additional information:

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

www.sato.fi