

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

*Saku Sipola, President and CEO*

# HALF YEAR FINANCIAL REPORT JAN-JUN 2019

PRESENTATION MATERIAL 17 JULY 2019

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# CONTENT

- SATO in brief
- Operating environment
- Half year financial report  
Jan-Jun 2019



# SATO IN BRIEF

- SATO homes **25,800**
- Number of personnel **221**
- 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 / DIVERSIFIED HOUSING SOLUTIONS

## *Values*

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

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# OPERATING ENVIRONMENT

- **Finland's economic growth is slowing**, and the economic forecasts are being adjusted downward. Growth is projected to fall well below two per cent in 2019. Europe's weak economic development and the resulting loose monetary policy of the European Central Bank is maintaining short-term interest rates at an exceptionally low level. The confidence of consumers' own economic situation now and in the future has declined and expectations concerning Finland's economy in general were pessimistic.
- **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.*

*Financial structure strengthened.*

# HALF YEAR FINANCIAL REPORT JAN-JUN 2019

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# HIGHLIGHTS

- We continued the implementation of our Customer First strategy with good results. Customer satisfaction continued to improve and our economic occupancy rate remained at a good level, 98.0 per cent.
- We established a Euro Medium Term Note (EMTN) programme, under which we issued EUR 350 million in unsecured bonds in May. The order book for the bonds was well oversubscribed, based on which we decided to increase the size of the bond issuance from a planned EUR 300 million.
  - The cash proceedings were used to repurchase SATO's EUR 300 million bonds issued in 2016 and EUR 300 million bonds issued in 2015. This operation improved the Group's average maturity of the loan portfolio, decreased future finance costs and helped to manage the refinancing risk. The repurchase increased the company's finance expenses nonrecurringly by MEUR 11,8.
- The financing structure was also strengthened in May, as SATO Corporation and OP Corporate Bank plc agreed on a bilateral loan of EUR 150 million without asset-based securities. The financing agreement supports SATO's target to further increase the share of loans without asset based securities in the financing structure.
- Communality is a part of our Customer First strategy, and we consider good neighbour relationships to be essential for the comfort and well-being of our residents. In June, for the first time, we organised backyard picnics for our residents in the Helsinki region, and in Turku and Tampere. The events took place in a total of 14 locations, and they were attended by hundreds of our residents.
  - We were delighted to see, that the city of Vantaa as a major contributor participated in the event and enhanced communality.

*Economic occupancy rate remains at a good level.*

# HALF YEAR FINANCIAL REPORT JAN-JUN 2019

- Net sales were EUR 146.5 (144.2) million.
- Profit before taxes was EUR 85.5 (126.8) million.
- Earnings per share were EUR 1.20 (1.79).
- The change in the fair value of investment properties included in the result was EUR 39.2 (67.4) million.
- Equity was EUR 1,582.8 (1,471.4) million, or EUR 27.96 (25.99) per share.
- Investments in rental apartments were EUR 77.2 (65.0) million.
- A total of 0 (230) rental apartments were acquired or completed.
- The occupancy rate in Finland was 98.0 (97.5) per cent.
- A total of 1,090 rental apartments are under construction.





*Economic occupancy rate remains at a good level.*

## PERIOD APR-JUN 2019

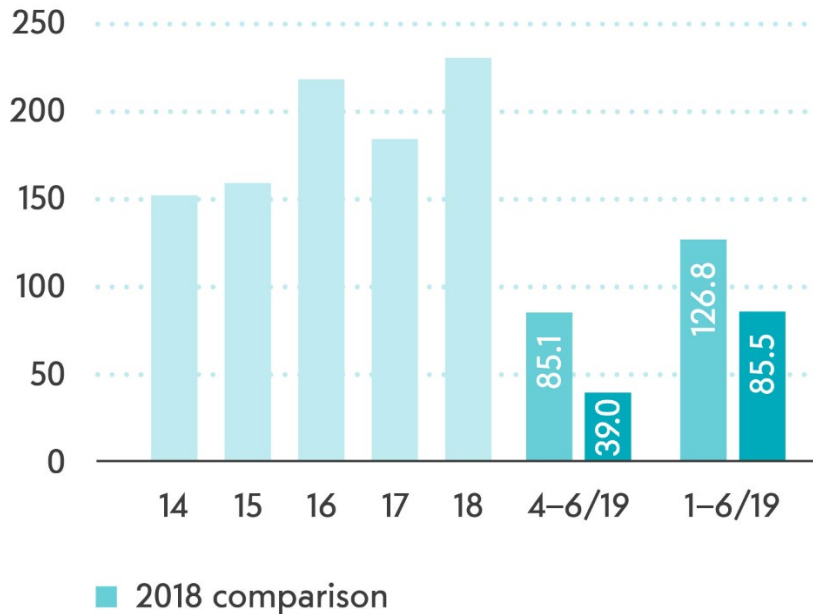
- Net sales were EUR 73.4 (72.2) million.
- Profit before taxes was EUR 39.0 (85.1) million.
- Earnings per share were EUR 0.55 (1.21).
- The change in the fair value of investment properties included in the result was EUR 16.5 (50.3) million.
- Equity was EUR 1,582.8 (1,471.4) million, or EUR 27.96 (25.99) per share.
- Investments in rental apartments were EUR 46.8 (46.7) million.
- A total of 0 (215) rental apartments were acquired or completed.
- The occupancy rate in Finland was 98.0 (97.6) per cent.
- A total of 1,090 rental apartments are under construction.



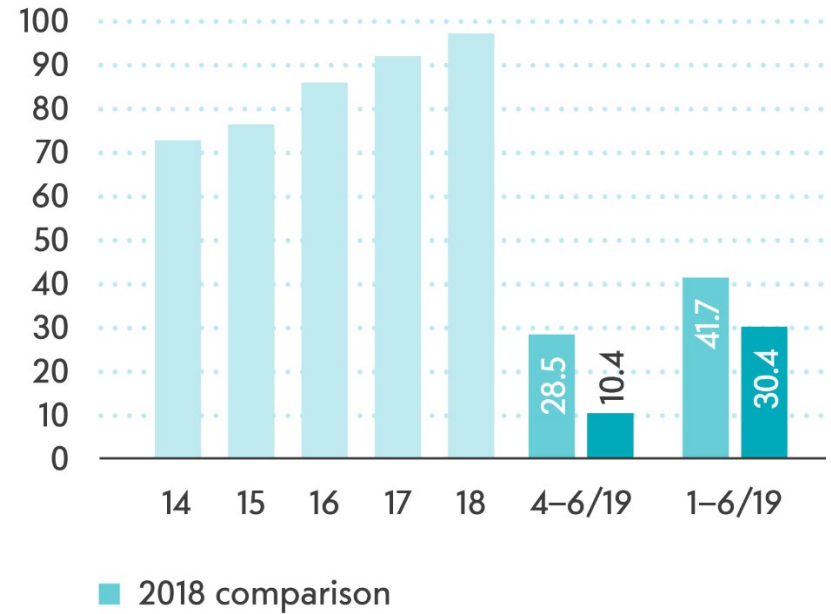
*Results of improving economic occupancy rate.*

# PROFIT AND CASH EARNINGS

PROFIT BEFORE TAXES, MEUR



CASH EARNINGS (CE), MEUR

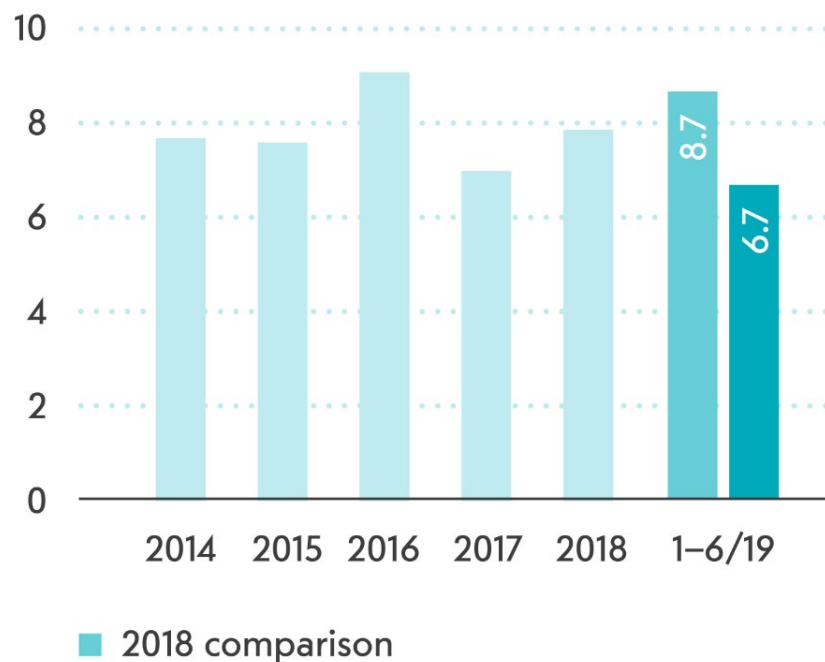


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*The key indicator of housing business.*

# RETURN ON INVESTMENT

RETURN ON INVESTED CAPITAL, %



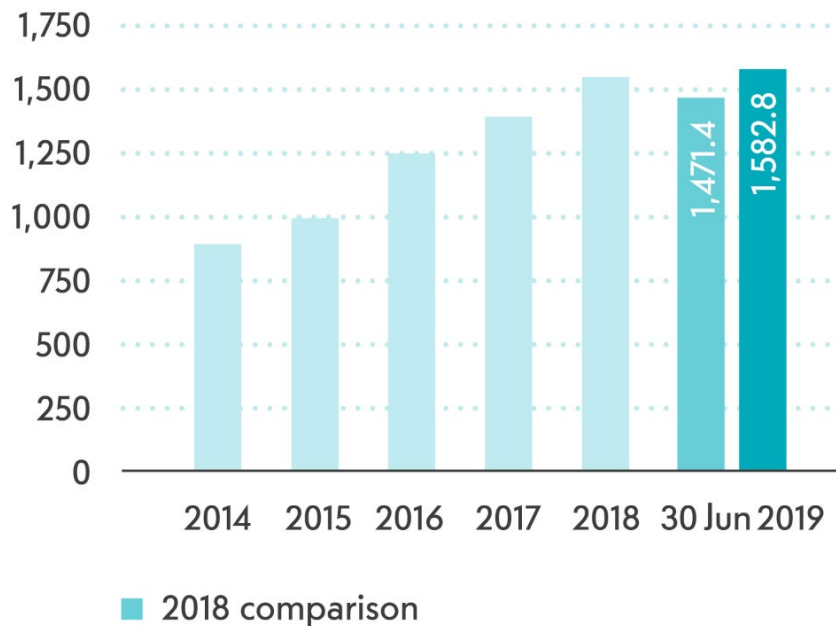
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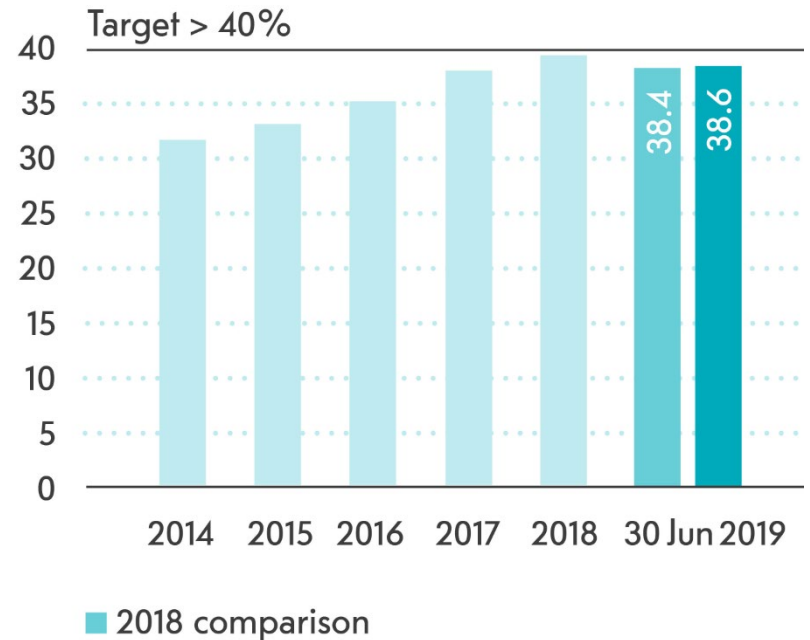
*Equity ratio effected by i.a. growth of total assets through the IFRS 16 implementation.*

# SHAREHOLDERS' EQUITY AND EQUITY RATIO

SHAREHOLDERS' EQUITY, MEUR



EQUITY RATIO, %

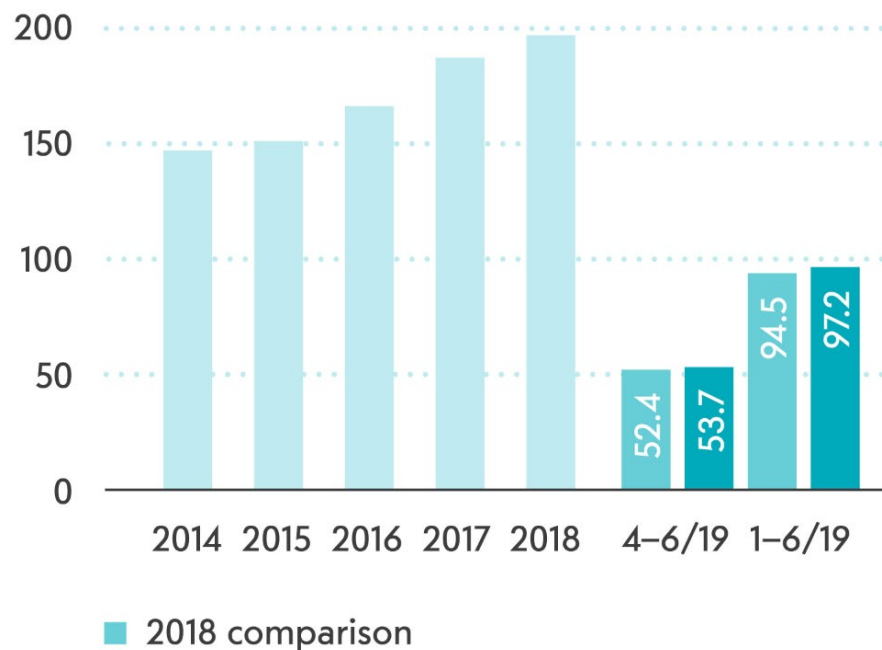


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*Results of improved occupancy rate.*

# RENTAL INCOME

NET RENTAL INCOME, MEUR

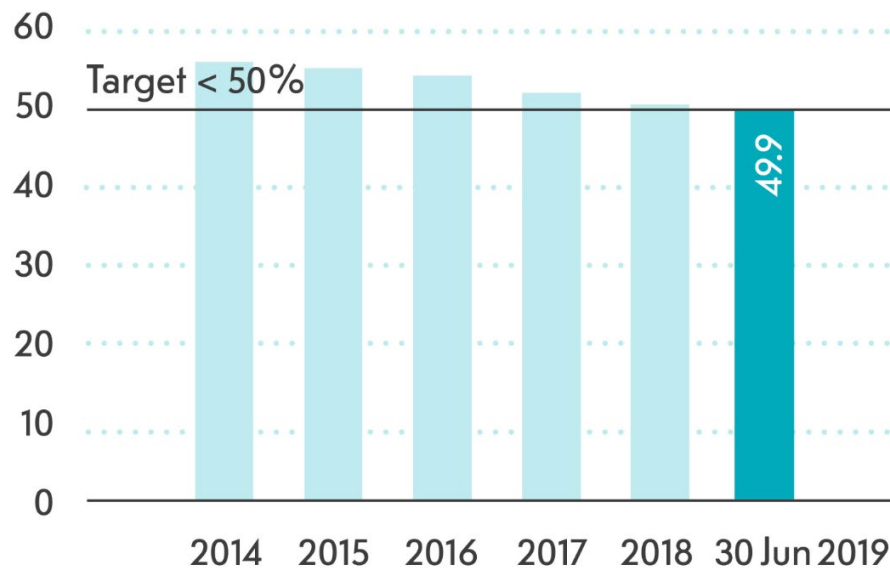


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*Stable solvency ratio.*

# FINANCING

SOLVENCY RATIO, %

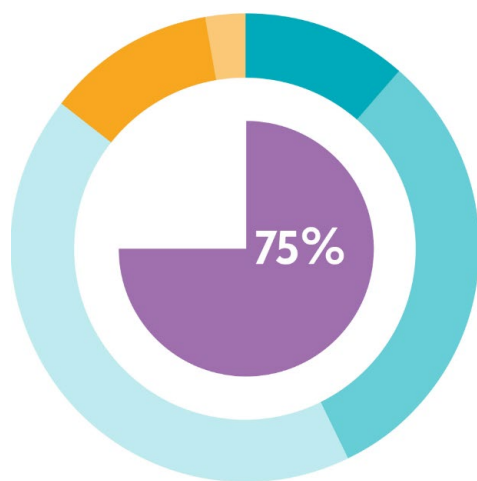




*Interest bearing debt EUR 2,068 million.*

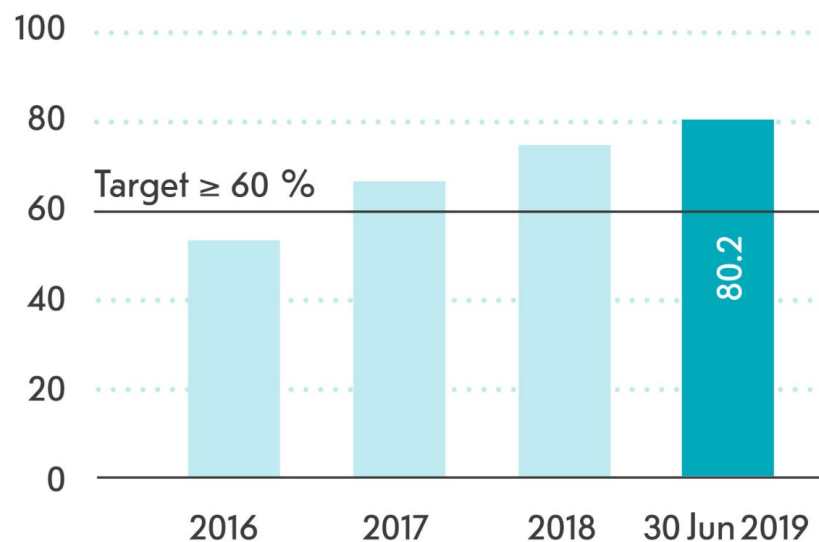
# FINANCING

DEBT PORTFOLIO,  
nominal values 30 June 2019  
TOTAL MEUR 2,068



- Commercial papers 236
- Corporate bonds 649
- Bank loans 889
- Interest subsidised 241
- State subsidised (ARAVA) 53
- 75% of loans without asset based securities

UNENCUMBERED ASSETS, %

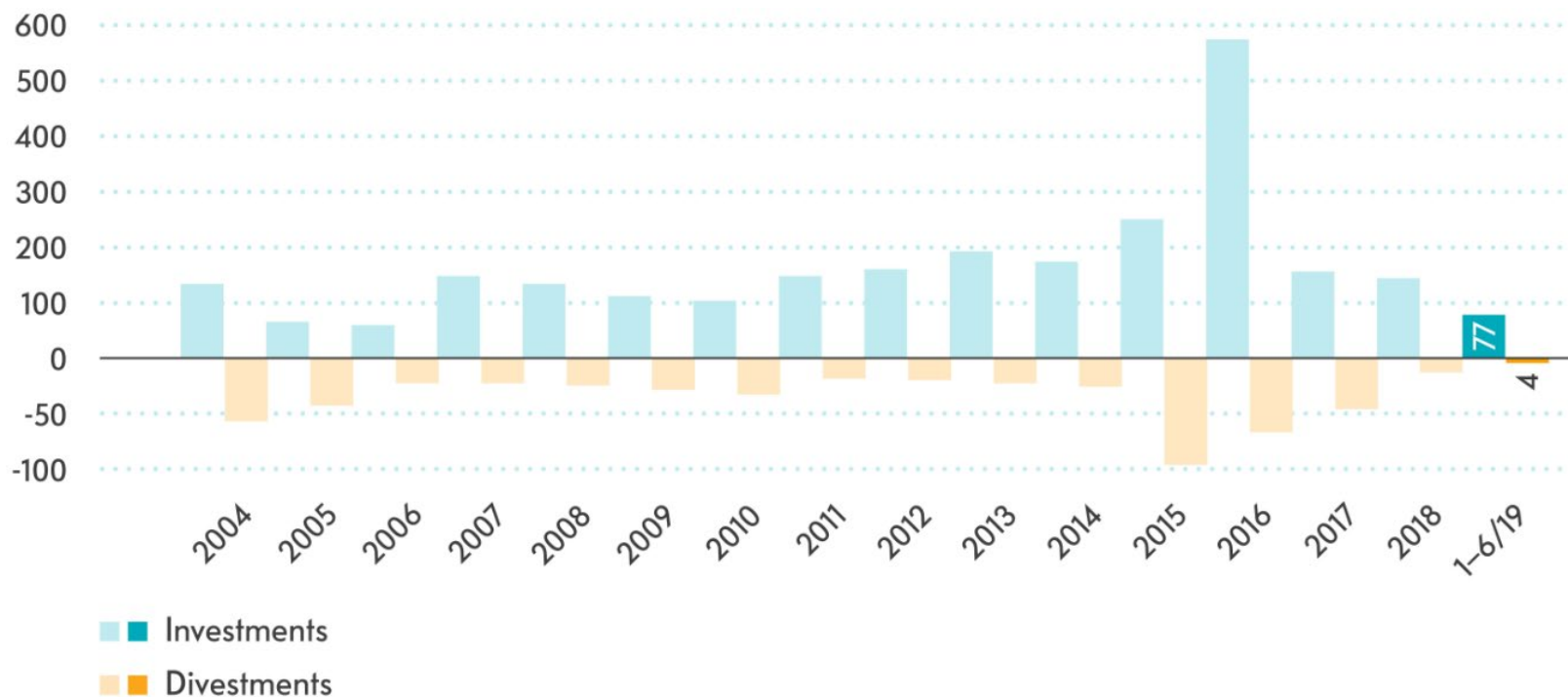


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*Investments in the Helsinki metropolitan area represented 94 per cent.*

# INVESTMENTS IN FINLAND

HOUSING INVESTMENTS AND DIVESTMENTS, MEUR

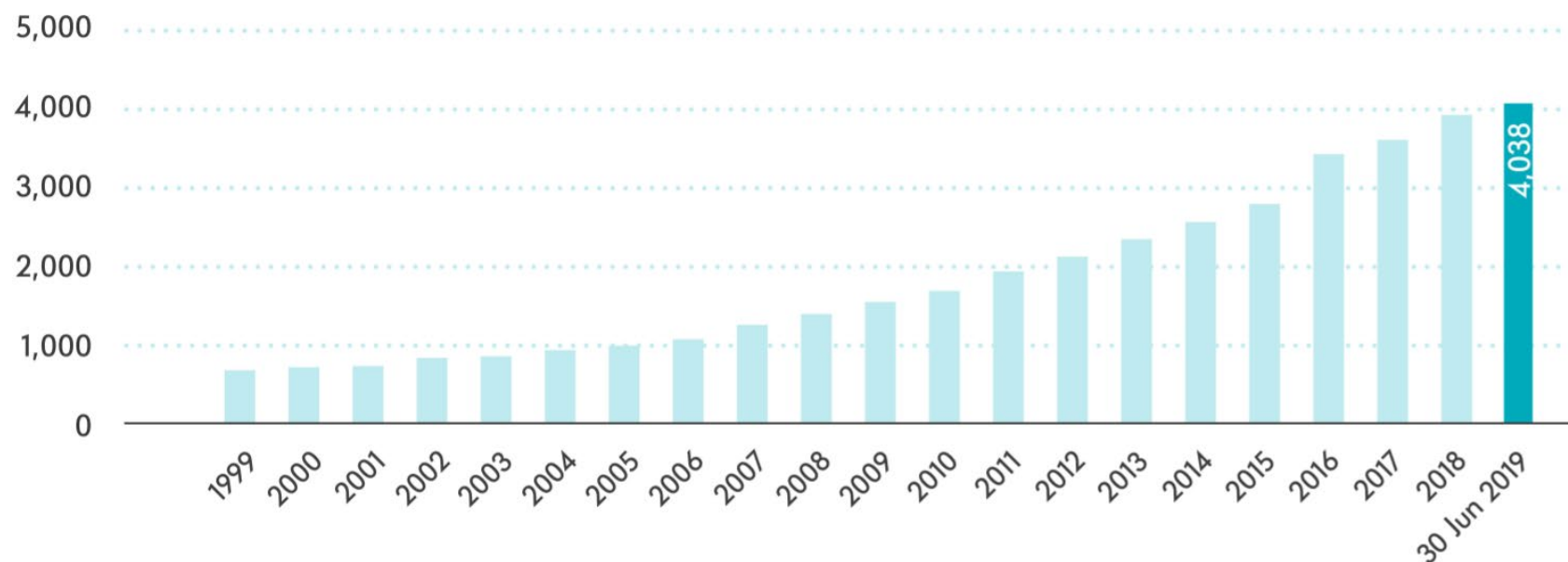


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*The change in value was affected i.a. by the development of market prices.*

# INVESTMENT PROPERTIES

TREND IN THE INVESTMENT PROPERTY PORTFOLIO VALUE, MEUR



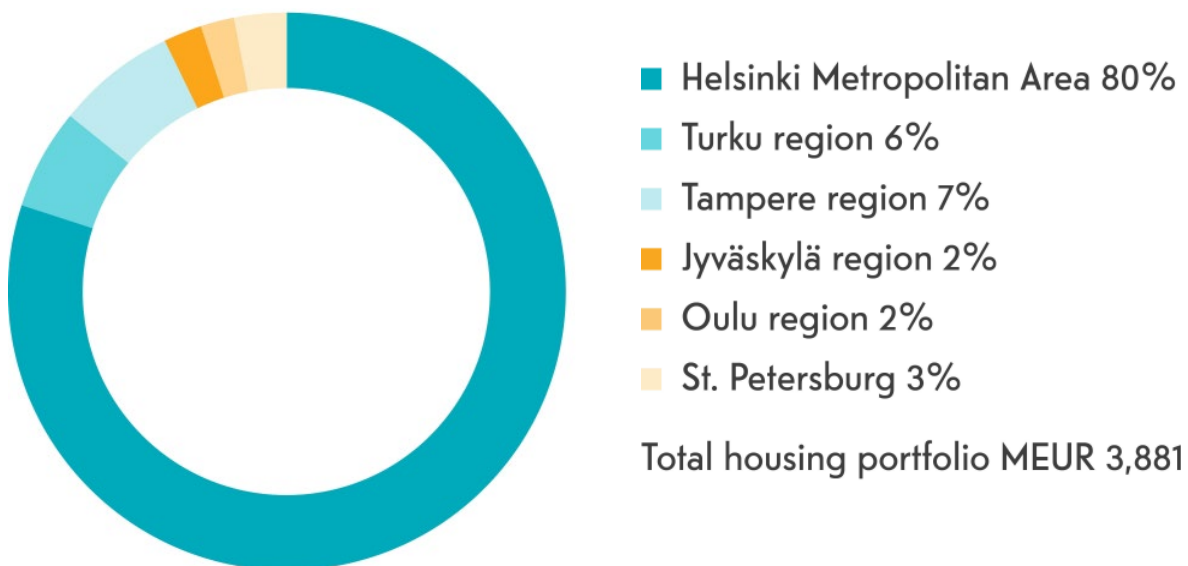
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*Apartments in areas with rising demand.*

# HOUSING ASSETS

**REGIONAL DISTRIBUTION OF THE HOUSING PORTFOLIO,  
30 June 2019**



**sato**

# MAIN SHAREHOLDERS

Balder Finska Otas 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 Erkka	0.7 %
Hengityssairauksien tutkimussätiö	0.4 %
Rausanne Oy	0.3 %
Entelä Tuula	0.3 %
SATO Corporation	0.3 %
Others (106 shareholders)	2.3 %

On 30 June 2019, SATO had 56,783,067 shares and 116 shareholders registered in the book-entry system. The share turnover rate was 0.04 per cent for the period 1 January – 30 June 2019.



*Continuous urbanisation provides good 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 growth path, but growth is projected to slow down clearly. 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 monetary policy 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).



A close-up photograph of a white ceramic cup filled with dark coffee, sitting on a matching saucer. In the background, two orange slices are visible on a white surface, one of which is resting on a small wooden stick. The scene is brightly lit, creating a warm and inviting atmosphere.

# THANK YOU

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