

*Isabella ja Toni, best friends /
99 m2 | 2 br. + balcony + sauna | Kalasatama*

SATO Corporation/Saku Sipola

FINANCIAL STATEMENTS INFORMATION 2015

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CONTENT

- SATO in brief
- Finnish housing market
- Strategy
- SATO's year 2015
- Outlook

SATO IN BRIEF

- Number of SATO-homes **23,600**
 - SATO RentHome
 - SATO HotelHome
- Number of personnel **170**
- Investments/year **€150-200 million**
- Fair value of investment property **€2,8 billion**
- Operating area
 - Helsinki MA, Tampere, Turku, Jyväskylä, Oulu in Finland
 - St. Petersburg in Russia

*a home the way
you want it*



We are proud of SATO.

SATO

- A reliable and long term lessor
- One of the most active housing investors in Finland
- Acquires new and old rental homes and maintains and develops them
- Has a functioning partner network
- 75 years of experience in the housing business
- We are passionate about what we do

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*Sandra, Erika, Rosa ja Riikka, roommates
and bff / 95 m² / 2 rooms + balcony / Pasila*

FINNISH HOUSING MARKET

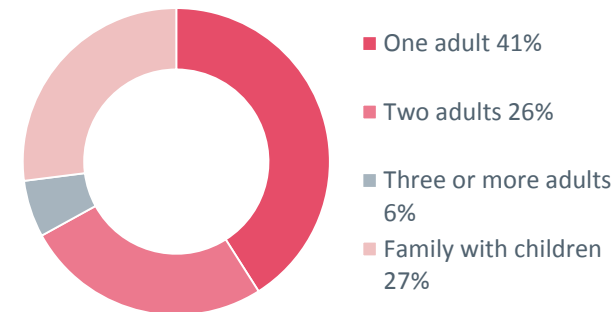
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Rental housing market.

URBANISATION INCREASES THE DEMAND FOR SMALL HOMES

- In the major cities in Finland the share of households with 1-2 persons is 70-80%
- Smaller family size and increasing share of elderly population strengthen the demand for small homes
- The constant shortage of small rental homes, in particular in the HMA, requires swift action to increase the supply

SATO's resident structure
31 Dec 2015



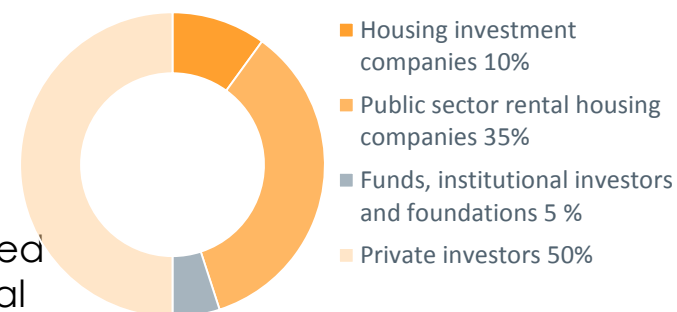
Total approx. 45,500 residents

Rental housing market.

NEW OPERATORS

- Some 820 000 rental homes included in Finland's 2.6 million homes
 - SATO's share of the total of rental homes ca. 3%
 - SATO's share of rental homes in Finland's major cities ca. 6%
- Low interest level has increased the attractiveness of housing investment
 - new investors specialised in housing
 - Finnish pension insurance companies have returned on the market, making direct investments in rental homes
- The rise in housing prices and rents continued
 - demand focuses on small apartments

Parties owning rented housing 2015



Total volume approximately 840,000 rental homes

Source: SATO

*Sonia, cosmopolitan / 32 m2 /
studio / Kerava*

STRATEGY

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Strategy.

FOCAL POINTS 2016

Long-lasting customer relationships

- Easy and uncomplicated service
- Positive interaction
- Easiness to deal with and well functioning customer dialogue developed into SATO's strengths

Service culture

- Strong service culture
- With initiative and courage
- New solutions together with colleagues and partners
- Inspiring atmosphere with open and appreciative cooperation

Competitive price-to-quality ratio

- Developing operating models
- Efficient high-quality work in all main areas of our operations
- New, innovative housing solutions

Strategy.

FOCAL POINTS 2016

Energy efficiency

- New ways to improve energy efficiency
 - Building automation, energy efficiency goals for partners, piloting of new technologies
 - Customer engagement

Growth

- Rental housing investments in growth centres
- Own property development
- Surveying housing properties and potential sites for change of purpose
- Development of land areas and other real estate properties, both on our own and in cooperation with other operators
- We will discontinue the production of owner-occupied projects, which will open new opportunities for the development of diverse housing areas together with construction companies, for example

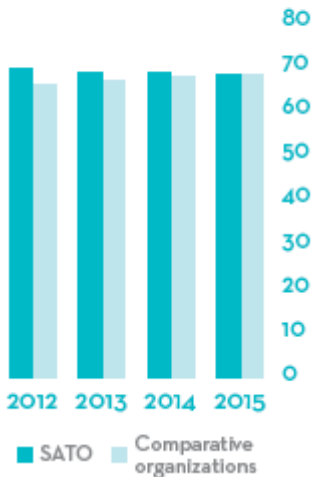
2020

STRATEGIC GOALS

Inspiring company culture

Personnel index at least 10% above the reference index

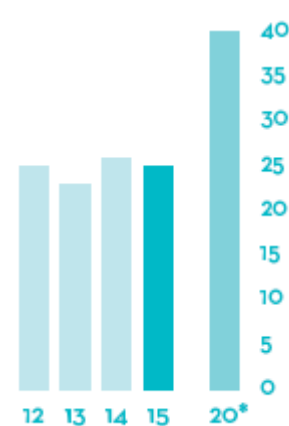
Personnel's satisfaction, index



Creating value for customers

Net Promoter Score
NPS > 40

Net promoter score NPS



Increasing ownership value

Return on equity
> 12%

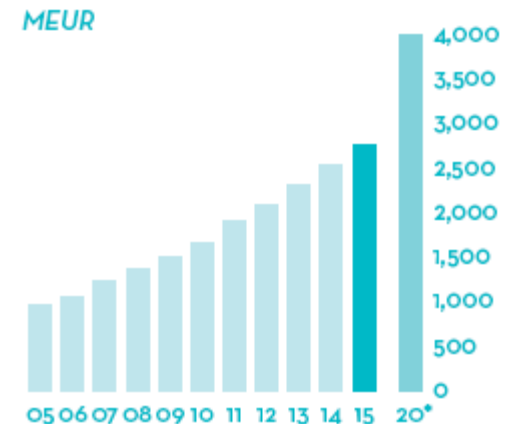
Return on equity



Increasing ownership value

Housing property
> €4 billion

Value of the investment property



Tara-dog ja Kader, chef | 76 m2 |

2 br. + balcony | Simonsilta

Successes and challenges

SATO'S YEAR 2015

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SUMMARY

Investment level increased markedly

- Investments in rental homes stood at EUR 250.5 (174.1) million
- Rental income increased by 2.5 (6.0) % to EUR 249.4 (243.2) million
- The rental occupancy rate in Finland was 96.4 (97.2) %

Profit enables investments

- Profit before taxes improved by 4.7 (8.1) % from the previous year and stood at EUR 159.4 (152.2) million.
 - Change in the fair value of rental homes included in the profit was EUR 62.4 (63.8) million.
 - Shareholders' equity stood at EUR 993.1 (892.2) million, EUR 19.53 (17.55) per share.
 - Return on equity was 13.5 (14.0) %.
-
- The Board proposes dividends of EUR 0.50 (dividend 0.20 and capital repayment 0.42) per share

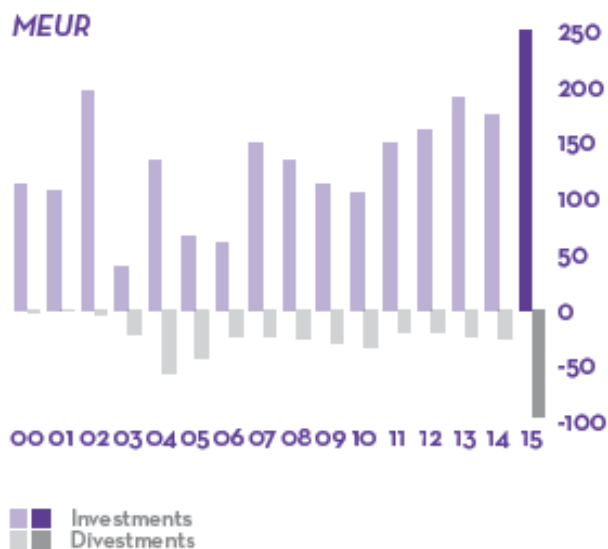
SUCCESSSES

- Green Star –recognition for SATO’s sustainability programme in GRESB (Global Real Estate Sustainability Benchmark)
- Green Building Council Finland’s honorary mention for SATO’s low-energy house in Soukka, Espoo
- SATO’s customer service rated The Developer of the Year in the Customer’s Voice competition
- SATO StudioHome –pilote project is progressing

Housing investments and divestments.

RECORD HIGH INVESTMENTS

Housing investments and divestments



Investments

€250 million

77%
investments of net sales

1,200
rental apartments
under construction

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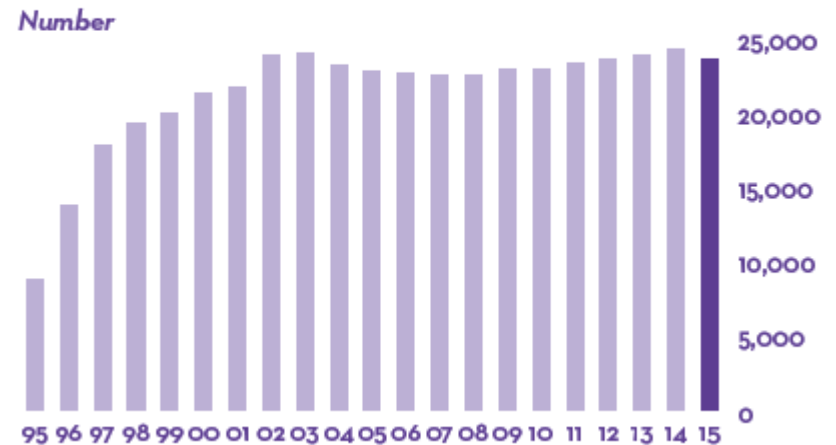
Trend in the housing portfolio.

THE SHARE OF NEWBUILT HOMES INCREASING

Trend in the housing portfolio, fair values



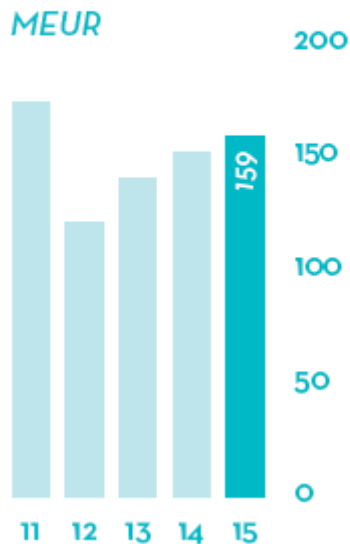
Trend in the housing portfolio



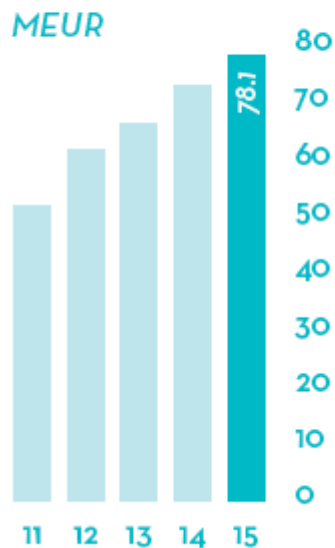
Profit and Cash Earnings.

STEADY PROFIT DEVELOPMENT

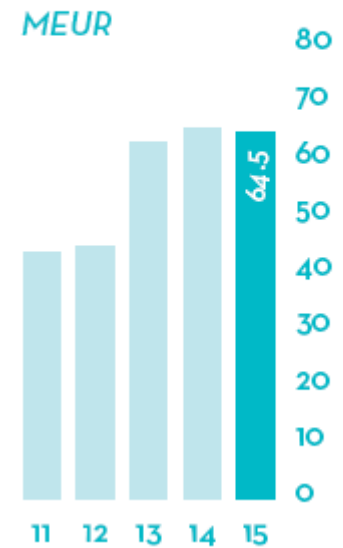
Profit
before taxes



Cash earnings



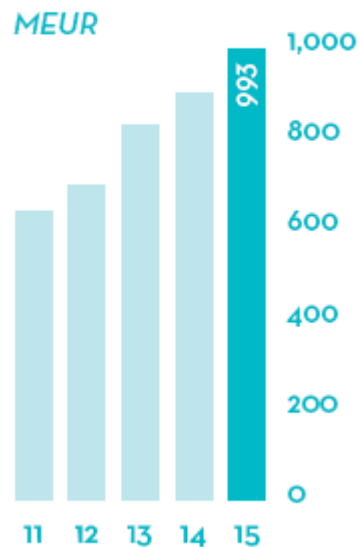
EPRA Earnings



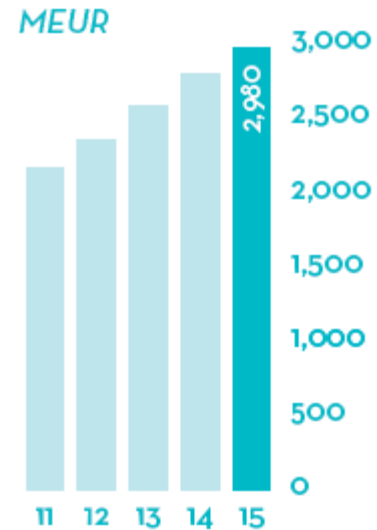
Shareholder's equity and Balance sheet.

GROWTH CONTINUED

Shareholders' equity



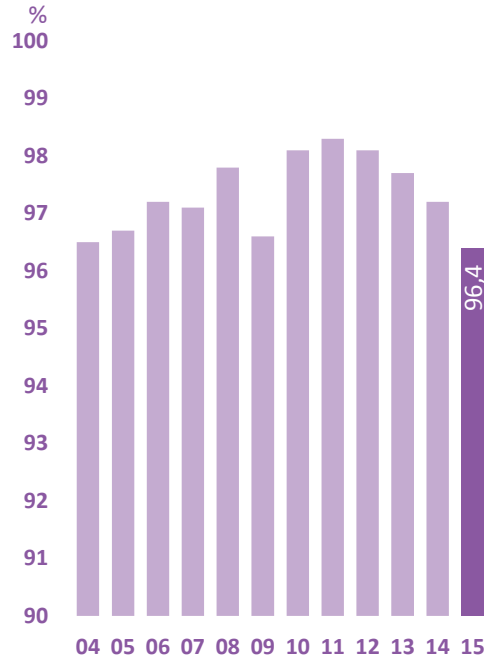
Balance sheet



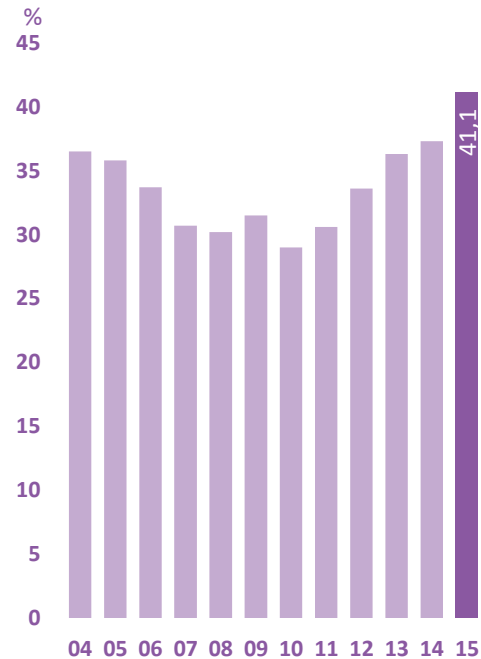
Rental occupancy rate and tenant turnover.

INCREASING COMPETITION

Rental occupancy rate



Tenant turnover



Regional distribution of the housing portfolio.

GOOD LOCATIONS

Housing portfolio

€2,8 billion

Helsinki

€1,2 billion



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SATO IN ST. PETERSBURG

Rental homes

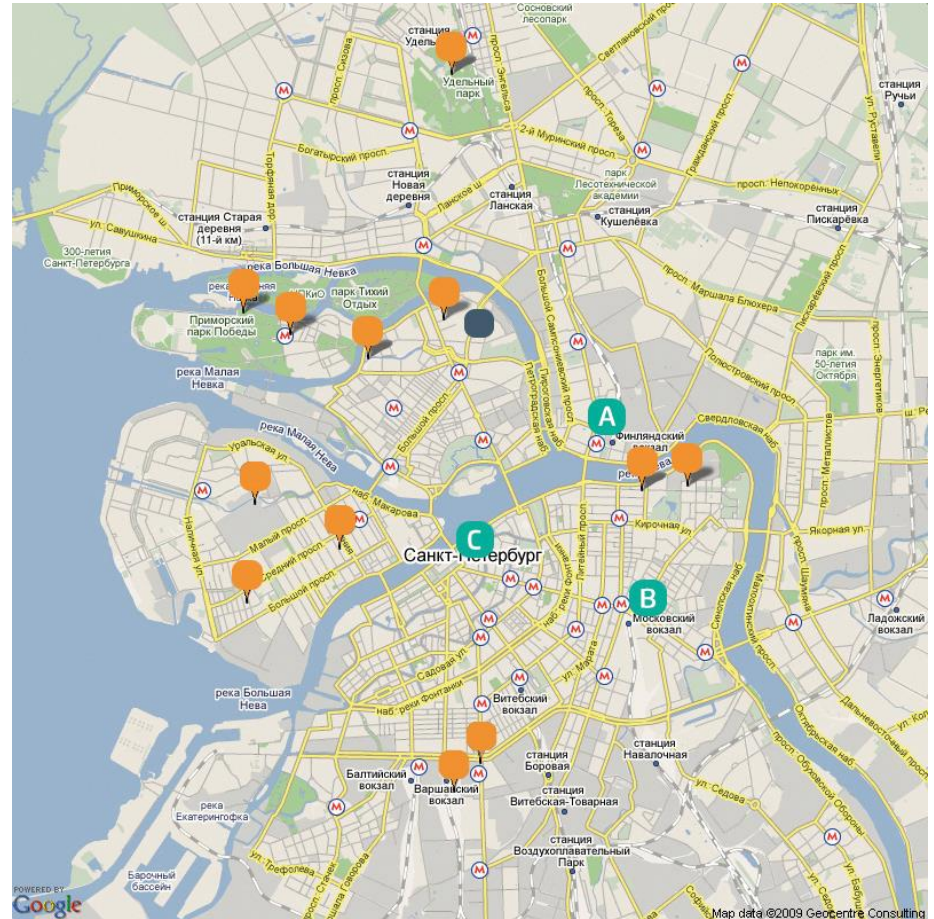
460 completed

Rental homes

74 under construction

Value of housing portfolio

€106 million



Landmarks:
A. Finland Station (Finlyandskiy)
B. Moscow Station (Moskovsky)
C. State Hermitage Museum

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For construction of some 3,100 homes.

PLOT RESERVES IMPROVE INVESTMENT POSSIBILITIES

€56 million

75%

in the Helsinki Metropolitan Area



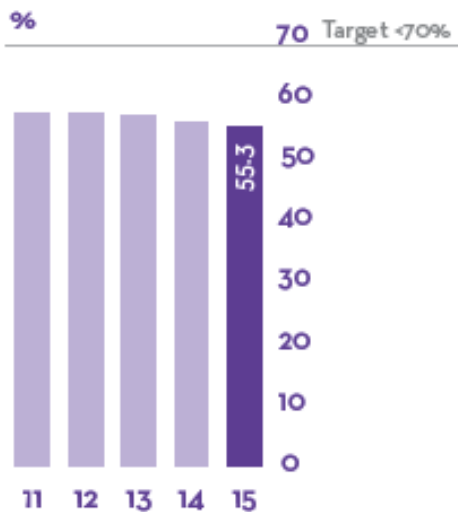
- Helsinki Metropolitan Area 75%
- Tampere 7%
- Turku 3%
- Jyväskylä 2%
- Oulu 13%

Total approx. 280,000 floor area, sq.m.,
about 3,100 apartments

Diversified funding base.

FINANCE

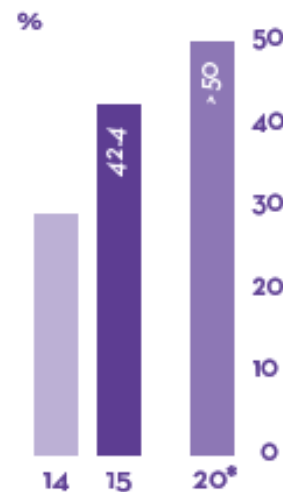
Solvency ratio



Interest coverage ratio



Unencumbered assets



* SATO's target

Mid-term target $\geq 35\%$
by end of Q2/16

Debt portfolio,
Nominal values 31 Dec 2015,
total MEUR 1,685



- Commercial papers 104
- Corporate bonds 549
- Bank loans 712
- Interest subsidised 226
- State subsidised (ARAVA) 94

Financial figures 2011-2015.

	1-12/2015	1-12/2014	1-12/2013**	1-12/2012**	1-12/2011**
KEY FINANCIAL INDICATORS					
Net sales, MEUR	323	312	312	287	232
Operating profit, MEUR	196	191	178	160	209
Net financing expenses, MEUR	-37	-39	-38	-39	-35
Profit before taxes, MEUR	159	152	141	121	174
Balance sheet total, MEUR	2 980	2 802	2 596	2 360	2 167
Shareholders' equity, MEUR	993	892	823	693	635
Liabilities, MEUR	1 986	1 909	1 773	1 696	1 554
Interest bearing liabilities, MEUR	1 676	1 585	1 501	1 375	1 255
Return on invested capital, % (ROI)	7,6 %	7,7 %	7,7 %	7,7 %	10,9 %
Return on equity, % (ROE)	13,5 %	14,0 %	15,5 %	13,5 %	22,8 %
Equity ratio, %	33,3 %	31,8 %	31,7 %	29,4 %	29,5 %
Investment property, MEUR	2 753	2 528	2 316	2 088	1 899
Gross investments, MEUR	250	174	191	160	150
as percentage of net sales	77,4 %	55,7 %	61,2 %	55,7 %	64,7 %
Personnel, average***	172	165	156	152	137
Personnel at the end of period	170	169	156	150	141
KEY INDICATORS PER SHARE					
Earnings per share, EUR	2,49	2,37	2,34	1,78	2,63
Equity per share, EUR ****	19,53	17,55	16,16	13,72	12,59
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	64,5	65,1	62,7	44,4	43,2
EPRA Earnings per share, EUR	1,27	1,28	1,23	0,87	0,85
EPRA Net Asset Value, MEUR*****	1 227,8	1 120,3	1 006,9	900,5	825,1
EPRA Net Asset Value per share, EUR*****	24,2	22,0	19,8	17,7	16,2
Cash earnings, MEUR	78,1	72,9	66,1	61,6	51,9
Cash earnings per share, EUR	1,54	1,43	1,30	1,21	1,02

* 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 non-controlling interests

***** Includes items valued at their carrying amount

18 Jan 2016

MAIN SHAREHOLDERS

Fastighets Ab Balder	53,3%
APG Asset Management NV	22,8%
Elo Mutual Pension Insurance Company	12,9%
The State Pension Fund	5,0%
The Finnish Construction Trade Union	0,9%
Others (78 shareholders)	5,1%

On 18 January 2016, the number of shareholders subscribed in the book-entry system was 84. The turnover of shares during the review period amounted to 55.2 %.

OUTLOOK

- In the operating environment, SATO's business operations are mainly affected by consumer confidence, development of purchasing power, the rent and price development of homes, and the interest rate.
- Finnish economic growth and the general climate of confidence are expected to remain poor. Interest rates are expected to remain low, which will have a positive impact on SATO's financing costs.
- Increasing urbanisation and immigration provide good long-term conditions for continued investments in Finland.
- New quality requirements have been added for several years now to the rules governing the production of new homes. This has increased the production costs of homes at the same time as purchasing power has weakened. This means that the matching of demand and supply has become more difficult.
- SATO's net rental income is expected to remain at the 2015 level. However, rent increases are expected to be more modest than in the previous years.
- About 80 percent of SATO's housing assets are located in the Helsinki region, where positive development of prices is expected.
- Development of the Russian economy is expected to be negative. About four percent of SATO's housing assets is located in St. Petersburg. For the time being, SATO will refrain from making new investment decisions.



Thank you

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Additional information:

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

www.sato.fi