

Staying close to customers' daily life.

Sharam Rahi, President and CEO

INTERIM REPORT JAN-MAR 2020

PRESENTATION MATERIAL 8TH MAY 2020

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CONTENT

- SATO in brief
- Operating environment
- Interim report Jan-Mar 2020



SATO IN BRIEF

- Number of SATOhomes **26,400**
- Number of personnel **224**
- Fair value of investment properties **€4.7 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 FIRST / DIGITAL DEVELOPMENT / DIVERSIFIED HOUSING SOLUTIONS

Values

BE BOLD, AIM HIGH / HUMAN TO HUMAN
/ JOY OF SUCCEEDING TOGETHER

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OPERATING ENVIRONMENT

- The coronavirus pandemic, which began to spread in early 2020, will have a significant effect on Finland's economy. According to the forecast of the Bank of Finland, the growth of the Finnish economy will decrease from 5 to 13 per cent this year.
- The negative impact of the pandemic is limited with support measures of the European Central Bank, European Union and the State of Finland. According to the Statistics Finland, the consumers' pessimistic attitude towards Finland's economy grew significantly when the restrictions came into effect.
- Demand for rental apartments has remained good, and urbanisation continues to be strong.



Staying close to customers' daily life.

Economic occupancy rate remained stable.

INTERIM REPORT JAN-MAR 2020

PEAKP

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HIGHLIGHTS

- The coronavirus pandemic has a significant effect on Finland's economy, and the impact depends on the duration of the pandemic and the restrictions due to the pandemic. Nevertheless, SATO's economic occupancy rate remained stable during the first quarter, and was 97,6 per cent (98,1) in the review period.
- To minimize the business impacts of the pandemic, we have postponed the start of some of the new housing projects, and launched a cost-savings action program in order to ensure our future economic stability.
- During the review period we have especially focused on taking care of our customers' safety in the middle of the coronavirus pandemic. In apartment showings and apartment inspections we have largely used digital means, and also communicated how to live safely in apartment buildings during the pandemic.
- In our customer service we have on advising our customers in matters related to rent payments and other financial issues in this challenging economic situation.
- Our personnel's safety has also been in central role in our operation during the review period. Almost all of SATO's personnel shifted to remote work in early stages of the pandemic, and we have limited apartment visits to only necessary situations, as well as tended to the needed protective equipment.
- The amount of SATO's apartments continued to grow during the review period, and 211 new rental apartments were completed.
- During the review period, we launched the marketing of SATO's first FlexHome, which will be completed in Tali, Helsinki. SATO FlexHome is a new concept for part ownership that enables home ownership with a small initial capital outlay and a five-year part-ownership period.
- SATO's financial structure was further improved, when SATO issued a EUR 300 million senior unsecured bond offered to European investors under its EMTN programme after the review period, on 7 April.
- Finally, I want to thank both my team and our personnel for their hard work in taking care of our customers and each other in these challenging circumstances.



Economic occupancy rate remained stable.

REVIEW PERIOD JAN-MAR 2020

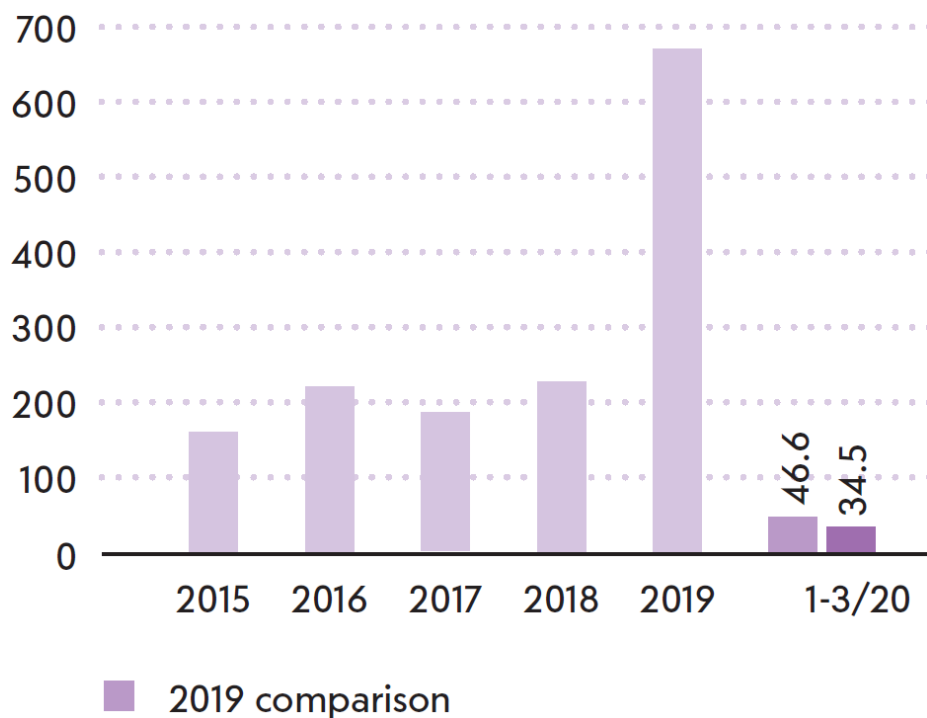
- The economic occupancy rate in Finland was 97.6 (98.1) %.
- Net sales were EUR 75.6 (73.1) million.
- Net rental income amounted to € 47.0 (43.5) million.
- Profit before taxes was EUR 34.5 (46.6) million.
- The change in the fair value of investment properties included in the result was EUR 4.8 (22.7) million.
- Housing investments amounted to € 27.3 (30.4) million.
- Invested capital at the end of review period was € 4,216.2 (3,572.1) million.
- Return on invested capital was 4.3 (6.5) per cent.
- Equity was EUR 2,081.3 (1,585.2) million, or EUR 36.76 (28.00) per share.
- Earnings per share were EUR 0.48 (0.65).
- A total of 211 (0) rental apartments were acquired or completed.
- A total of 848 rental apartments and 115 owner-occupied apartments are under construction.



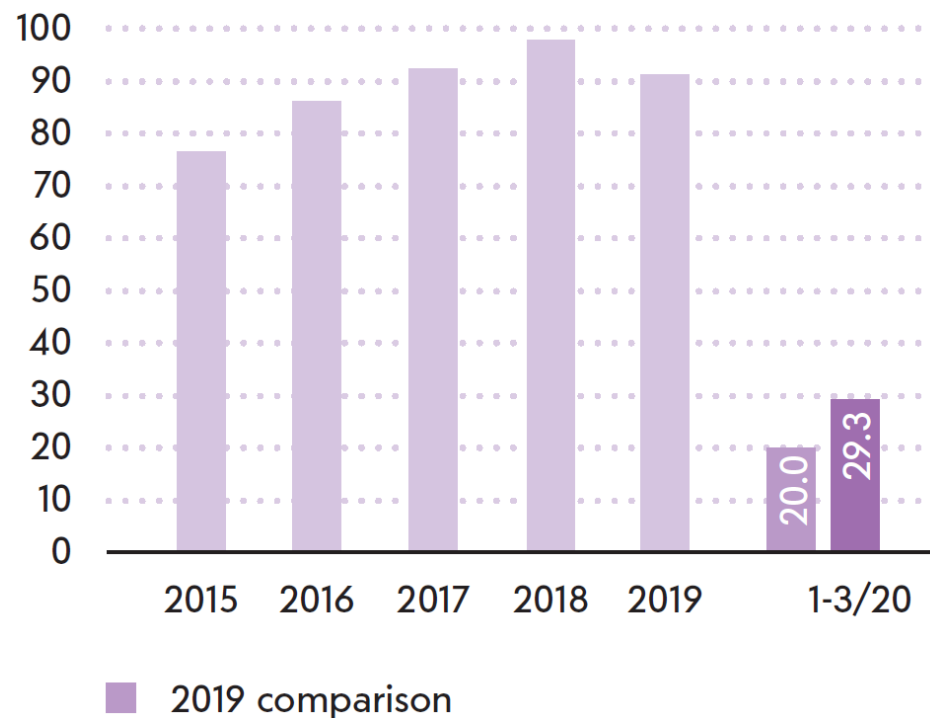
Strong cash earnings.

PROFIT AND CASH EARNINGS

PROFIT BEFORE TAXES, MEUR



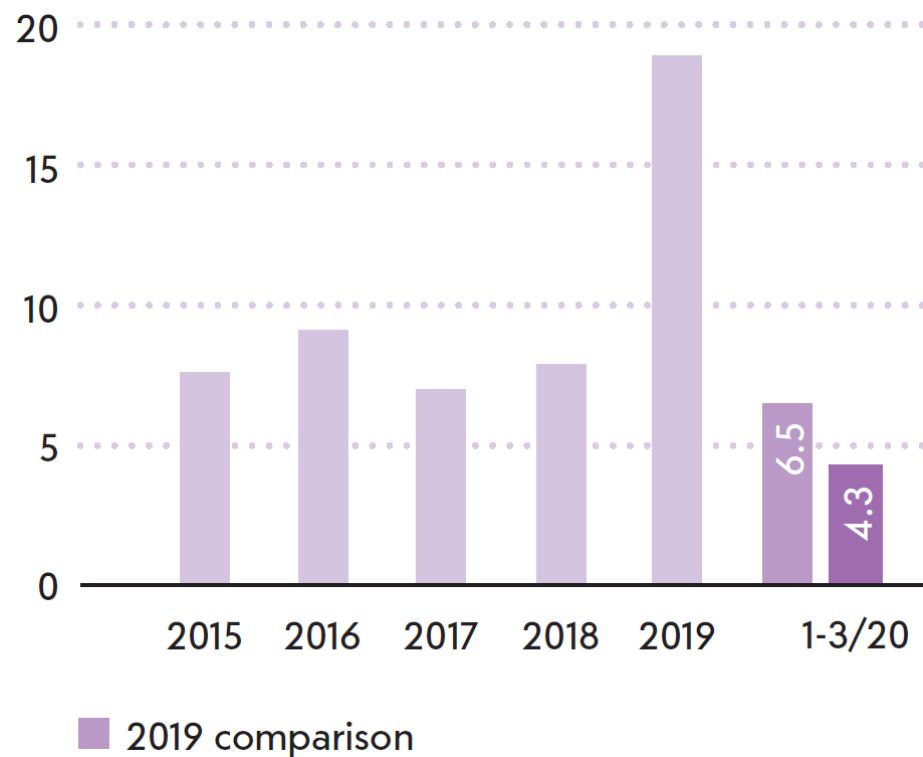
CASH EARNINGS (CE), MEUR



The key indicator of housing business.

RETURN ON INVESTMENT

RETURN ON INVESTED CAPITAL, %

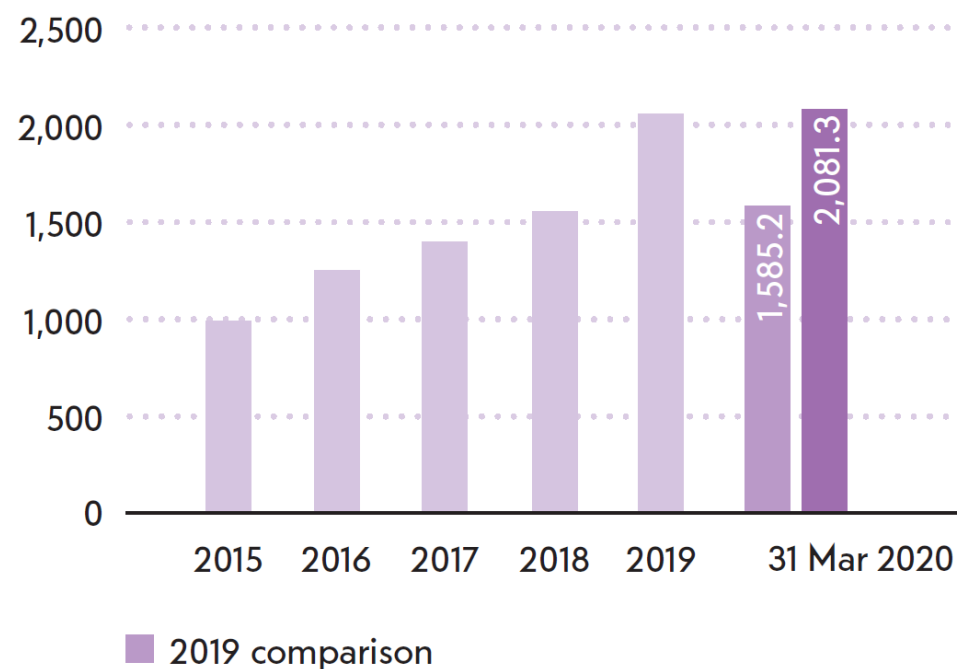


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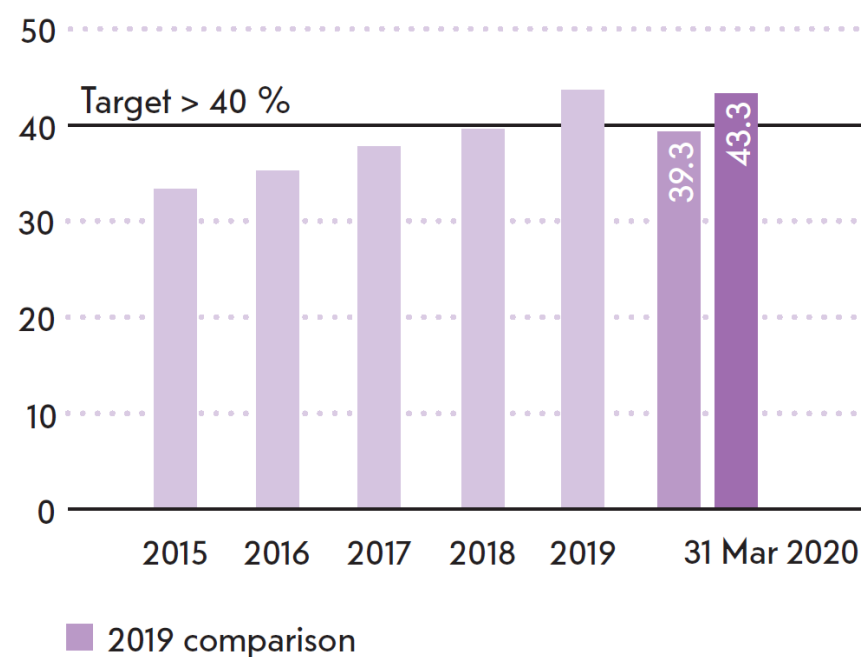
Enables growth.

STRONG EQUITY RATIO

SHAREHOLDERS' EQUITY, MEUR



EQUITY RATIO, %

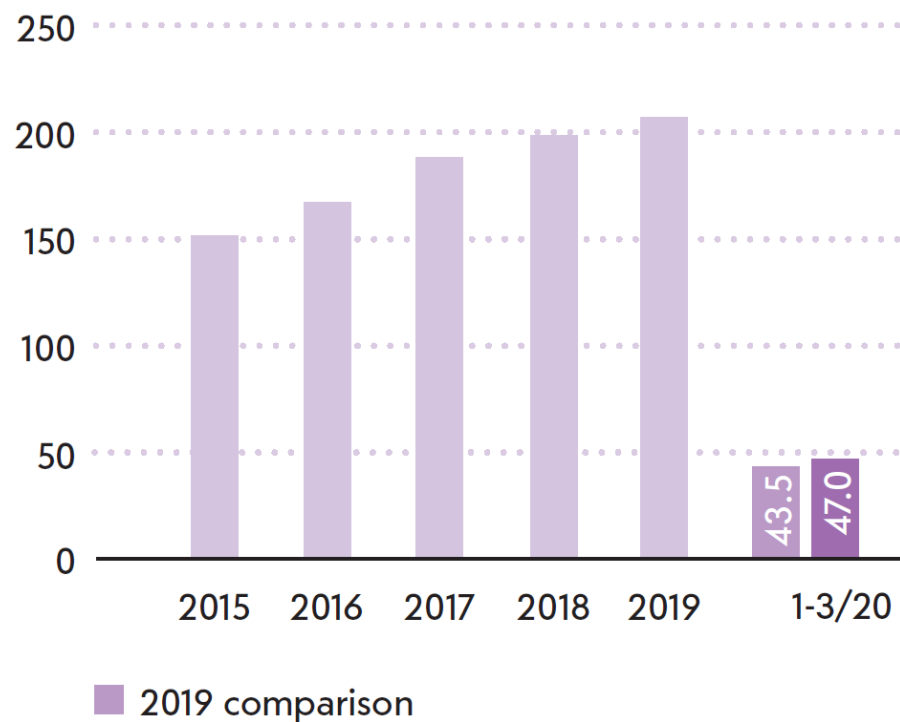


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Stable occupancy rate - stable rental income.

RENTAL INCOME

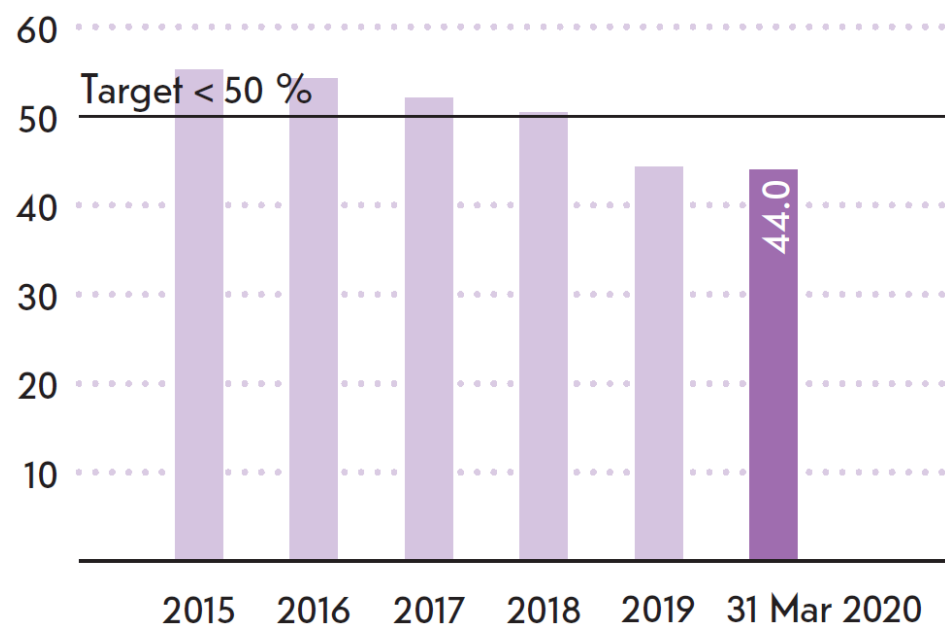
NET RENTAL INCOME, MEUR



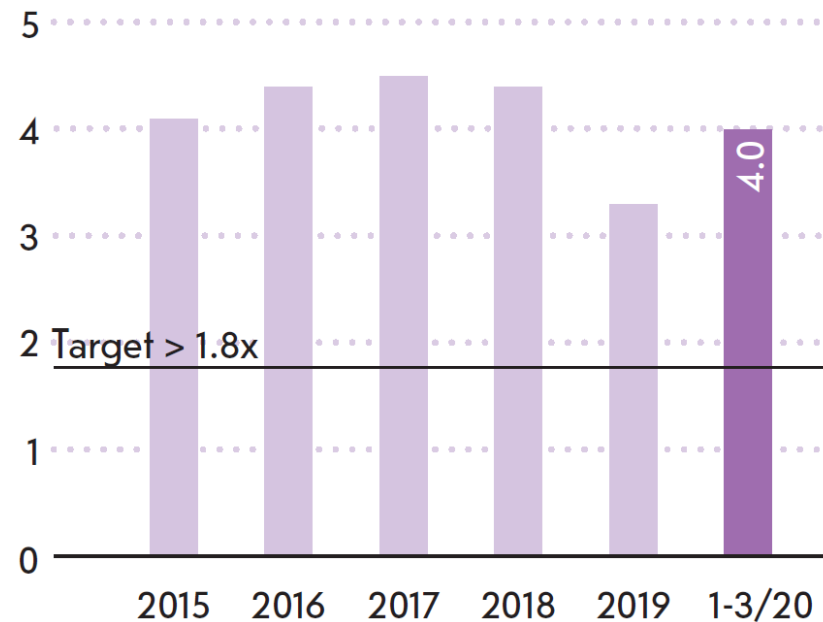
Strong financial position.

FINANCING

SOLVENCY RATIO, %



INTEREST COVERAGE RATIO

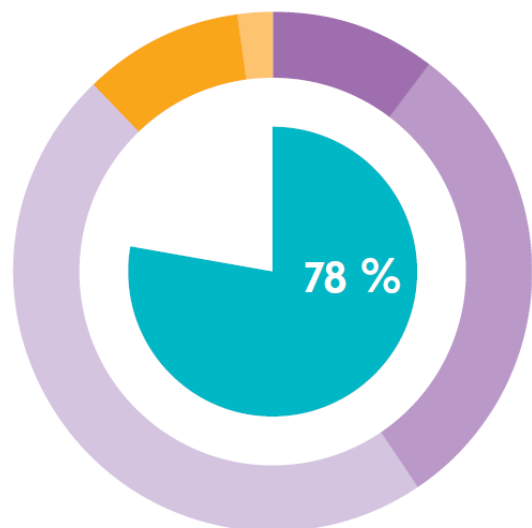


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Interest bearing debt MEUR 2,155.

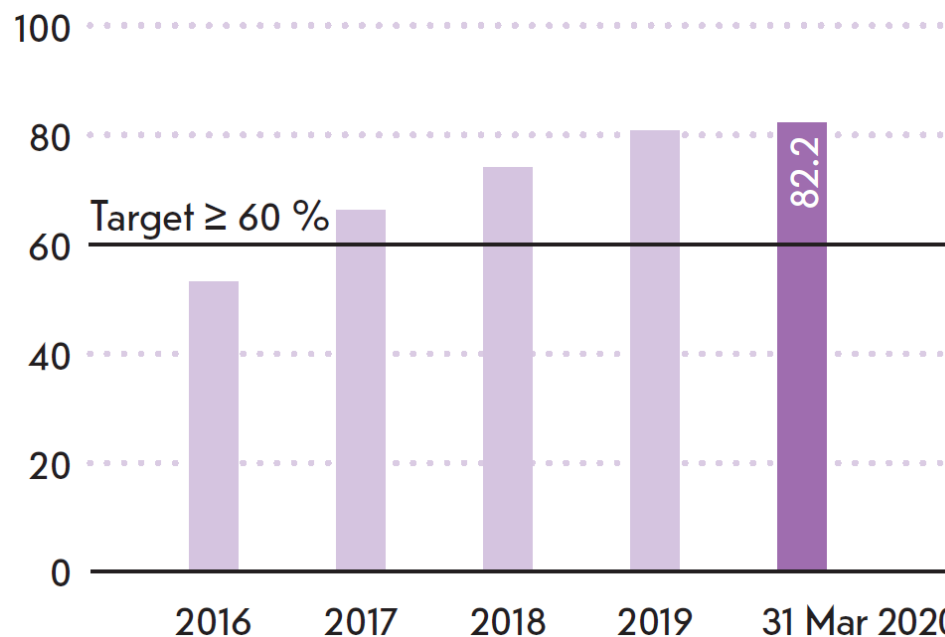
FINANCING

DEBT PORTFOLIO,
nominal values 31 March 2020
TOTAL MEUR 2,155



- Commercial papers 225
 - Corporate bonds 649
 - Bank loans 1020
 - Interest subsidised 214
 - State subsidised (ARAVA) 47
- 78 % of loans without asset based securities

UNENCUMBERED ASSETS, %

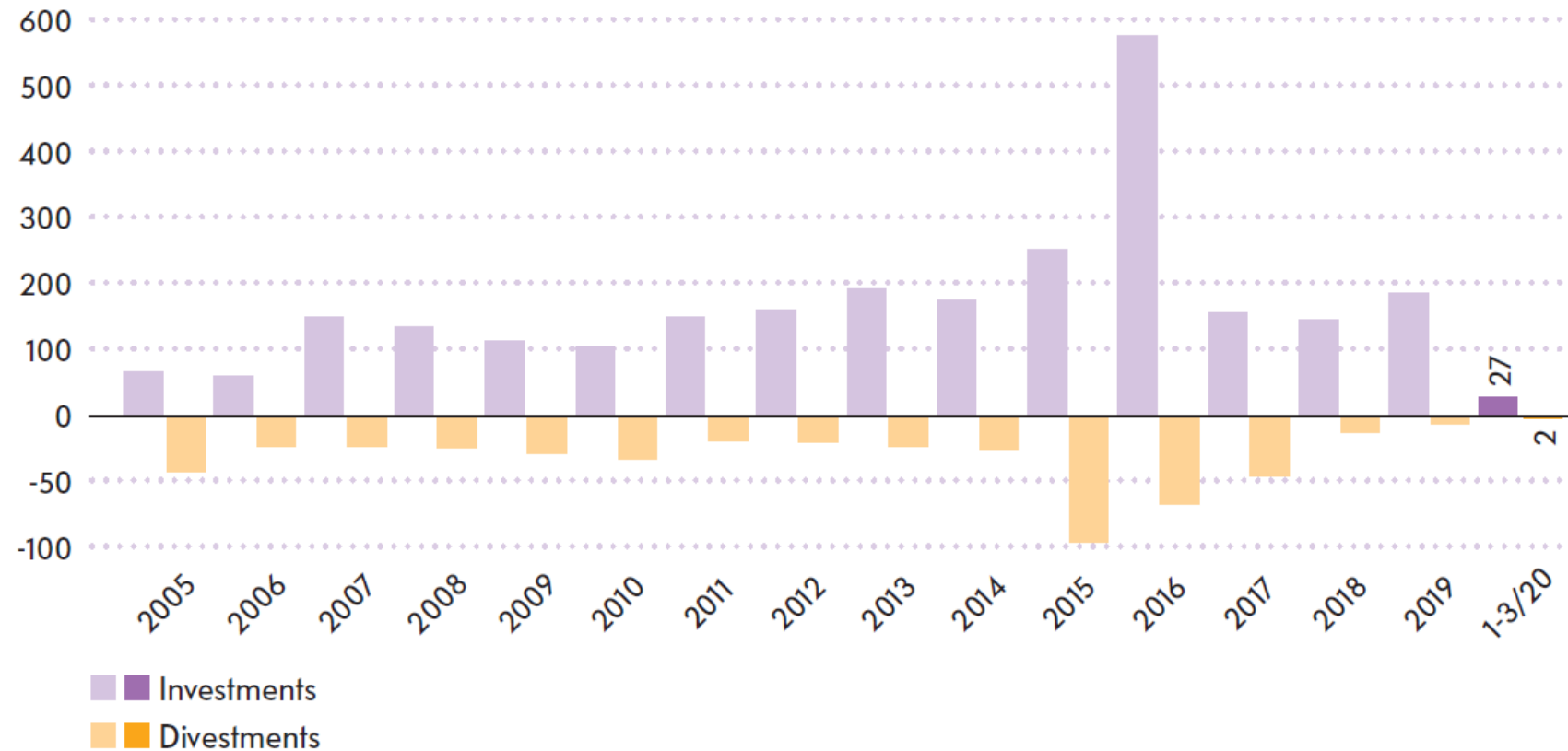


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Investments in Helsinki MA represented 94 per cent of the investments.

INVESTMENTS IN FINLAND

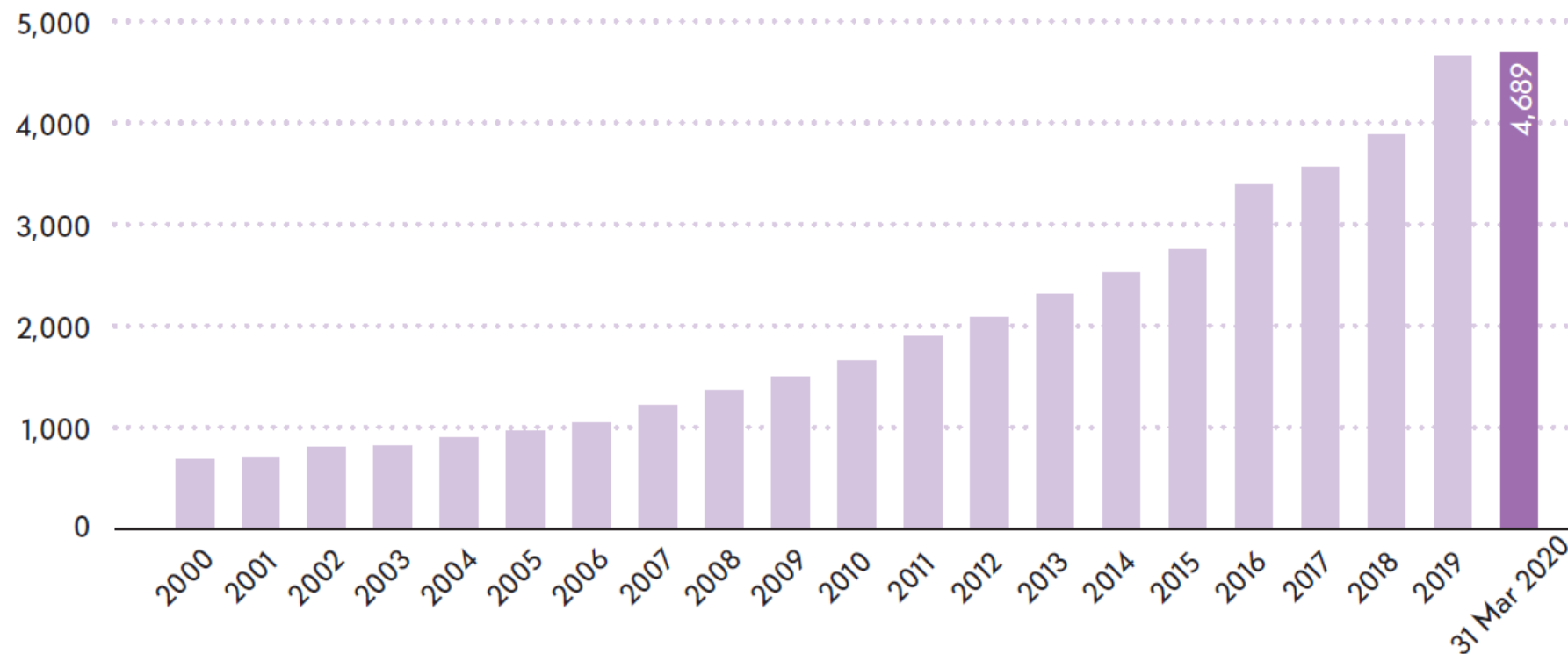
HOUSING INVESTMENTS AND DIVESTMENTS, MEUR



Investment strategy focused on Helsinki MA, Tampere, and Turku.

INVESTMENT PROPERTIES

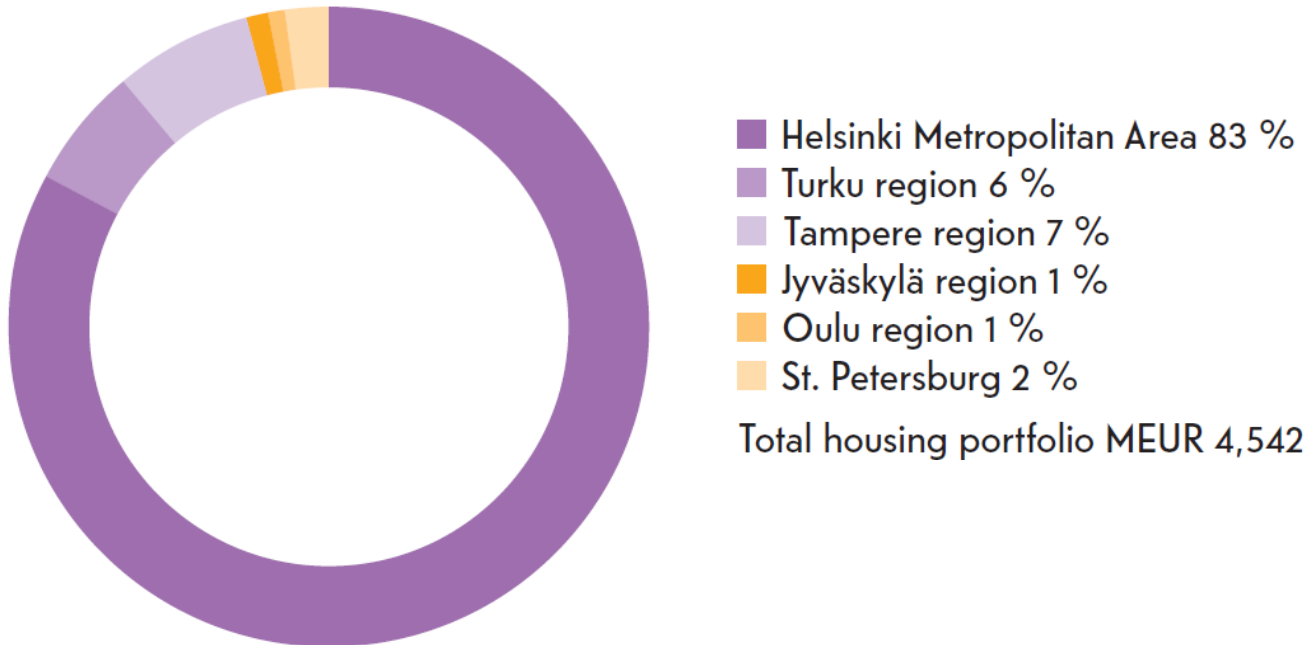
TREND IN THE INVESTMENT PROPERTY PORTFOLIO VALUE, MEUR



Homes in areas with rising demand.

HOUSING ASSETS

REGIONAL DISTRIBUTION OF THE HOUSING PORTFOLIO,
31 March 2020



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MAIN SHAREHOLDERS

Balder Finska Ota AB (Fastighets AB Balder)	54.6 %
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 Erkki	0.7 %
Hengityssairauksien tutkimussäätiö	0.4 %
Entelä Tuula	0.3 %
SATO Corporation	0.3 %
Heinonen Erkki	0.3 %
Others (110 shareholders)	2.1 %

On 31 March 2020, SATO had 56,783,067 shares and 120 shareholders registered in the book-entry system. The share turnover rate was 0.59 per cent for the period 1 January–31 March 2020.



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 competitive situation and interest rates.
- The coronavirus pandemic started in early 2020 will have a significant effect on Finland's economy. According to the forecast of the Bank of Finland, the national economy will be reduced from 5 to 13 per cent this year. The negative impact of the pandemic is limited with support measures of the European Central Bank, European Union and the State of Finland. According to the Statistics Finland, the consumer's pessimistic attitude towards Finland's economy grew significantly when restrictions came into effect.
- **Due to Europe's weak economic development, interest rates are expected to remain low for a longer time, which will have a positive impact on SATO's financing costs.**
- Still, urbanisation provides good long-term conditions for sustained investments in SATO's main operating areas in Finland. The share of net migration in population increase is expected to be the highest 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.**
- 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.





THANK YOU

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