

*Isabella and Pia, Lifestyle Princesses /
99 m² / 2 br + kit + sauna / Kalasatama*

SATO Corporation/Saku Sipola

INTERIM REPORT JAN-MAR 2016

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CONTENT

- SATO in brief
- Operating environment
- Strategic goals
- Interim Report Jan-Mar 2016



SATO IN BRIEF

- Number of SATO-homes **23,400**
 - SATO RentHome
 - SATO HotelHome
- Number of personnel **165**
- 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*

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The demand for rental homes has remained good.

OPERATING ENVIRONMENT

- Economic growth in Finland shows signs of picking up, but it is expected to continue to be slow for a long time. Unemployment has remained high. Inflation and reference rates are still at historically low levels.
- Consumer confidence has strengthened somewhat during the early part of the year albeit still below average.
- The demand for rental homes has remained good, but competition for customers has intensified. Rents have developed at a moderate rate. Several new housing sites are under construction, particularly in the Helsinki Metropolitan Area, for example in Kalasatama and Jätkäsaari, Helsinki; in Tapiola and Niittymaa, Espoo and in Kivistö, Vantaa. As a result of the large number of new houses being completed, the rental housing market is temporarily in balance, and rents have developed moderately.
- The uncertain economic situation in Russia is expected to continue.

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2020

STRATEGIC GOALS

Inspiring company culture

Personnel index at least 10% above the reference index

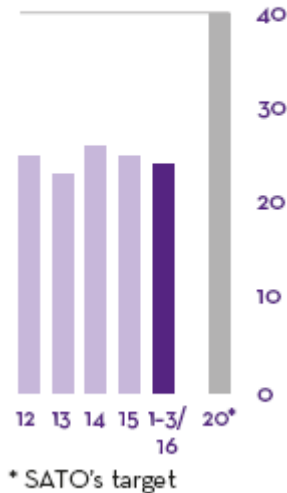
Personnel's satisfaction, index



Creating value for customers

Net Promoter Score
NPS > 40

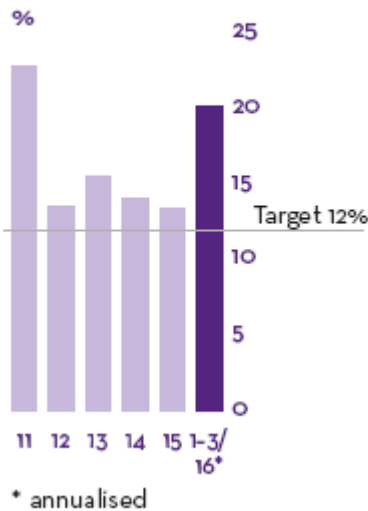
Net promoter score NPS



Increasing ownership value

Return on equity
> 12%

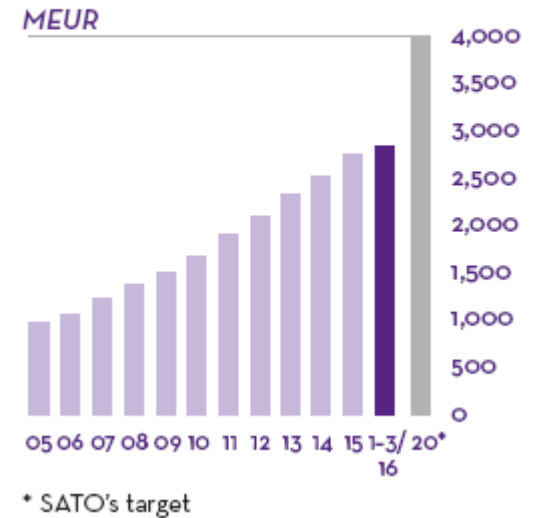
Return on Equity



Increasing ownership value

Housing property
> €4 billion

Value of the investment property





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SATO invests heavily

The investments generate work for hundreds

INTERIM REPORT JAN-MAR 2016

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Growth continues.

INTERIM REPORT

JAN-MAR 2016

- Profit before taxes stood at EUR 63.3 (58.3) million.
 - The change in the fair value of rental homes included in the result was EUR 39.8 (36.6) million.
 - Shareholders' equity stood at EUR 1,011.9 (908.1) million, or EUR 19.90 (17.86) per share.
 - Return on equity was 20.1 (20.4) percent.
-
- Rental income amounted to EUR 61.1 (62.1) million.
 - Investments in rental homes stood at EUR 37.2 (29.3) million.
 - A total of 32 (154) rental homes were acquired or completed.
 - The occupancy rate was 94.8 (96.4 percent).
 - A total of approximately 1,250 rental homes under construction.



KEY FIGURES

Key figure	Q1/2016	Q1/2015
Housing portfolio	23,365 homes €2.82 billion	24,241 homes €2.59 billion
Investments	€37.2 million	€29.3 million
Under construction (Finland and St. Petersburg)	1,246 rental homes 76 owner-occupied homes	990 rental homes 132 owner-occupied homes
Average rent in Finland at the end of the review period	15.97 €/m ² /month	15.34 €/m ² /month
Cash Earnings	€21.0 million	€21.6 million
Customers' Net Promoter Score	24	26
Tax consequences of investments	€12 million	€9 million
Employment effect of investments	600 man-years of work	470 man-years of work

Housing investments and divestments.

INVESTMENTS GENERATE WORK FOR HUNDREDS



Investments

€37.2million

47%

Investments of net sales

1,200

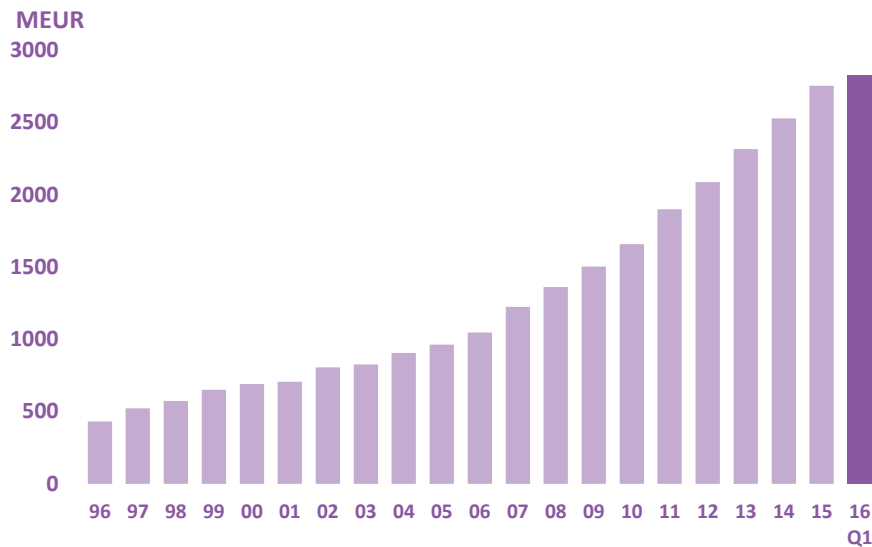
Rental apartments
under construction

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Trend in the housing portfolio.

GOOD TREND IN VALUE DEVELOPMENT

Trend in the housing portfolio, fair values



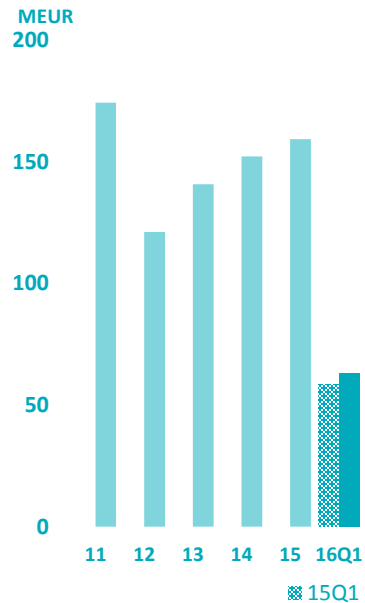
Trend in the housing portfolio



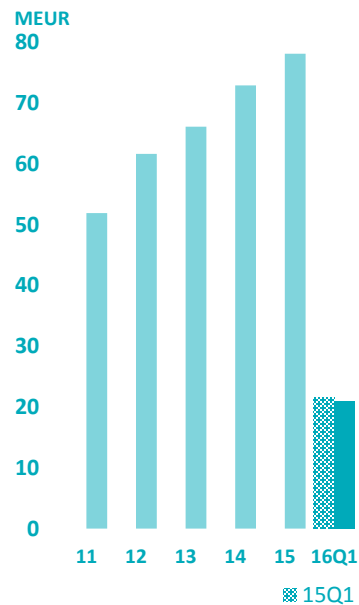
Profit and Cash Earnings.

STEADY PROFIT DEVELOPMENT

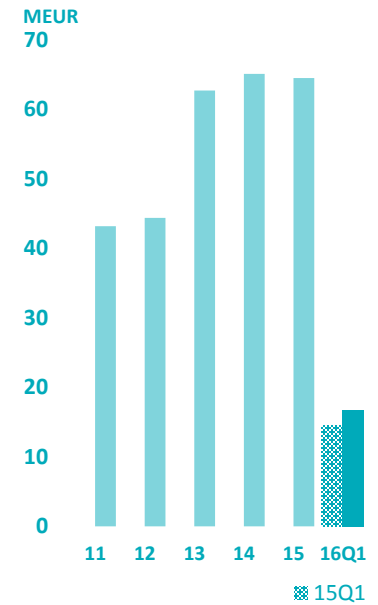
Profit before taxes



Cash Earnings



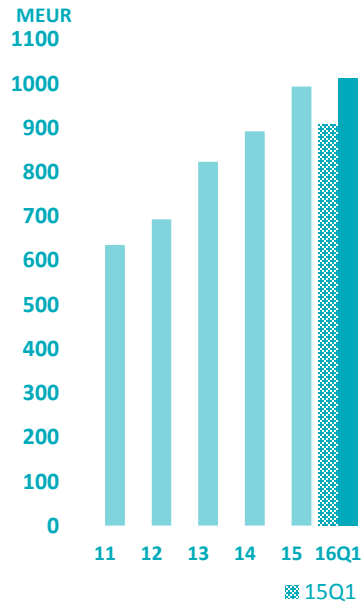
EPRA Earnings



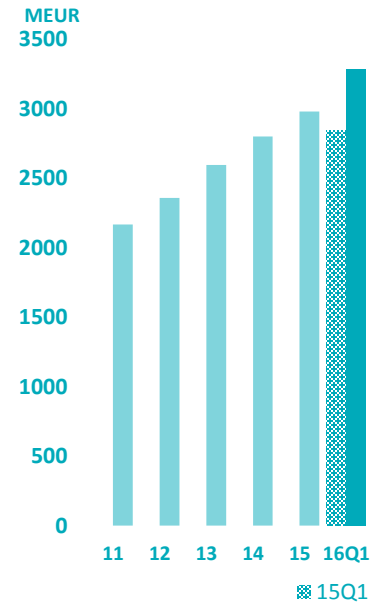
Shareholder's equity and Balance sheet.

GROWTH CONTINUED

Shareholder's equity



Balance sheet

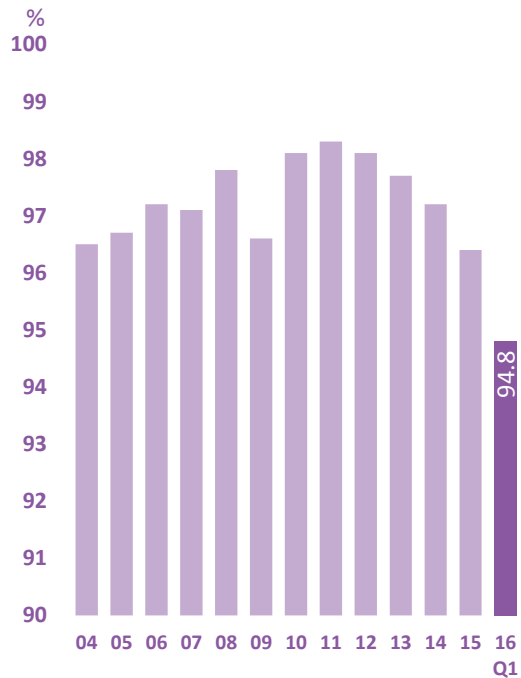


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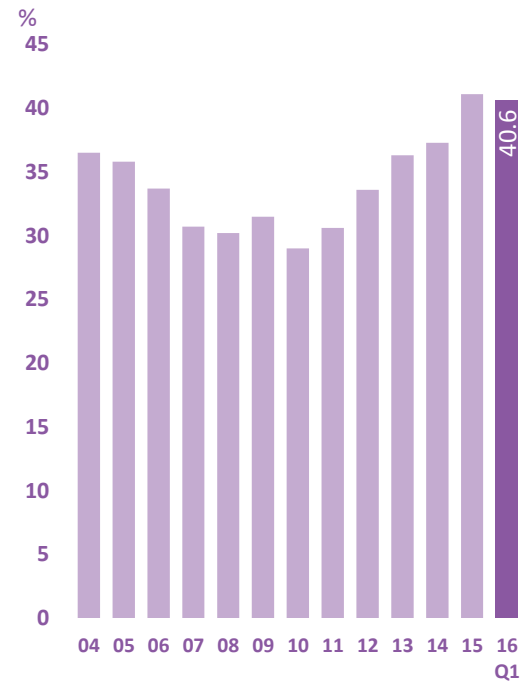
Rental occupancy rate and tenant turnover.

INCREASING COMPETITION

Rental occupancy rate



Tenant turnover



Regional distribution of the housing portfolio.

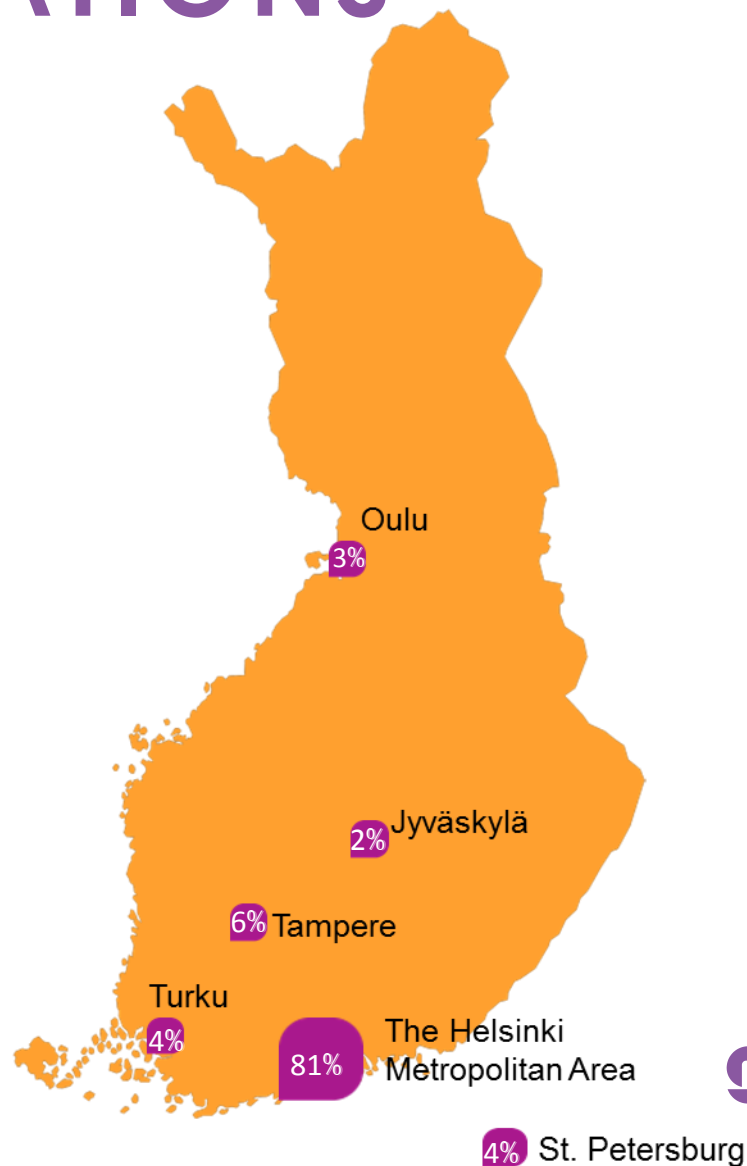
GOOD LOCATIONS

Housing portfolio

€2,8 billion

Helsinki

€1,3 billion



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SATO IN ST. PETERSBURG

Rental homes

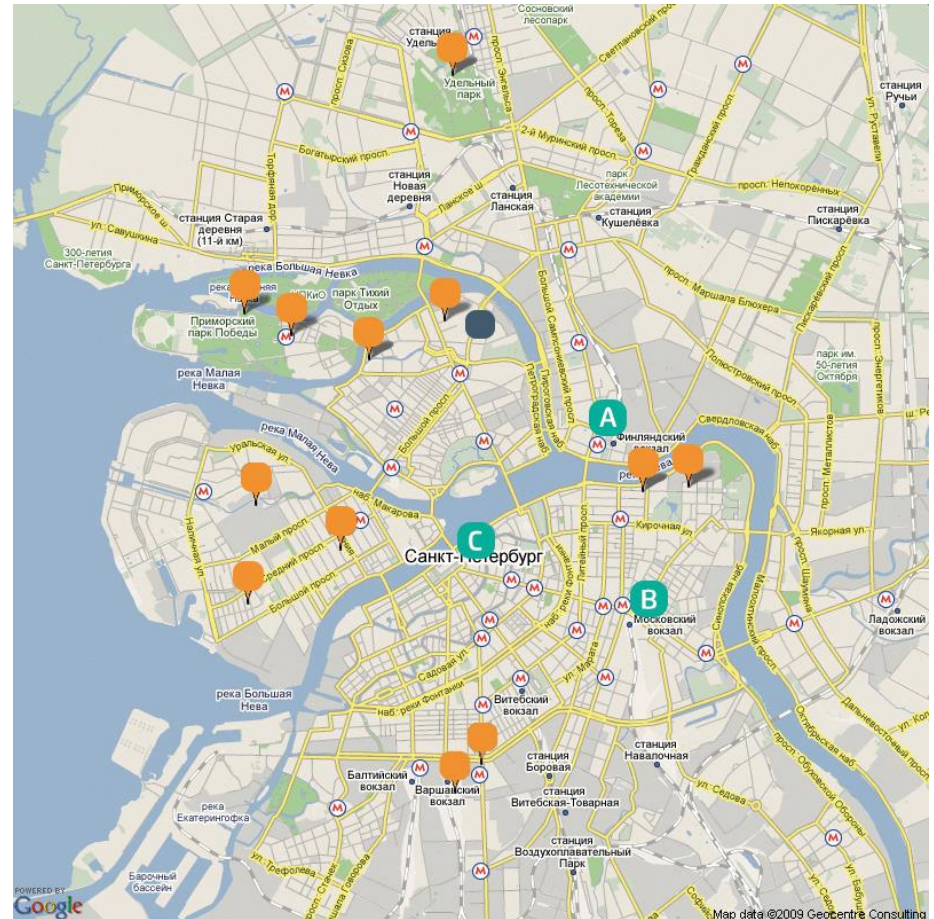
460 completed

Rental homes

74 under construction

Value of housing portfolio

€112 million



Landmarks:

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



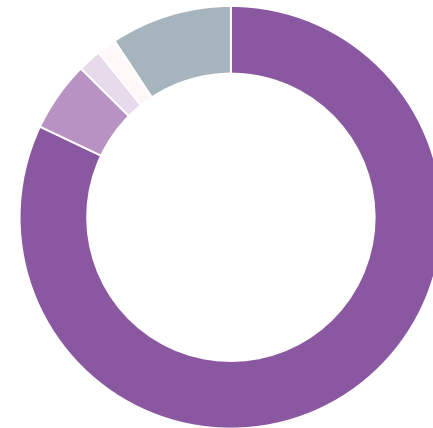
For construction of some 4,300 homes.

PLOT RESERVES IMPROVE INVESTMENT POSSIBILITIES

€57 million

82%

in the Helsinki Metropolitan Area



- Helsinki Metropolitan Area 82%
- Tampere 5 %
- Turku 2 %
- Jyväskylä 2 %
- Oulu 9 %

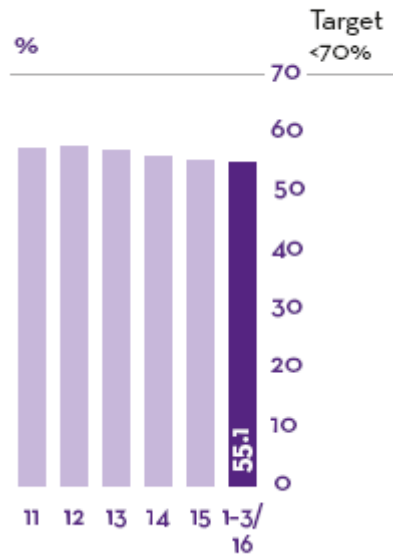
Total approx. 390,000 floor area, sq.m.,
about 4,300 apartments

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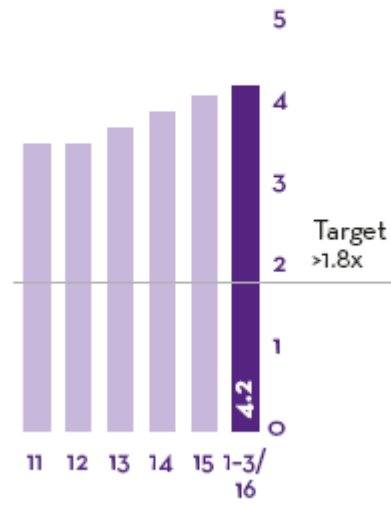
Diversified funding base.

FINANCE

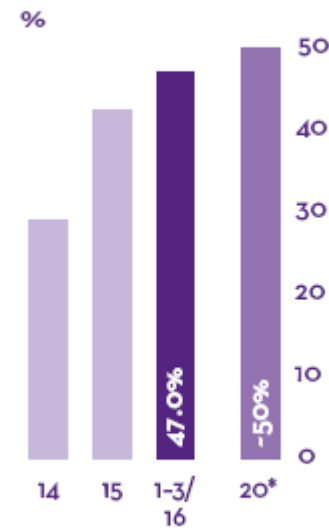
Solvency Ratio



Interest coverage ratio

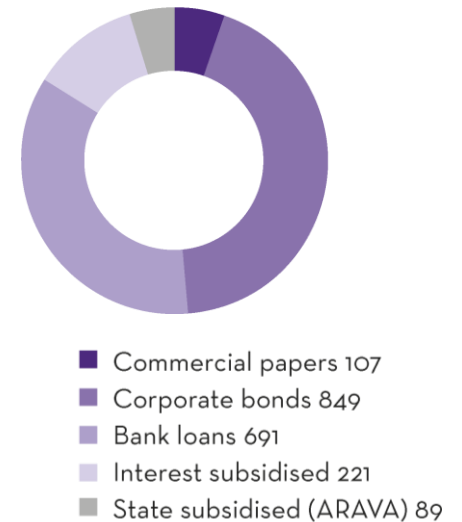


Unencumbered assets



*SATO's target
Mid-term target >math>>35\%</math>
by end of Q2/16

Loan portfolio, nominal values 31 March 2016, total MEUR 1,956



12 April 2016

MAIN SHAREHOLDERS

Fastighets Ab Balder	54.3%
APG Asset Management NV	22.8%
Elo Mutual Pension Insurance Company	12.9%
The State Pension Fund	5.0%
The Finnish Construction Trade Union	1.1%
Others (72 shareholders)	3.9%

On 12 April 2016, the number of shareholders subscribed in the book-entry system was 77. The share turnover rate was 1.1 percent for the period 1 January – 12 April 2016.

The logo for Sato, consisting of the word "sato" in a bold, lowercase, sans-serif font. The letters are a dark red color.

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 pick up slightly, but growth will be slow. 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 prospects for continued investments in Finland, unless conditions for rental housing business are not weakened by legislative changes.
- 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.
- The uncertain economic situation in Russia is expected to continue. For the time being, SATO will refrain from making new investment decisions.





THANK YOU

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