

SATO CORPORATION

Interim Report

Jan-Mar 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:

2.6 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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Operating environment



Operating environment



- Consumer confidence returned close to the average level during the first part of the year.
- Growth in the global economy is accelerating, whereas the Finnish economy will recover more slowly.
- Inflation and reference rates are at historically low levels.
- The supply of rental homes has increased in SATO's operating areas.
- In the Helsinki region, demand for small low-cost rental homes exceeds the supply.
- Rents are increasing, but at a moderate pace.
- Demand for owner-occupied houses is lower than the average, and regional differences in purchase prices have increased.
- In the Helsinki region, the prices of homes are expected to remain stable throughout the year.
- The Russian economy is expected to contract.

More rented apartments needed



URBANISATION



**GROWTH IN THE NUMBER
OF PEOPLE LIVING ALONE**



IMMIGRATION



**GREYING
POPULATION**



NEED FOR FLEXIBILITY



**GROWING
ST. PETERSBURG**

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Strategy



Mission, vision and values



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

Key strategic areas

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

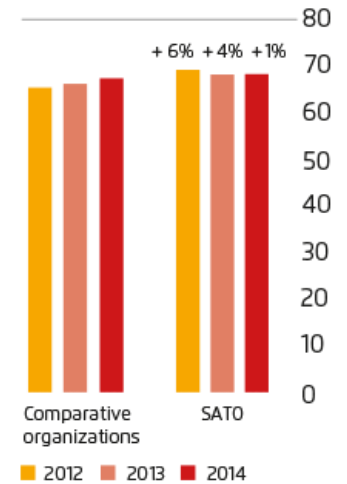
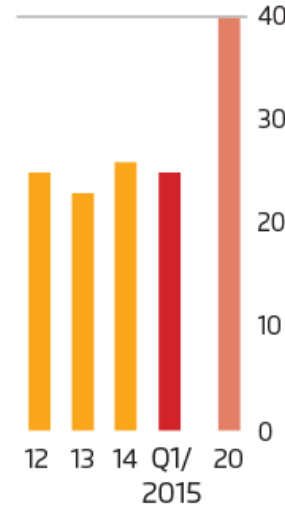
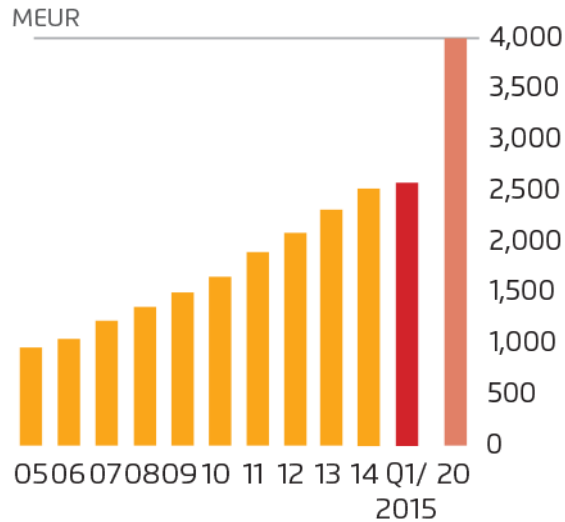
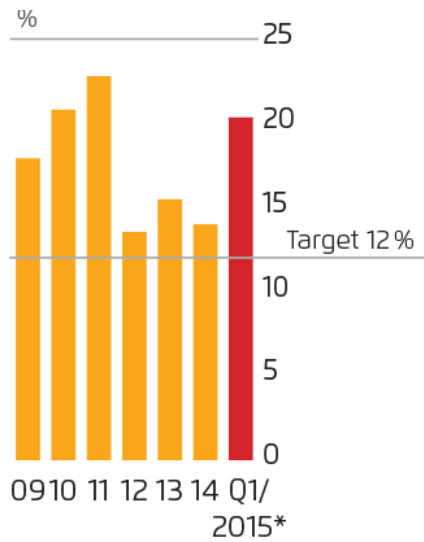
Strategic goals 2020

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



* annualised

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Interim Report 1-3/2015



Interim Report 1-3/2015



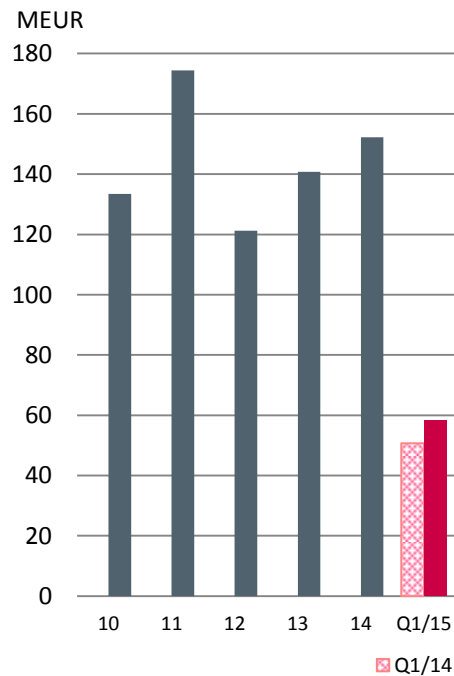
- Profit before taxes €58.3 (50.7) million
- The change in the fair value of rental homes included in the profit €36.6 (24.4) million
- Shareholders' equity €908.1 (827.8) million, €17.86 (16.28) per share
- Return on equity 20.4 (19.6)%
- Rental income €62.1 (59.8) million
- Investments in rental homes €29.3 (59.2) million
- Rental occupancy rate 96.4 (96.2)%

Profit and Shareholders' equity

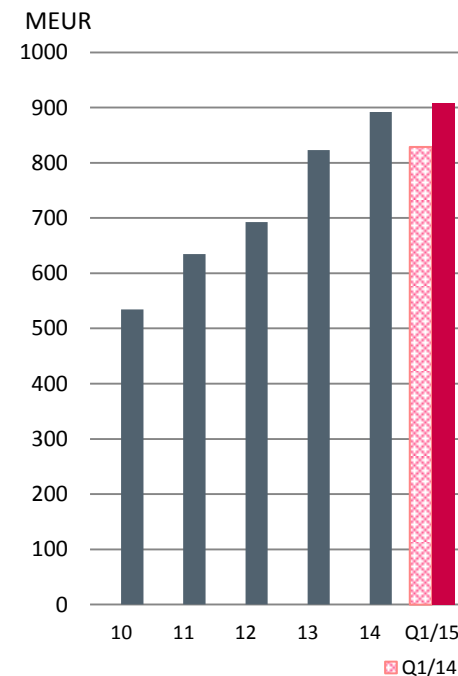
€58.3 million

€908 million

Profit before taxes



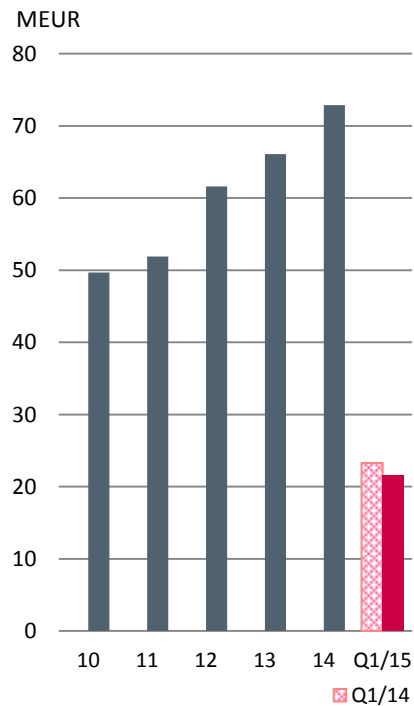
Shareholders' equity



Cash Earnings and EPRA Earnings

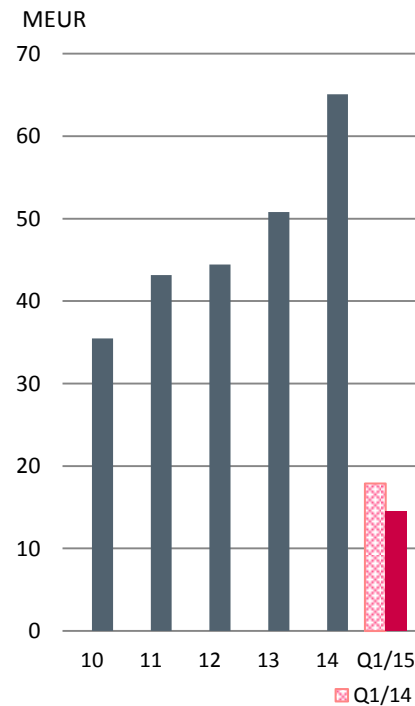
€21.6 million

Cash Earnings



€14.5 million

EPRA Earnings



Housing investments and divestments

Investments

€29 million

770

rental apartments under construction

Housing investments and divestments

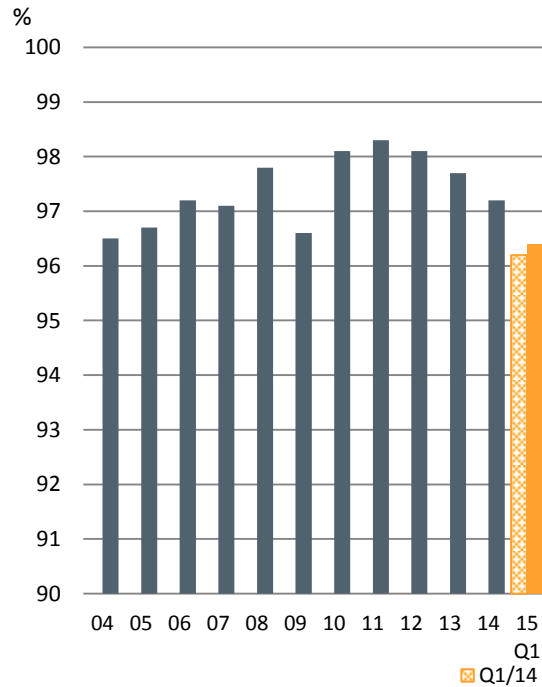


Rental occupancy rate and income

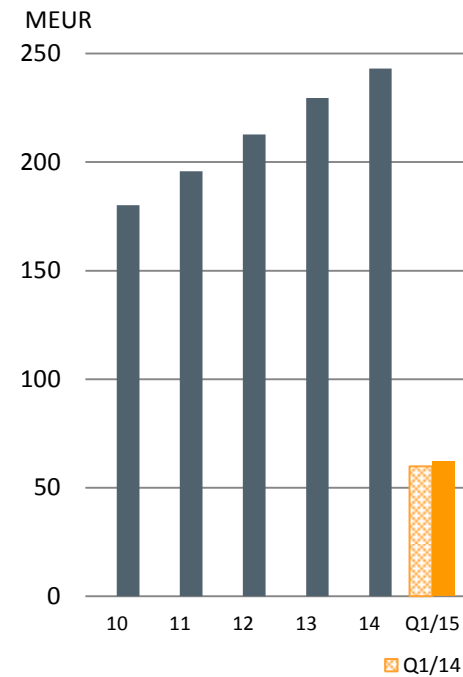
96.4%

€62 million

Economic occupancy rate



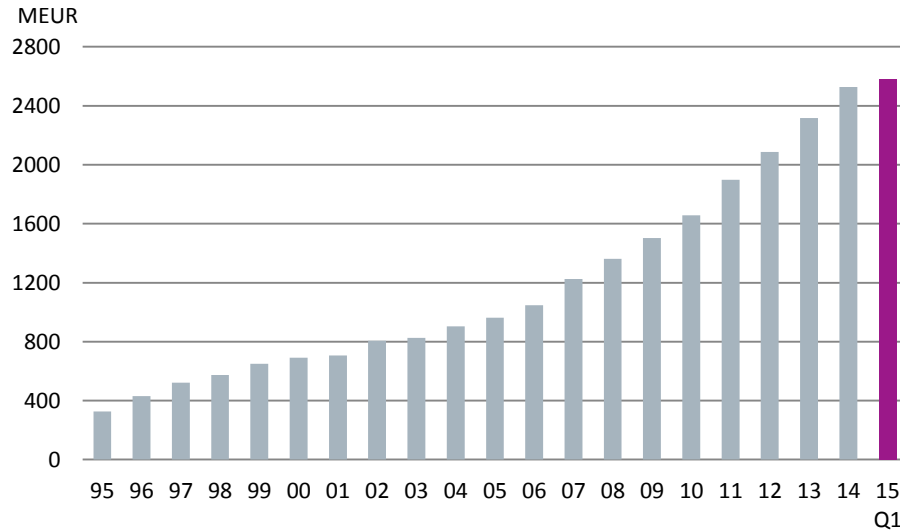
Rental income



Trend in the housing portfolio

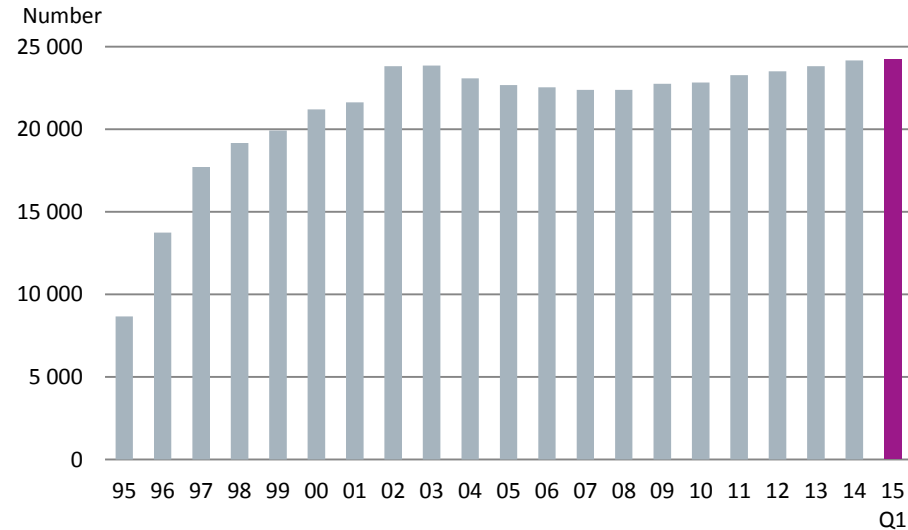
Housing portfolio

€2,6 billion



Housing portfolio

24,200 apartments



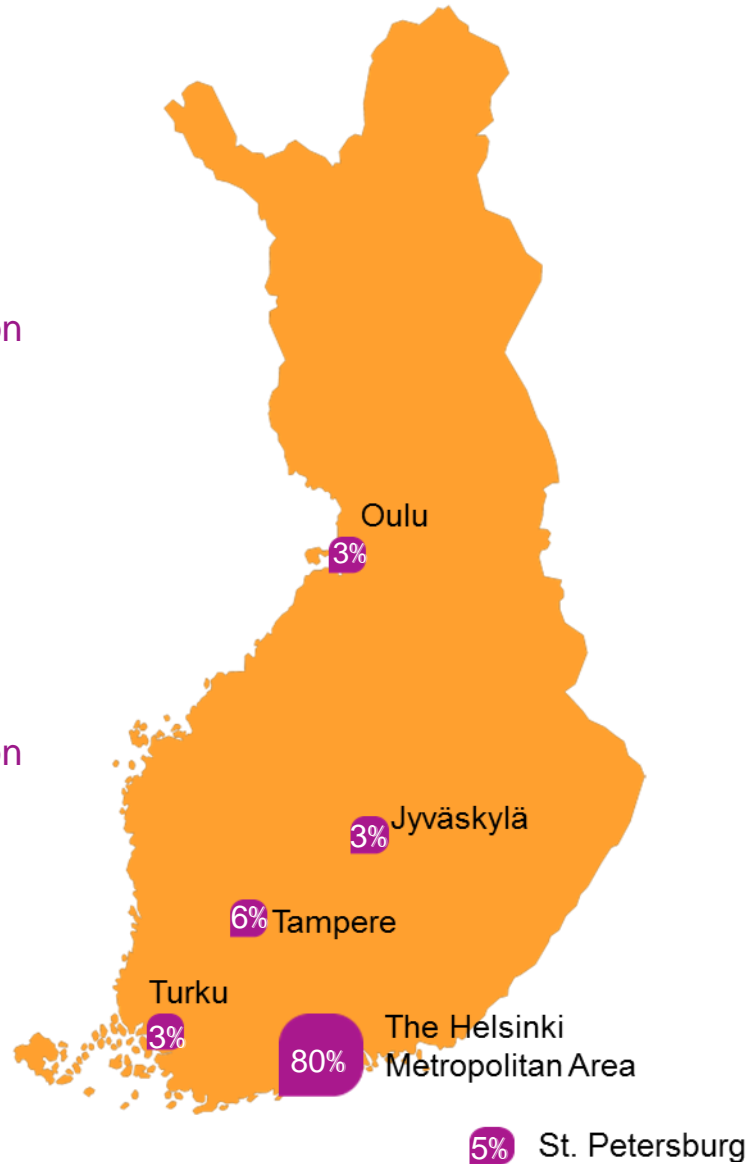
Regional distribution of the housing portfolio

Housing portfolio

€2,6 billion

Helsinki

€1,1 billion



SATO in St. Petersburg

Rental homes

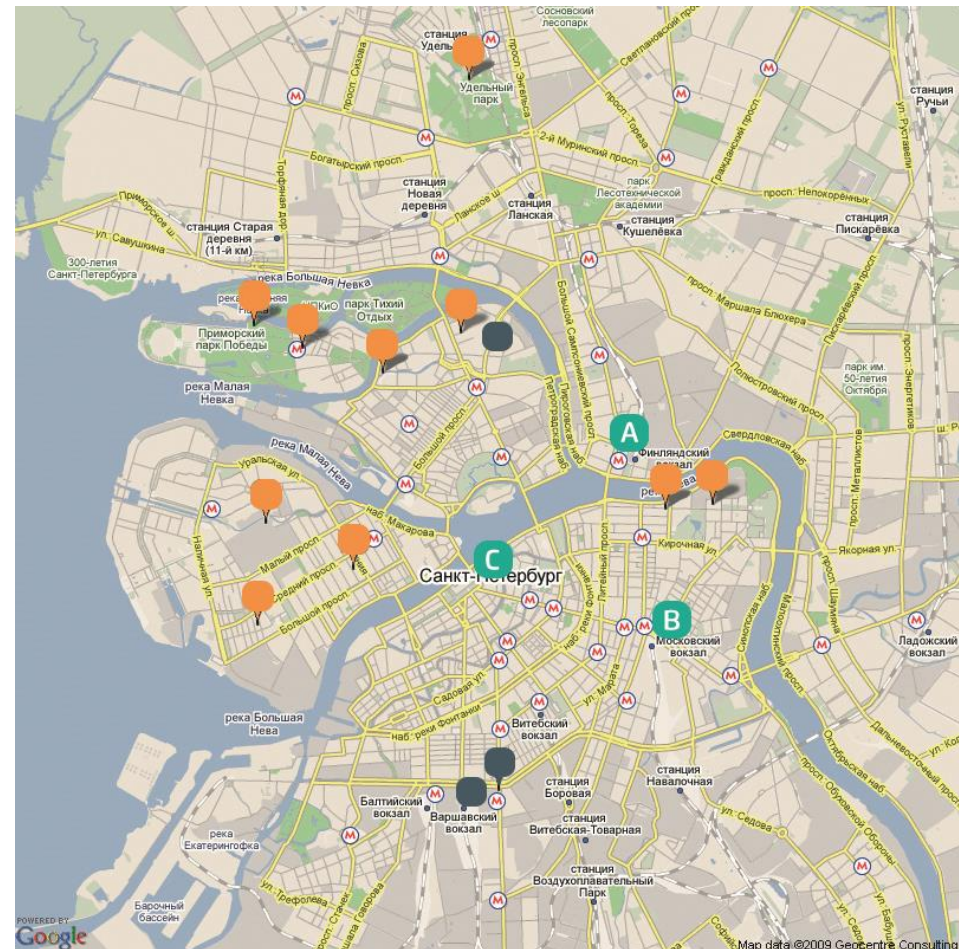
310 completed

Rental homes

220 under construction

Value of housing portfolio

€122 million



Landmarks:

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

sato

Building land inventory 31 Mar 2015

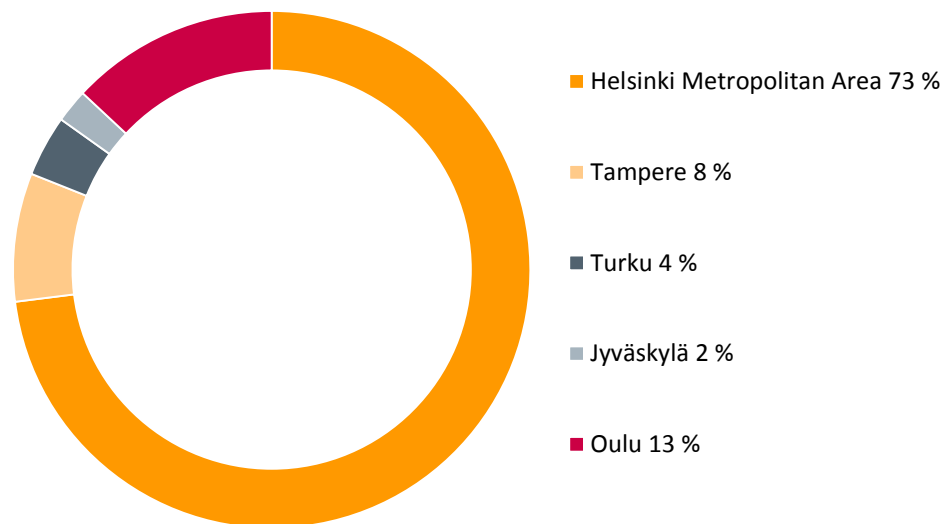
€69 million

For building

3,100
apartments

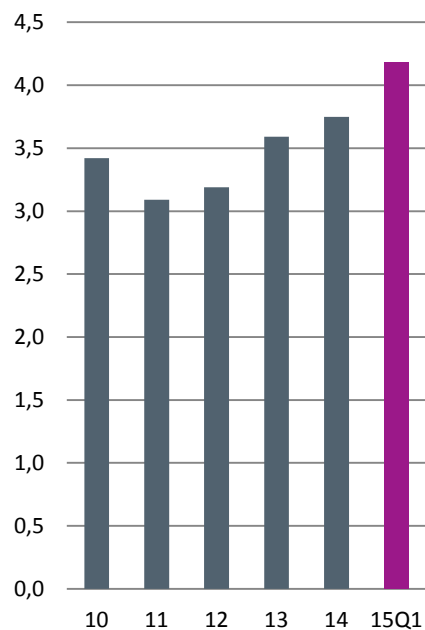
73%

in the Helsinki Metropolitan Area

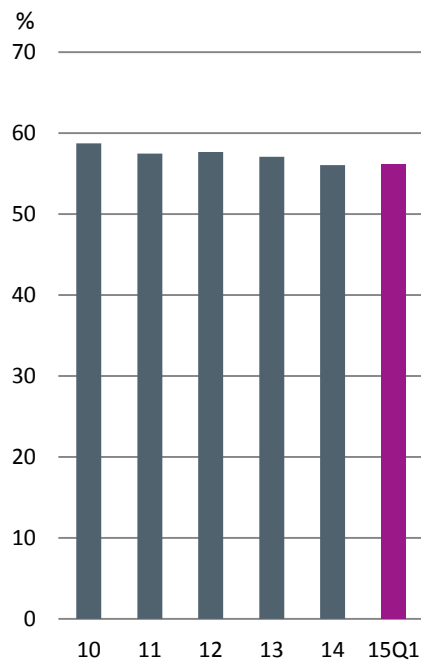


Finance

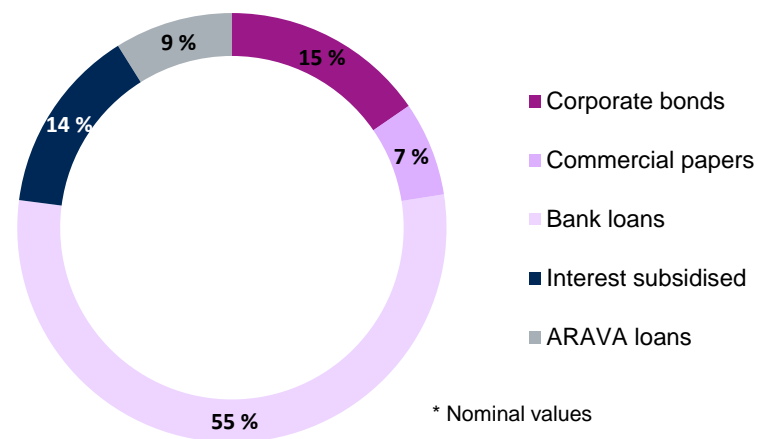
Interest coverage ratio



LTV (Loan to Value)



Debt portfolio* 31 Mar 2015 total MEUR 1,617



Financial figures 2014-Q1/2015

Key financial indicators	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	1-12/2014
Net sales, MEUR	96	76	77	85	74	312
Operating profit, MEUR	67	38	37	56	60	191
Profit and losses from changes of fair value	37	16	5	19	24	64
Net financing expenses, MEUR	-9	-10	-10	-10	-9	-39
Profit before taxes, MEUR	58	28	27	46	51	152
Earnings per share, EUR	0.90	0.42	0.42	0.72	0.80	2.37
Shareholders' equity, MEUR	908	892	875	861	829	892
Gross investments, MEUR	29	31	43	42	59	174
Economic occupancy rate, %	96.4%	97.2%	96.9%	96.5%	96.2%	97.2%

Main shareholders

13 April 2015

Varma Mutual Pension Insurance Company	22.8%
APG Asset Management NV	22.8%
Balder Finska Otas AB	16.1%
Elo Mutual Pension Insurance Company	12.9%
Danske Bank Plc (nominee-registered)	6.7%
The State Pension Fund	5.0%
LocalTapiola Group	4.8%
Pohjola Insurance Ltd	2.5%
The Finnish Construction Trade Union	0.9%
Others	5.5%

On 13 April 2015, SATO had 51,001,842 shares and 75 shareholders registered in the book-entry system. The share turnover rate was 24.3 percent on 13 April 2015.

In April, Ilmarinen announced that it had sold all of its shares in SATO (16.1%) to Balder.

Outlook

- Finnish economic growth and the general climate of confidence are expected to remain poor. In the operating environment, SATO's business operations are mainly affected by consumer confidence, the rental and price development of homes, and the interest rate.
- Demand for rental homes is expected to remain high in SATO's operating areas, focusing mainly on small homes. Some 80 percent of SATO's housing assets are located in the Helsinki region, where the rental and price development is more stable than in other regions. SATO's product range responds to the demand for small homes, with the average area of homes being 57 square metres.
- Increasing urbanisation and immigration offer good potential for continued investments in Finland. Thanks to high demand and new investments, SATO's net rental income is expected to improve from the year before. However, increases in rents are expected to be lower than in the previous year.
- Interest rates are estimated to remain low, which will have a positive impact on SATO's business operations.
- The Russian economy is expected to contract. Some 5 percent of SATO's housing assets are located in St. Petersburg. Due to the unstable economic and political situation in Russia, SATO is refraining from making new investment decisions for the time being.



Homes will always be needed.

Additional information:

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www.sato.fi