

A photograph of a woman with blonde hair and glasses on her head, wearing a teal top, leaning in and smiling at a young person with dark hair wearing a maroon t-shirt. They are in a kitchen setting, with the young person holding a piece of food. The background shows kitchen shelves and a plant.

*In thriving cities people enjoy
a high level of well-being.*

Saku Sipola, President and CEO

INTERIM REPORT JAN-MAR 2019

PRESENTATION MATERIAL
8TH MAY 2019

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CONTENT

- SATO in brief
- Operating environment
- Interim Report Jan-Mar 2019



SATO IN BRIEF

- Number of SATO homes **25,900**
- Number of personnel **219**
- Fair value of investment property **€4 billion**
- Operating area
 - **Helsinki MA**, Tampere, Turku, Jyväskylä, Oulu in Finland
 - St. Petersburg in Russia



Megatrends

GLOBALISATION / DIGITALISATION / SUSTAINABILITY

CITIES CHANGE

PEOPLE CHANGE

HOUSING MUST CHANGE TOO

Vision

IN THRIVING
CITIES
PEOPLE ENJOY
A HIGH LEVEL OF
WELL-BEING

Mission

WE WILL
REVOLUTIONISE
HOUSING –
IT IS MORE THAN
JUST WALLS

Strategic development programs

CUSTOMER FOCUS / DIGITAL DEVELOPMENT / RENTAL HOME TO YOUR CHOICE

Values

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

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OPERATING ENVIRONMENT

- **Finland's economic growth will continue**, but at a slowing rate. Growth is projected to fall to below two per cent in 2019. Inflation has been increasing owing to the rise in raw material prices, while underlying inflation remains muted. Europe's weak economic development and the resulting loose monetary policy of the European Central Bank is maintaining short-term benchmark interest rates at an exceptionally low level. The confidence of consumers in their own finances has remained at a high level, and consumers' assessment of employment development is optimistic, but their confidence in Finland's economy has declined.
- **Demand for rental apartments has remained good**, and urbanisation continues to be strong. In construction, the number of new construction permits has fallen dramatically but the number of completed apartments is still on the rise.





*In thriving cities people enjoy
a high level of well-being.*

SATO's positive development continues.

INTERIM REPORT JAN-MAR 2019

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HIGHLIGHTS

- The first quarter proved to be a strong start to the year. The positive development of customer satisfaction continued during the review period and is an indication of our success across a wide array of activities. This positive development has been impacted by the systematic employment of the Customer First strategy on a number of fronts.
- Customer satisfaction also significantly impacted the economic occupancy rate, which continued to improve during the review period, amounting to 98.1 per cent (Q1/2018 97.3%). The external tenant turnover rose slightly to 27.6 per cent (Q1/2018 27.1%).
- During the review period we focussed on deepening the Customer First service model in our partners' customer encounters. At the start of the review period, we announced our fourteenth Partner of the Year. This year the honour went to Unce Kiinteistöpalvelut Oy, which has been especially successful in ensuring that things run smoothly every day. As part of our process to ensure smoother services for customers, we focused also on developing the digital OmaSATO service launched in August of last year.

SATO's positive development continued.

INTERIM REPORT JAN-MAR 2019

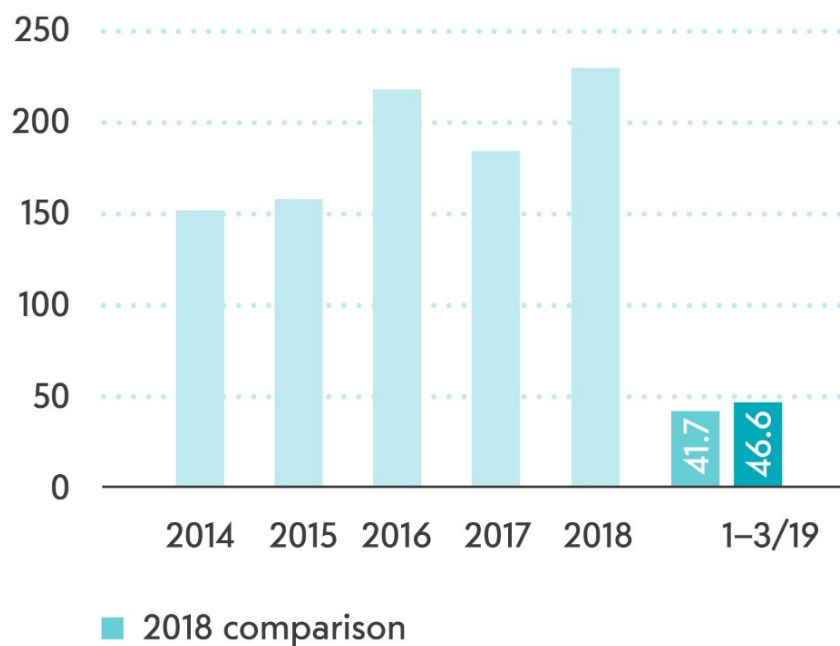
- Net sales were EUR **73.1** (72,0) million.
- Profit before taxes was EUR **46.6** (41.7) million.
- Earnings per share were EUR **0.65** (0.58).
- The change in the fair value of investment properties included in the result was EUR **22.7** (17.1) million.
- Equity was EUR **1,585.2** (1,404.8) million, or EUR **28.00** (24.81) per share.
- Investments in rental apartments were EUR **30.4** (18.3) million.
- A total of **0** (15) rental apartments were acquired or completed.
- The occupancy rate in Finland was **98.1** (97.3) per cent.
- A total of **1,090** rental apartments are under construction.
- The adoption of the IFRS 16 Leases standard improved the review period's operating profit by EUR **0.7** million.



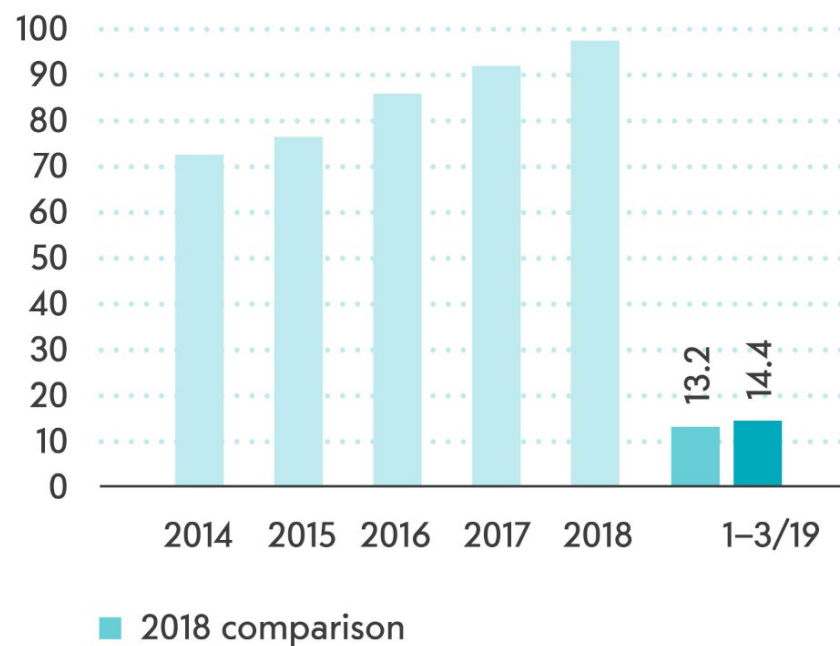
Solid development

PROFIT AND CASH EARNINGS

PROFIT BEFORE TAXES, MEUR



CASH EARNINGS (CE), MEUR

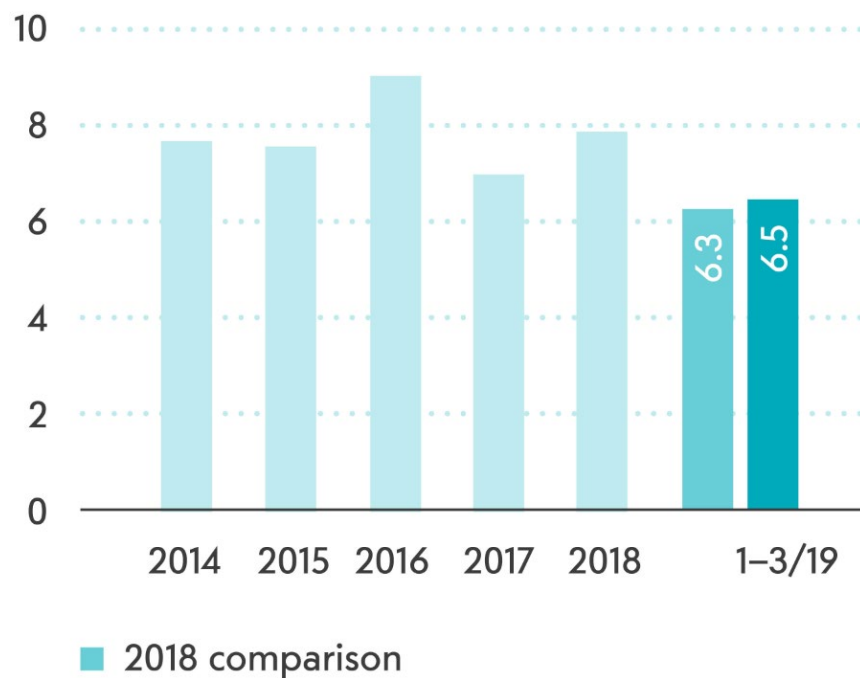


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The key indicator of housing business.

RETURN ON INVESTMENT

RETURN ON INVESTED CAPITAL, %

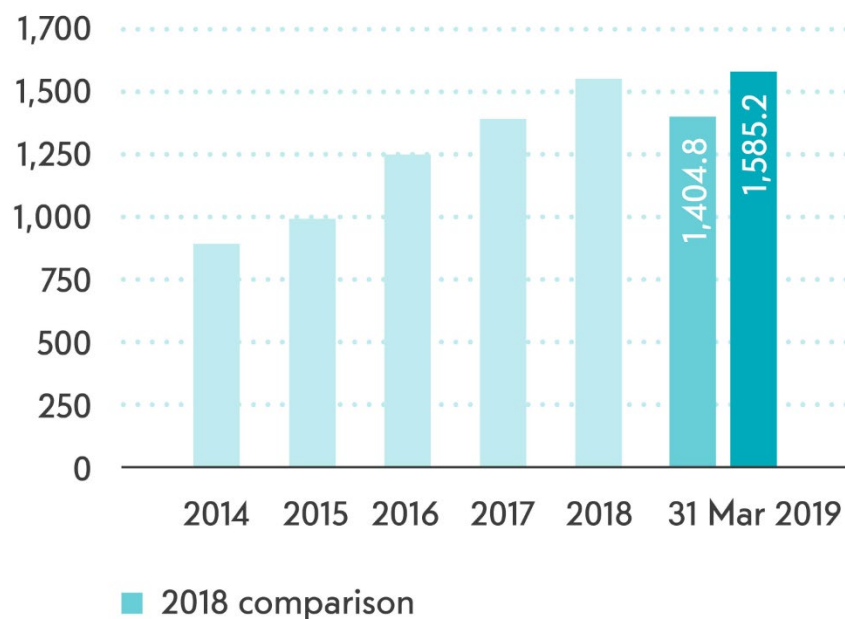


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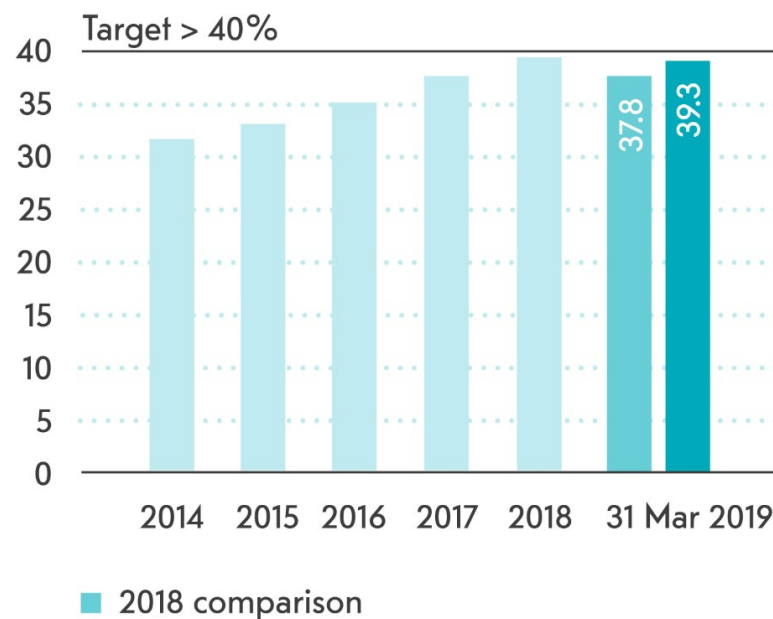
Heading towards the equity ratio target.

SHAREHOLDERS' EQUITY AND EQUITY RATIO

SHAREHOLDERS' EQUITY, MEUR



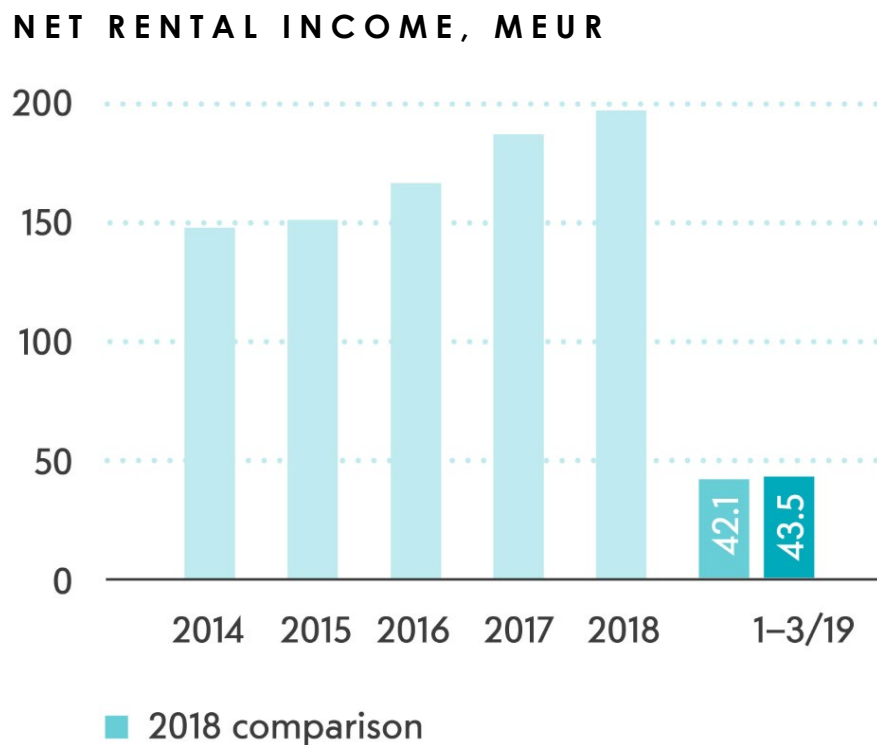
EQUITY RATIO, %



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Results of improved occupancy rate.

RENTAL INCOME

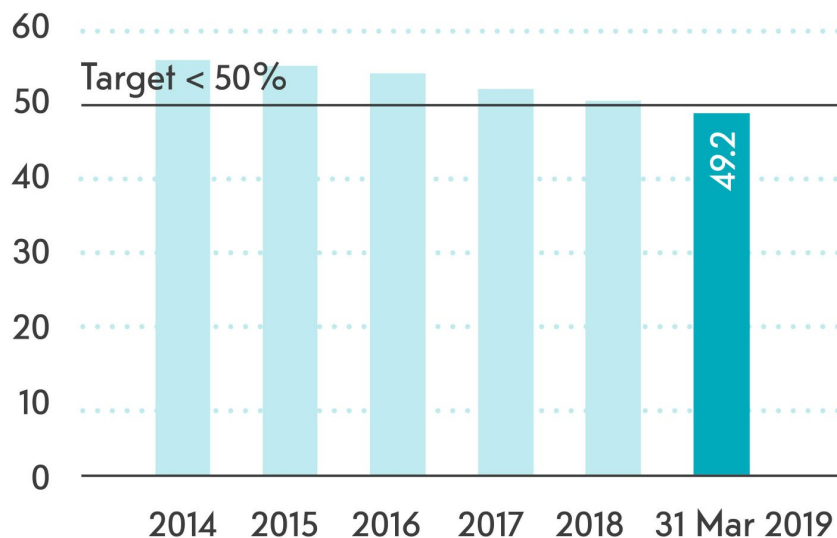


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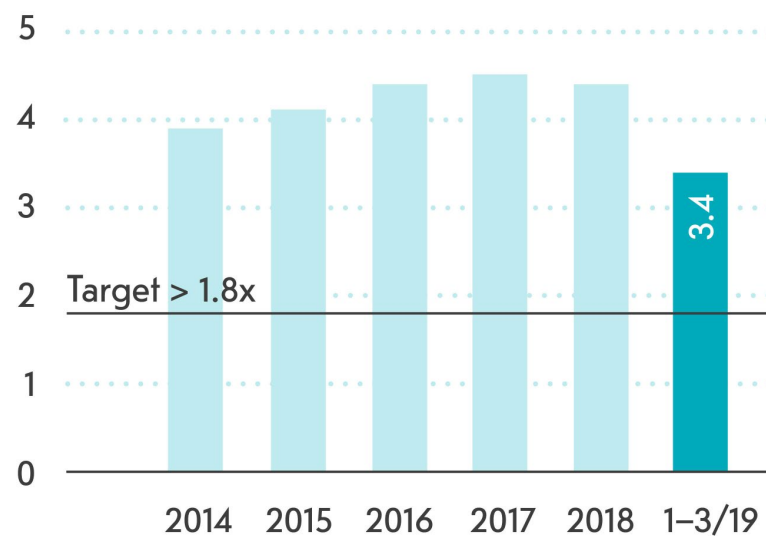
Solid development.

FINANCING

SOLVENCY RATIO, %



INTEREST COVERAGE RATIO

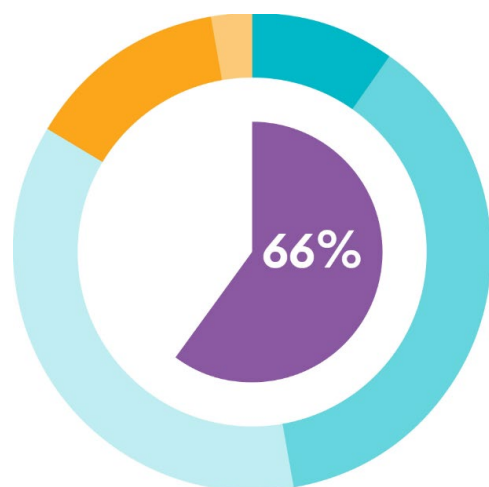


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Interest bearing debt EUR 2,003 million.

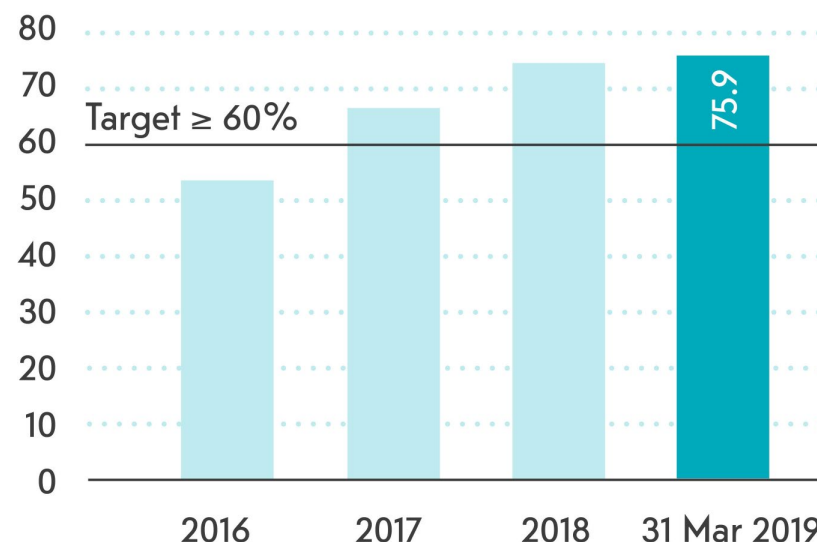
FINANCING

DEBT PORTFOLIO,
nominal values 31 March 2019
TOTAL MEUR 2,003



- Commercial papers 199
- Corporate bonds 749
- Bank loans 727
- Interest subsidised 274
- State subsidised (ARAVA) 53
- 66% of loans without asset based securities

UNENCUMBERED ASSETS, %

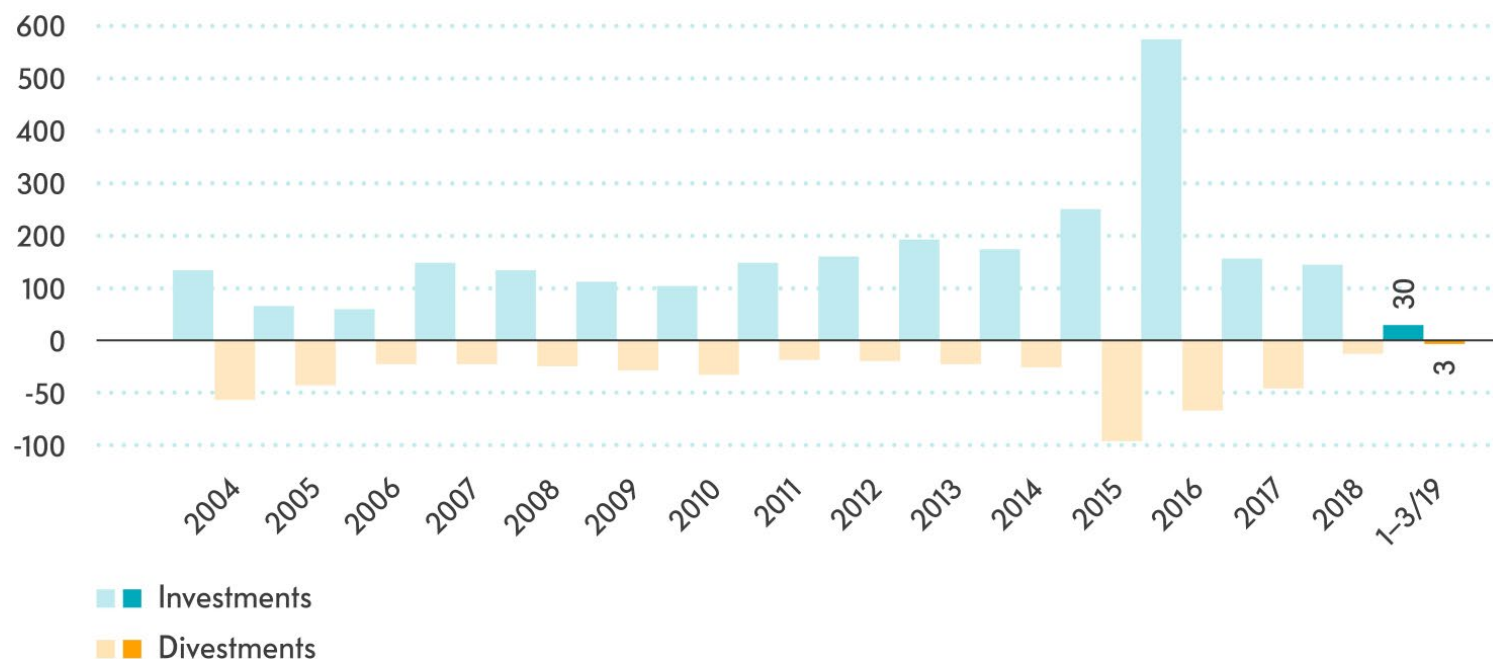


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Investments in the Helsinki metropolitan area represented 95 per cent.

INVESTMENTS IN FINLAND

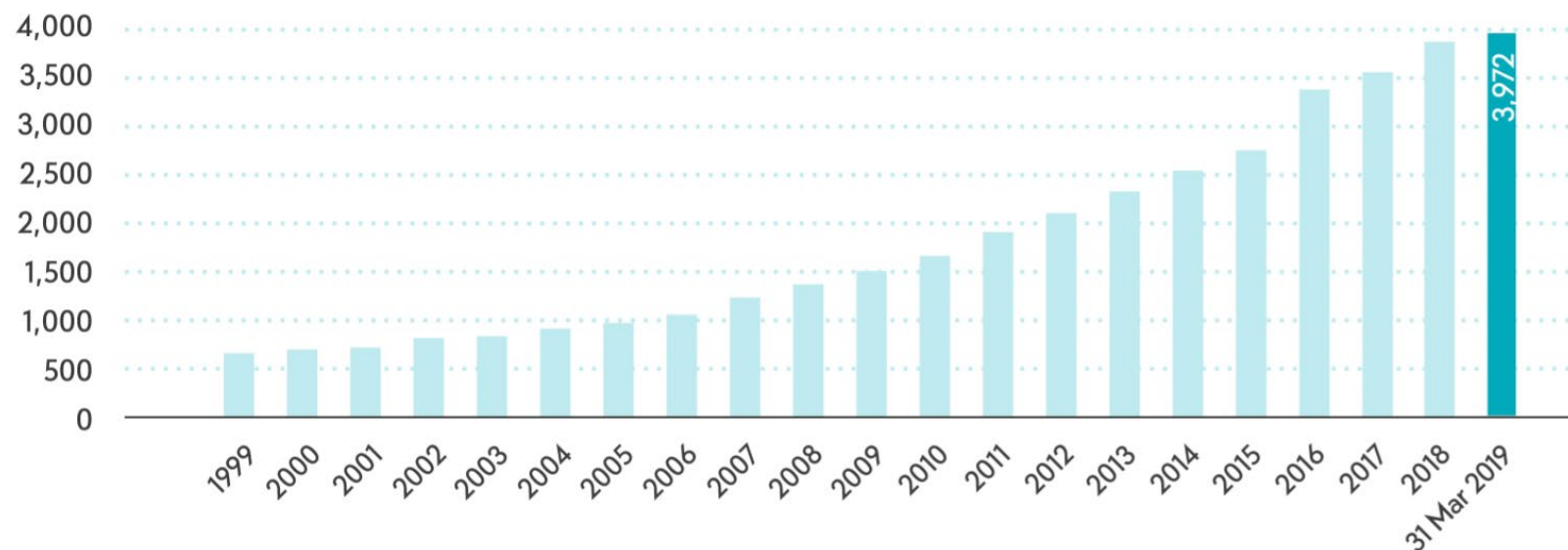
HOUSING INVESTMENTS AND DIVESTMENTS, MEUR



The change in value was affected i.a. by the development of market prices.

INVESTMENT PROPERTIES

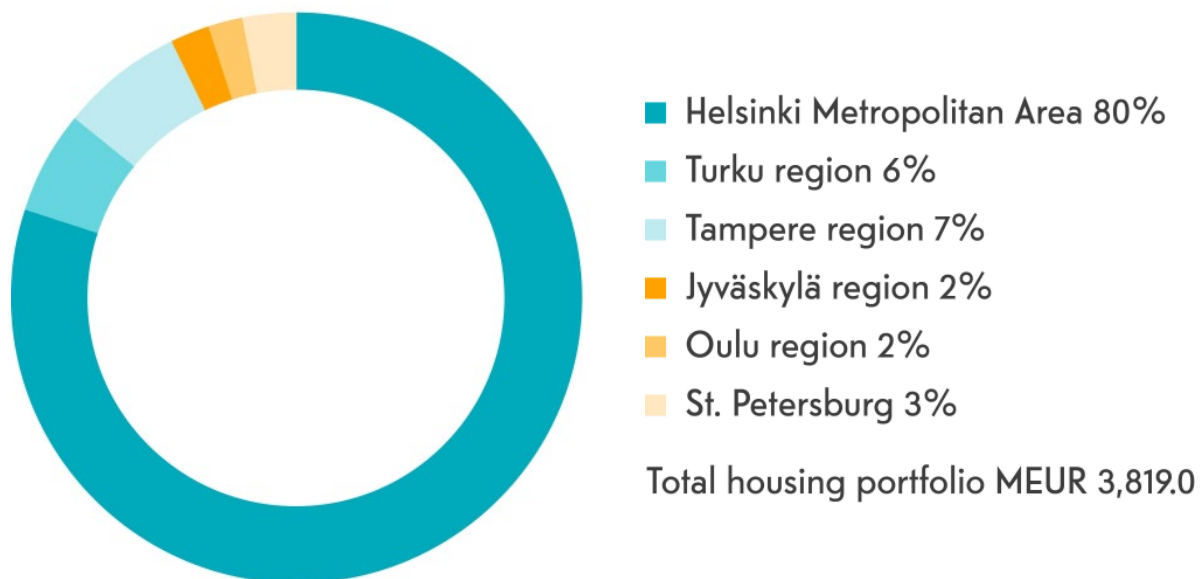
TREND IN THE INVESTMENT PROPERTY PORTFOLIO VALUE, MEUR



Apartments in areas with rising demand.

HOUSING ASSETS

**REGIONAL DISTRIBUTION OF THE HOUSING PORTFOLIO,
31 March 2019**



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MAIN SHAREHOLDERS

Balder Finska Ota AB (Fastighets AB Balder)	54.4 %
Stichting Depositary APG Strategic Real Estate Pool	22.6 %
Elo Mutual Pension Insurance Company	12.7 %
The State Pension Fund	4.9 %
The Finnish Construction Trade Union	1.1 %
Valkila Erkkä	0.7 %
Hengityssairauksien tutkimussäätiö	0.4 %
Rausanne Oy	0.3 %
Entelä Tuula	0.3 %
SATO Corporation	0.3 %
Others (106 shareholders)	2.3 %

On 25 April 2019, SATO had 56,783,067 shares and 116 shareholders registered in the book-entry system. The share turnover rate was 0.02 per cent for the period 1 January–25 April 2019.



Good long-term conditions for sustained investments.

OUTLOOK

- In the operating environment, SATO's business activities are mainly affected by consumer confidence, the development of purchasing power, rent and price development for apartments, general competition and interest rates.
- The Finnish economy is expected to continue its solid growth path, but growth is expected to slow down. Due to Europe's weak economic development **interest rates are expected to remain low in 2019, which will have a positive impact on SATO's financing costs.**
- Continuous urbanisation provides good long-term conditions for sustained investments in SATO's main operating areas in Finland. Net migration is expected to be the highest form of population increase in SATO's operating areas. **Some 80 per cent of SATO's housing stock is located in the Helsinki metropolitan area, where price development is expected to be more positive than in the rest of Finland.**
- According to estimates by Pellervo Economic Research (PTT), prices and rents will continue to rise, demand for owner-occupied apartments will grow, and a pick-up in housing sales will somewhat alleviate the pressure on the rental market.
- The number of construction permits applied for has fallen dramatically, due to which the historically high rate of housing construction is expected to decrease in the coming years.
- According to the Bank of Finland's forecast, global economic growth will slow down. Loose financing conditions will support the positive development of the eurozone, even though this growth outlook is overshadowed by the uncertainties related to the Brexit negotiations, other political events that may slow down economic growth, and concerns related to the state of the banking sector in certain countries in the eurozone and to the public finances outlook.
- Serious threats, such as an increase in protectionism and geopolitical tensions, are casting a shadow on the global economic outlook. The risk of weaker financial performance will also increase due to possible global corrections in asset prices and the deceleration of the reform rate in both China and the eurozone, while the volume of debt remains large (Source: Bank of Finland).





THANK YOU

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