

INTERIM REPORT 1 JANUARY–30 SEPTEMBER 2013



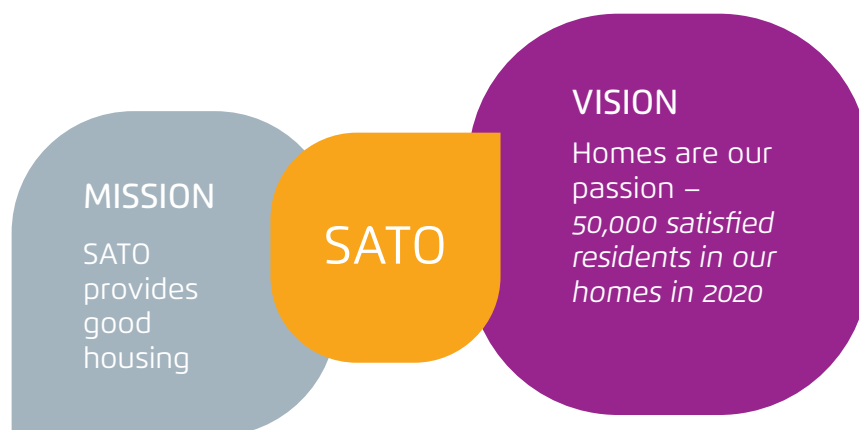
SATO's profitable growth continued

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SATO is one of Finland's leading corporate investors in housing. We own a total of some 24,000 rentable homes in Finland's largest centres of urban growth and St. Petersburg. Our investment assets have a fair value of roughly 2.2 billion euros.

Our goal is to be the most efficient and progressive player in the sector, which facilitates the constant improvement of customer services as well as generating added value for its shareholders.



VALUES

customer satisfaction – we keep our promises
the personnel's expertise – skilled personnel is our strength
partnership – we win by working together
profitability – profit enables us to build the future



SATO's value proposition: A home the way you want it

Strategic goals

- constantly improving services for the customers
- average 12% p.a. total annual return for the shareholders
- value of the investment properties > €3 billion in 2020

Targets to secure business continuity, profitability and profitable growth

- SATO consolidated equity ratio of investment properties at fair values \geq 25%
- dividend \geq 60% of distributable profit
- fixed-rate loans at 50-80%

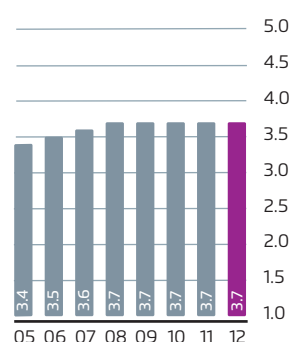
Actual 2012

29.4%

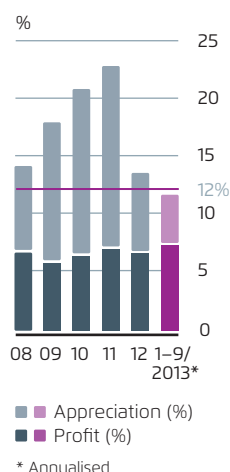
84.0%

69.5%

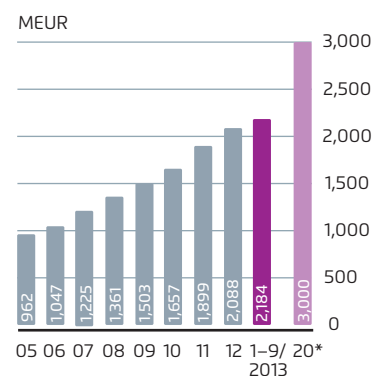
Customer satisfaction 2005–2012



Total annual return 2008 - 1–9/2013



Value of the investment properties 2005 - 1–9/2013



* SATO's target

SATO Corporation Interim report

1 Jan –30 Sep 2013

Summary of the period 1-9/2013 (1-9/2012)

- Profit before taxes was MEUR 53.3 (44.7).
- The difference in value of investment properties grew by MEUR 30.0 (27.8) to MEUR 564.3 (501.5).
- The Group's net worth at fair value was MEUR 742.8 (662.6).
- Total return was 11.6 (11.1) per cent.
- Investments in investment properties were MEUR 88.2 (95.4).
- Rental occupancy rate was 97.6 (98.1) per cent.

The business climate

In SATO's business areas, demand for small rented homes has continued to be brisk. The atmosphere in the economy is still uncertain, however, and this impacts the rented housing market in the form of a downturn in demand for large apartments.

Interest rates have held at an exceptionally low level, but loan terms have become more stringent for both companies and consumers, with the result that the availability of financing has deteriorated. In Finland, consumer confidence in the economy was slightly higher in September than it was one year ago, but it was still clearly below the long-term average.

Low interest rates have kept up housing trade, particularly for new homes, but continuing economic uncertainty and rising unemployment towards the end of the period under review has eroded demand for large homes.

President and CEO Erkki Valkila:

"Successful investments and rental business combined with low interest rates have resulted in a favourable trend in earnings for SATO. Our financing situation is stable and we are actively continuing investment operations. We have roughly a thousand new rented homes under construction in Finland and St. Petersburg.

"A brisk debate on the ways by which rents could be lowered in the Helsinki Metropolitan Area has gone on throughout the year. The costs of new construction could be reduced rapidly by abolishing regulations on the average floor area of homes, by easing requirements for free access and parking spaces, and by moderating regulations on buildings' common areas. The zoning process should also be speeded up to stimulate the supply of plots of land.

"Urbanisation, immigration and an increase in the proportion of smaller families are further stimulating demand for rented housing. All measures to increase rented housing in the Helsinki Metropolitan Area should be brought into play."

Segment division

In financial reporting, the Group's investment properties are grouped under two segments, namely SATO business and VATRO business. The segmentation increases the transparency of operations and reporting related to the state-subsidised housing stock.

SATO business is comprised of investment properties which are restriction-free or have shorter-term restrictions as well as owner-occupied home construction. VATRO business is comprised of investment properties with longer-term restrictions.

In accordance with the Group's strategy, most of the new investments are allocated to SATO business and the relative importance of VATRO business in the Group is declining.

Turnover and net profit

The Group's turnover grew by 5.2 per cent relative to the comparison period and was 219.3 million euros (208.4 million euros 1 Jan.–30 Sept. 2012). Rental income accounted for 171.4 (158.7) million euros of turnover.

Of the turnover, 190.0 (180.8) million euros was derived from SATO business and 29.3 (27.6) million euros was due to VATRO business.

The operating profit for the period under review was 81.1 (74.3) million euros.

The Group's profit before taxes for the period under review was 53.3 (44.7) million euros. The profit improved by 19.7 per cent. The profit was boosted by a favourable trend in rental income and continuing low interest rates. Additionally, the difference in value of investment properties grew by 30.0 (27.8) million euros.

The profit includes 9.4 (8.6) million euros in capital gains from divestment. The effect on the profit of changes in the market value of interest-rate hedging is 0.6 (0.6) million euros.

The share of the profit before taxes due to SATO business was 49.7 (41.5) million euros and that of VATRO business was 3.6 (3.2) million euros.

Financial position and financing

The consolidated balance sheet total at the end of the period under review totalled 1,913.3 (1,820.1) million euros. Shareholders' equity was 316.8 (284.1) million euros. Net assets, calculated on the fair value of investment properties, were 742.8 (662.6) million euros, which is EUR 14.61 (13.03) per share.

The Group's equity ratio, calculated on the book value of investment properties, was 16.7 (15.8) per cent and at fair value it was 30.2 (28.8) per cent.

The Group's annualised total return was 11.6 (11.1) per cent. The total annual return is comprised of, in addition to return on equity, the appreciation on investment properties. The total return is calculated on net assets at fair value. Return on equity was 17.5 (15.7) per cent. Return on investment was 6.4 (6.3) per cent.

Interest-bearing liabilities at the end of the period under review were 1,426.8 (1,362.1) million euros. A more detailed itemisation is given in Note 6. At the end of the period under review, the average interest rate on loans was 2.8 (3.1) per cent.

On 11 March 2013, SATO declared a 500 million euro secured note programme. Under the programme, secured bonds in the amount of 124 million euros were issued during the period under review. The bonds have been listed for public trading at NASDAQ OMX Helsinki Ltd.

During the period under review, the computational effect of changes in the market value of hedging on the shareholders' equity was 10.5 (-7.1) million euros.

Investment properties

The trend in the investment properties' value is of key importance to SATO. Housing property is consolidated in areas in which long-term demand for rented housing is growing. Allocations for renovations of properties are based on lifecycle plans and renovation requirement analyses.

On 30 September 2013, SATO held a total of 23,564 (23,447) homes, of which 19,477 (19,350) were included in SATO business and 4,087 (4,097) were included in VATRO business. The number of homes increased by 54 during the period under review.

The book value of the investment properties totalled 1,619.5 (1,499.0) million euros and the fair value totalled 2,183.8 (2,000.5) million euros. During the period under review, the book value of the housing portfolio grew by 65.8 (74.1) million euros and its fair value by 95.8 (101.9) million euros.

The positive difference between the fair value and the book value was 564.3 (501.5) million euros and it increased during the period under review by 30.0 (27.8) million euros.

In its accounting, SATO applies the historical cost method to investment properties. The change in differential of value of investment properties is not posted to the profit and loss account but it is stated in a note to the financial statements.

Investments and divestments

Investment business fuels growth. In the 21st century, SATO has invested a total of some 1.5 billion euros in rented housing. SATO acquires and commissions the construction of both whole rental properties and individual rented apartments.

During the period under review, the Group's investments in investment properties were 88.2 (95.4) million euros, of which investments in new construction accounted for 71.9 (51.6) million euros. The main investments concerned newly built properties in the Helsinki Metropolitan Area and St. Petersburg.

The most important contract concerning future investments was signed with Skanska for a total of 370 apartments in the Helsinki Metropolitan Area and Tampere. The total value of the investment is roughly 50 million euros and it will take place during the period 2013-2015.

At the end of the period under review, 816 (726) new rental housing units were under construction in Finland for ownership by the Group.

The sum used for renovating the housing stock and improving the quality of apartments was 27.9 (31.3) million euros.

During the review period, 231 (182) homes were divested in Finland for a total of 11.9 (10.4) million euros. The divested homes were for the most part located outside SATO's targeted business area.

Rental business

Efficient rental business secures rapid availability for people who need a home and a steady trend in cash flow for the Group. Rental services are handled mainly by SATO's rental offices.

The key indicators for rental business were at a good level during the period under review. The financial occupancy rate of the homes in Finland averaged 97.6 (98.1) per cent and tenant turnover averaged 36.6 (33.2) per cent.

The average monthly rent per square metre in Finland during the period under review was EUR 14.74 (13.74) for rental housing and 9.54 (9.74) for shared ownership apartments.

The net rental income on the housing portfolio was 102.8 (92.9) million euros. The net rental income annualised on the book value of rental housing was 8.5 (8.5) per cent and 6.2 (6.3) per cent on the fair value.

Property development

Property development is used to create a basis for investment in SATO's new rented homes and for the development of owner-occupied homes in Finland. The attractiveness of the rented homes held is improved and their value is enhanced by means of renovation.

The book value of the building land inventory held at the end of the period under review was 93.3 (78.4) million euros. The value of the plots of land acquired during the period under review was 2.1 (5.8) million euros. Plots valued at 10.5 (12.2) million euros were transferred to production.

During the period under review, 178 (124) investment properties and 119 (167) owner-occupied homes for sale were completed for the Group in

Finland. A total of 816 (726) investment properties and 416 (400) owner-occupied homes were under construction as at 30 September 2013.

Left unsold at the end of the period under review were 44 (29) completed owner-occupied homes and 292 (250) under construction, with a total acquisition value of 131.1 (91.7) million euros. SATO's owner-occupied homes are mostly sold after completion in accordance with the SATO OwnerHome concept.

Business in St. Petersburg

The housing market in St. Petersburg is equivalent in volume to the entire Finnish housing market. SATO achieves growth by investing in rented homes in St. Petersburg. Properties are acquired in central locations in the city.

At the end of the period under review, the book value of the housing portfolio in St. Petersburg totalled 99.9 (81.2) million euros and the fair value totalled 101.9 (81.2) million euros. At the end of the review period, binding purchase agreements totalled 35.8 (6.1) million euros in value. In August, SATO signed an agreement with Lemminkäinen for the acquisition of a total of 63 rented apartments in a property to be built in the southern central district of St. Petersburg, along Obvodny Canal. The value of the investment is roughly 17 million euros.

On 30 September 2013, SATO had a total of 222 (112) completed apartments and 171 (124) under construction in St. Petersburg.

The financial occupancy rate of the rented homes during the review period averaged 89.0 (90.0) per cent.

Personnel

At the end of the period under review, the Group had 148 (155) employees, 145 of whom were in permanent employment. During the period under review it had an average of 150 (154) employees.

Risks and uncertainty factors in the near future

General economic uncertainty continues, and this is reflected by the housing and finance markets.

The change in the market prices of housing will have an impact on the value of SATO's housing portfolio. A favourable trend in the value of the housing portfolio and the rental attractiveness of the apartments will be secured by concentrating on the urban centres of growth.

New owner-occupied housing projects will be launched on the basis of project-specific market surveys.

The risks of investment in housing business in St. Petersburg are related to the trend in market prices for apartments, currency fluctuations, and changes in the business climate. The amount of investment in St. Petersburg is limited in proportion to the Group's investments in housing as a whole.

Changes in interest rates affect SATO's profit and balance sheet through changes in interest expenses and through changes in the market value of interest rate hedging. In line with the Group's financing policy, the goal is to keep 50–80 per cent of all loans on a fixed-rate interest basis. The adequacy of financing is monitored on an ongoing basis by liquidity forecasting.

Lawsuits and countersuits between the contracting parties are pending in respect of the implementation and invoicing for the construction project known as Asunto Oy Helsingin Tila.

A broader description of the risks can be found in the Group's annual report for the year 2012 and on the website www.sato.fi.

Outlook

Uncertainty continues over the economy, and forecasts show little growth in the Finnish economy. The Russian economic growth has slowed but it is forecast to grow more dynamically than that of

Finland. Interest rates are expected to continue to stay low.

Good demand for rented housing in Finland and St. Petersburg is expected to continue, which will foster good prospects for investments.

A deterioration in the availability of financing for customers may hinder SATO's future divestments and sales of owner-occupied housing.

SATO's net rental income and net profit will be an improvement on last year's figures.

Shareholders in SATO Corporation, 17 October 2013

The biggest shareholders and their holdings

Varma Mutual Pension Insurance Company	45.7%
Ilmarinen Mutual Pension Insurance Company	16.1%
Suomi Mutual Life Assurance Company	14.8%
LocalTapiola Mutual Pension Insurance Company	7.5%
Mutual Insurance Company	
Pension Fennia	5.4%
LocalTapiola Group	4.8%
Pohjola Insurance Ltd	2.7%
Others	3.0%

On 17 October 2013, the total number of SATO shares was 51,001,842 and there were 28 shareholders entered in the book-entry securities register. The share turnover during the period under review was 6.0 per cent.

Information on segments

SATO's investment in housing business includes both privately financed and state-subsidised housing property, of which the latter is affected by restrictions set by housing legislation both at the company level and for individual properties. SATO's housing investments are divided into two segments for purposes

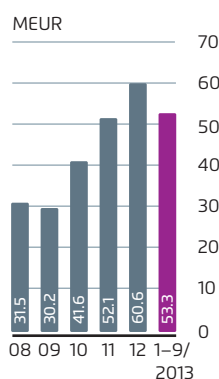
of financial reporting, SATO business and VATRO business. SATO business includes privately financed homes as well as those state-subsidised and interest-subsidised homes to which property-specific restrictions under legislation on state-subsidised and interest-subsidised loans will end in the period 2013-2025. The construction of owner-occupied

housing and business operations in St. Petersburg are also included in SATO business. The VATRO business segment includes housing subject to longer-term, property-specific restrictions under legislation on state-subsidised loans. These restrictions will end by roughly the year 2047.

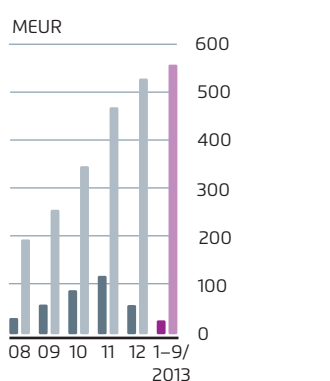
MEUR	SATO business 1-9/2013	VATRO business 1-9/2013	Total 1-9/2013	SATO business 1-9/2012	VATRO business 1-9/2012	Total 1-9/2012
Turnover	190.0	29.3	219.3	180.8	27.6	208.4
Net rental income	86.2	16.6	102.8	77.1	15.8	92.9
Profit before taxes	49.7	3.6	53.3	41.5	3.2	44.7
Gross investments in investment properties	88.2	0	88.2	95.4	0	95.4
Book value of the investment properties	1,422.8	196.7	1,619.5	1,298.1	200.9	1,499.0
Fair value of the investment properties	1,987.1	196.7	2,183.8	1,799.6	200.9	2,000.5
Rented homes (number)	18,278	4,087	22,365	18,123	4,097	22,220
Shared ownership apartments (number)	1,199	0	1,199	1,227	0	1,227
Completed investment properties (number)	326	0	326	162	0	162
Completed owner-occupied homes (number)	119	0	119	167	0	167

Financial trend

Profit before taxes 2008 - 1-9/2013



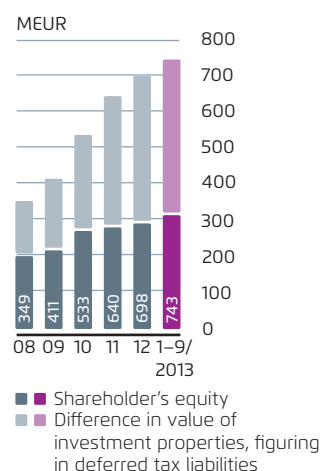
Change in value difference of investment properties 2008 - 1-9/2013



Change in difference between fair and book value

- Increase in value difference/year
- Value difference cumulatively

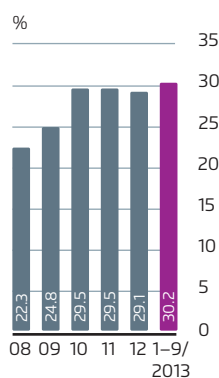
Net worth 2008 - 1-9/2013



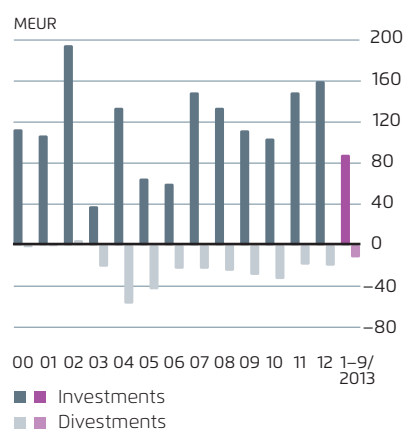
■ Shareholder's equity

■ Difference in value of investment properties, figuring in deferred tax liabilities

Equity ratio calculated on fair values 2008 - 1-9/2013



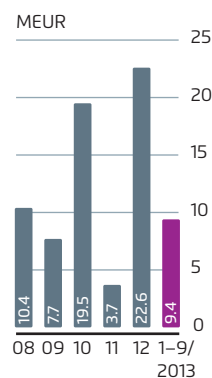
Housing investments and divestments 2000 - 1-9/2013



■ Investments

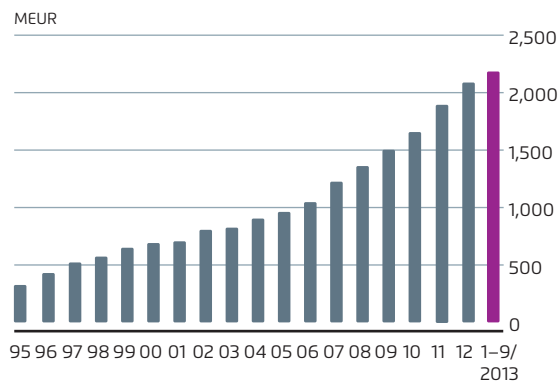
■ Divestments

Housing investments in St. Petersburg

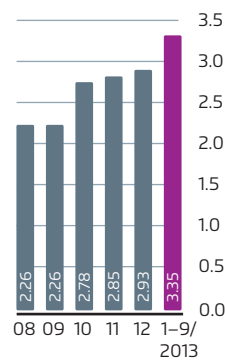


Financial trend

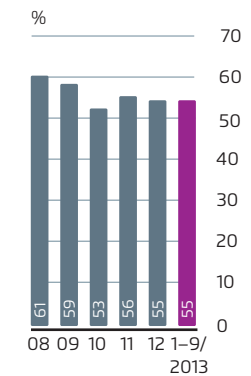
Trend in the housing portfolio, fair values
1995 - 1-9/2013



Interest cover ratio

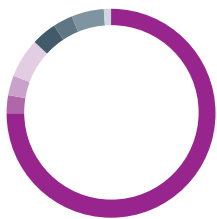


LTV* (Loan to Value)



* Excluding VATRO segment

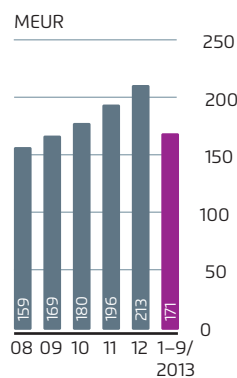
Regional distribution of the
investment properties
30 September 2013



- Helsinki Metropolitan Area 75%
- Rest of Helsinki Region 3%
- Turku Region 3%
- Tampere Region 6%
- Jyväskylä, Lahti and Hämeenlinna 4%
- Oulu Region 3%
- St. Petersburg 5%
- Outside the designated focus area 1%

Total housing portfolio,
fair value MEUR 2,184

Rental income 2008 - 1-9/2013



Regional distribution of the
building land inventory (floor area, sq.m.)
30 September 2013



- Helsinki Metropolitan Area 69%
- Tampere 8%
- Turku 7%
- Jyväskylä 3%
- Oulu 13%

Total approx. 349,000, floor area,
sq.m., about 3,900 apartments

Consolidated comprehensive profit and loss account, IFRS

MEUR	1 July-30 Sep 2013	1 July-30 Sep 2012	1 Jan-30 Sep 2013	1 Jan-30 Sep 2012	1 Jan-31 Dec 2012
TURNOVER	81.3	66.4	219.3	208.4	286.9
Capital gains/losses on Investment Properties	5.5	1.9	7.4	4.1	8.9
Share of profit in associated companies	0.0	0.0	0.0	0.0	0.0
Other income from business operations	0.0	0.0	0.0	0.0	0.4
Consumption of materials and services	-20.8	-11.1	-41.0	-40.9	-63.0
Personnel expenses	-2.6	-3.0	-9.2	-9.3	-12.7
Depreciation, amortization and impairment charges	-5.6	-5.5	-16.9	-16.3	-21.8
Losses from disposals of Investment Properties	0.0	0.0	-0.1	0.0	-0.1
Other expenses of business operations	-24.6	-23.6	-78.4	-71.7	-99.6
OPERATING PROFIT	33.2	25.1	81.1	74.3	99.1
Financial income	0.3	0.2	0.7	0.8	1.1
Financial expenses	-9.7	-10.5	-28.5	-30.4	-39.7
	-9.4	-10.4	-27.9	-29.6	-38.5
PROFIT BEFORE TAXES	23.8	14.8	53.3	44.7	60.6
Income taxes	-5.8	-3.7	-13.0	-11.3	-15.8
PROFIT FOR THE PERIOD	18.0	11.0	40.2	33.4	44.8
OTHER COMPREHENSIVE INCOME ITEMS					
Items that may be reclassified subsequently to profit and loss account					
Cash flow hedges	-0.4	-5.3	13.6	-9.3	-11.0
Financial assets available for sale	0.1	0.1	0.2	0.1	0.1
Translation difference	0.0	0.0	0.0	0.0	0.0
Taxes applied to other comprehensive income items	0.1	1.3	-3.4	2.3	2.7
Other comprehensive income items for the accounting period after taxes	-0.2	-4.0	10.4	-7.0	-8.2
COMPREHENSIVE INCOME FOR THE ACCOUNTING PERIOD, TOTAL	17.7	7.1	50.6	26.4	36.5
Distribution of net profit for financial period					
To the owners of the parent company	17.9	11.0	40.1	33.3	44.8
To the shareholders without a controlling interest	0.0	0.0	0.1	0.1	0.0
	18.0	11.0	40.2	33.4	44.8
Distribution of comprehensive income					
To the owners of the parent company	17.7	7.1	50.5	26.4	36.5
To the shareholders without a controlling interest	0.0	0.0	0.1	0.1	0.0
	17.7	7.1	50.6	26.4	36.5
Earnings per share calculated for the profit due to the parent company's shareholders (euros per share)					
Undiluted	0.35	0.22	0.79	0.66	0.88
Diluted	0.35	0.22	0.79	0.66	0.88
Average number of shares, million	50.8	50.8	50.8	50.8	50.8

Consolidated balance sheet, IFRS

MEUR	30 Sep 2013	30 Sep 2012	31 Dec 2012
ASSETS			
Non-current assets			
Investment Property	1,619.5	1,499.0	1,553.7
Tangible assets	2.6	1.5	2.1
Intangible assets	1.7	0.7	1.0
Holdings in joint ventures and associated companies	0.1	0.2	0.2
Financial assets available for sale	27.9	2.6	2.6
Receivables	9.2	58.9	9.1
Deferred tax receivables	30.3	29.6	32.7
	1,691.3	1,592.4	1,601.3
Current assets			
Inventories	191.0	161.5	167.7
Accounts receivable and other receivables	17.7	30.8	49.6
Tax credits based on the taxable income for the period	0.0	0.3	1.9
Cash and cash equivalents	13.3	35.1	33.7
	222.0	227.7	252.9
ASSETS, TOTAL	1,913.3	1,820.1	1,854.2
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity due to the parent company's owners			
Share capital	4.4	4.4	4.4
Fair value reserve	-22.2	-31.4	-32.7
Reserve fund	43.7	43.7	43.7
Other funds	45.0	45.0	45.0
Retained earnings	244.8	221.3	232.7
	315.7	283.0	293.2
Proportion of shareholders without a controlling interest			
	1.1	1.0	1.0
SHAREHOLDERS' EQUITY, TOTAL	316.8	284.1	294.2
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	75.3	73.3	74.9
Provisions	3.2	3.5	3.4
Other debts	31.9	44.9	46.6
Interest-bearing debt	1,300.2	1,267.8	1,249.0
	1,410.6	1,389.5	1,373.9
Current liabilities			
Accounts payable and other liabilities	55.2	52.2	56.4
Income tax liabilities	4.1	0.0	3.4
Interest-bearing debt	126.6	94.3	126.3
	185.9	146.5	186.2
LIABILITIES, TOTAL	1,596.5	1,536.0	1,560.1
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	1,913.3	1,820.1	1,854.2

Consolidated cash flow statement, IFRS

MEUR	1 Jan–30 Sep 2013	1 Jan–30 Sep 2012	1 Jan–31 Dec 2012
Cash flow from operating activities			
Net profit for financial year	40.2	33.4	44.8
Adjustments:			
Business activities not involving payment	16.3	15.8	20.3
Capital gains and losses on fixed assets	-7.3	-4.0	-8.9
Interest expenses and other financing expenses	29.1	31.0	41.2
Interest income	-0.6	-0.8	-1.1
Dividend income	-0.1	-0.1	-0.1
Taxes	13.2	11.3	15.8
Cash flow before change in working capital	90.9	86.7	112.2
Change in working capital:			
Changes in accounts receivable and other receivables	5.5	-10.0	1.0
Change in inventories	-22.5	-6.9	-13.0
Change in accounts payable and other liabilities	-0.5	-5.3	-8.3
Change in reserves	-0.3	-0.4	-0.5
Interest paid	-31.0	-31.5	-39.8
Interest received	0.5	1.4	1.6
Taxes paid	-11.1	-9.8	-13.6
Net cash flow from operating activities	31.4	24.2	39.7
Cash flow from investing activities			
Sale of subsidiaries less cash and cash equivalents at time of sale	0.0	-0.7	-0.7
Investments in tangible assets	-78.9	-72.6	-136.8
Repayments of notes receivable	0.2	0.4	0.5
Loans granted	0.0	-1.7	-1.9
Increase (-)/decrease (+) in short-term investments	0.0	0.0	25.0
Sale of tangible assets	11.7	10.0	19.0
Net cash flow from investing activities	-66.9	-64.6	-94.9
Cash flow from financial activities			
Repayments (-) / withdrawals (+) of short-term loans	-3.1	-54.2	-23.4
Withdrawals of long-term loans	142.1	177.4	188.3
Repayments of long-term loans	-95.8	-46.5	-74.7
Dividends paid	-28.0	-24.9	-24.9
Net cash flow from financial activities	15.2	51.8	65.3
Change in cash and cash equivalents	-20.4	11.5	10.1
Cash and cash equivalents at the beginning of the period	33.7	23.6	23.6
Cash and cash equivalents at the end of the period	13.3	35.1	33.7

Consolidated statement of changes in Shareholder's Equity, IFRS

Calculation of changes in Shareholder's Equity 1 Jan–30 Sep 2012

2012	Shareholders' Equity to the parent company's owners							Shareholders without controlling interest	Shareholders' Equity total
MEUR	Share capital	Revaluation fund	Reserve fund	Other funds	Reserve for invested non-restricted equity	Retained earnings	Total		
Shareholders' Equity 1 Jan 2012	4.4	-24.4	43.7	0.4	44.5	213.9	282.6	1.0	283.5
Adoption of revised IAS 19						-1.0	-1.0		-1.0
Adjusted Shareholders' Equity 1 Jan 2012	4.4	-24.4	43.7	0.4	44.5	212.9	281.6	1.0	282.5
Comprehensive income									
Cash flow hedge		-7.0					-7.0		-7.0
Available-for-sale financial assets		0.1					0.1		0.1
Translation differences						0.0	0.0		0.0
Profit and loss for the period						33.4	33.4	0.1	33.4
Comprehensive income total	0.0	-7.0	0.0	0.0	0.0	33.4	26.4	0.1	26.4
Transactions with shareholders'									
Dividend payment					0.0	-24.9	-24.9	0.0	-24.9
Share issue							0.0		0.0
Transactions with shareholders' total	-	-	-	-	0.0	-24.9	-24.9		-24.9
Other adjustments					0.0	0.0	0.0		0.0
	0.0	-7.0	0.0	0.0	0.0	8.4	1.5	0.0	1.5
Shareholders' Equity 30 Sep 2012	4.4	-31.4	43.7	0.4	44.5	221.3	283.0	1.0	284.1

Calculation of changes in Shareholder's Equity 1 Jan–30 Sep 2013

2013	Shareholders' Equity to the parent company's owners							Shareholders without controlling interest	Shareholders' Equity total
MEUR	Share capital	Revaluation fund	Reserve fund	Other funds	Reserve for invested non-restricted equity	Retained earnings	Total		
Shareholders' Equity 1 Jan 2013	4.4	-32.7	43.7	0.4	44.5	232.7	293.2	1.0	294.2
Comprehensive income									
Cash flow hedge		10.3					10.3		10.3
Available-for-sale financial assets		0.2					0.2		0.2
Translation differences						0.0	0.0		0.0
Profit and loss for the period	0.0				0.0	40.0	40.0	0.1	40.1
Comprehensive income total	0.0	10.4	0.0	0.0	0.0	40.0	50.4	0.1	50.5
Transactions with shareholders'									
Dividend payment						-28.0	-28.0	0.0	-28.0
Share issue							0.0		0.0
Transactions with shareholders' total	0.0	0.0	0.0	0.0	0.0	-28.0	-28.0	0.0	-28.0
Other adjustments	0.0		0.0			0.0	0.0		0.0
	0.0	10.4	0.0	0.0	0.0	12.1	22.5	0.1	22.6
Shareholders' Equity 30 Sep 2013	4.4	-22.2	43.7	0.4	44.5	244.8	315.7	1.1	316.8

Notes to the interim report

SATO's interim report for the period 1 Jan–30 Sep 2013 has been drawn up in compliance with on the IAS 34 Interim Report Standard as approved for use by the EU. The interim report is unaudited. The same accounting conventions were applied in the production of the interim report as in the IFRS consolidated financial statements for the financial year 1 Jan–31 Dec 2012.

SATO's operations are managed and monitored in the form of two business areas, namely SATO business and VATRO business. The division into segments is done on the same principle. SATO business includes privately financed investment homes as well as those statesubsidised and interest-subsidised homes to which property-specific restrictions end mostly by 2016, although for some properties they will continue until 2025. Construction of owner-occupied housing and investment in housing in St. Petersburg are also included in SATO business. VATRO business includes housing subject Notes to the interim report to longer-term property-specific restrictions under legislation on state-subsidised loans. These restrictions will end by the year 2047.

The earnings and expenses shown for the segments are the direct earnings and expenses due to the segments plus those earnings and expenses which are reasonably attributable to the segments. Within SATO, the segments' earnings and expenses are also taken to include financial income and expenses, as these

are considered to be such a crucial factor in forming the net profit of the segment that leaving them out would not give a fair view of the segments' net profit.

The assets and liabilities of a segment are such business items as the segment uses in its business operations or are reasonably attributable to the segments. All items are included in the segments' assets and liabilities which give rise to items in the profit and loss account which are shown into the segments' net profits, including the segments' liabilities which are deemed to constitute an important part in describing the segments' financial position.

The unallocated assets include deferred tax credits as well as the Group's common items. The unallocated debts are comprised mainly of deferred tax liabilities.

Investments are comprised of increases in investment properties, tangible fixed assets, and intangible assets which are used in more than one financial year.

Pricing between segments is done at appropriate market rate.

Calculation of net rental income

The net rental income of investment properties is obtained by deducting from the rental income the maintenance expenses, which include annual repair expenses. In calculating the net rental income, the part of the Group's fixed expenses which concerns the maintenance of the investment properties is added to the maintenance expenses.

Changes to comparative financials from retrospective application of revised IFRS standard IAS 19, Employee Benefits

As of 1 Jan 2013 the Group has adopted the revised IAS 19, Employee Benefits IFRS standard. In accordance with the revised standard, changes in assumptions used in the calculation of the actuarial gains and losses have been recognized immediately in the other comprehensive income (OCI). Such balances are excluded permanently from the consolidated profit and loss account. Recognition of previously unrecognized actuarial gains and losses have impacted to Shareholders' Equity at 1 Jan 2012 by EUR -1 million, to pension liabilities by EUR 0.7 million and pension assets by EUR -0.3 million. Similarly as of 31 Dec 2012 Shareholders' Equity has been decreased by EUR -1 million, pension liability increased by EUR 0.7 million and pension assets decreased by EUR -0.3 million. The adoption of revised standard did not have significant effect in the profit and loss account.

Segment information 1 Jan–30 Sep 2013

MEUR	SATO business	VATRO business	Eliminations	SATO Group, total
External turnover	190.0	29.3		219.3
Internal turnover				0.0
Turnover, total	190.0	29.3		219.3
Profits/losses from divestments of Investment Properties	7.2	0.2		7.4
Depreciation, amortizations and impairment charges	-14.1	-2.8		-16.9
Operating profit	72.9	8.2		81.1
Interest income	0.7	0.0		0.7
Interest expenses	-23.9	-4.6		-28.5
Profit before taxes	49.7	3.6		53.3
Net rental income on the housing portfolio	86.2	16.6		102.8
Net rental income of rented homes, % of book value	8.2 %	10.8 %		8.5 %
Investments	88.2			88.2
Acquisition of land for inventory	2.1			2.1
Depreciation and amortization	-14.1	-2.8		-16.9
Impairment charges				
Assets and eliminations allocated to segments, total	1,662.2	212.5	-15.1	1,859.6
Investment Properties	1,422.8	196.7		1,619.5
Cash and cash equivalents	-11.6	1.5		-10.1
Other assets of the segment	251.2	14.0	-15.1	250.1
Holding in joint venture and associated companies	-0.2	0.3		0.1
Unallocated assets				53.7
Assets, total				1,913.3
Liabilities and eliminations allocated to segments, total	1,350.0	186.3	-15.1	1,521.2
Interest-bearing debt	1,247.8	179.0		1,426.8
Other liabilities of segment	102.2	7.3	-15.1	94.4
Unallocated liabilities				75.3
Liabilities, total				1,596.5

Segment information 1 Jan–30 Sep 2012

MEUR	SATO business	VATRO business	Eliminations	SATO Group, total
External turnover	180.8	27.6		208.4
Internal turnover				0.0
Turnover, total	180.8	27.6		208.4
Profits/losses from divestments of Investment Properties	4.1	0.0		4.1
Depreciation, amortizations and impairment charges	-13.4	-2.9		-16.3
Operating profit	65.7	8.6		74.3
Interest income	0.8	0.0		0.8
Interest expenses	-25.0	-5.4		-30.4
Profit before taxes	41.5	3.2		44.7
Net rental income on the housing portfolio	77.1	15.8		92.9
Net rental income of rented homes, % of book value	8.2 %	10.1 %		8.5 %
Investments	94.5			94.5
Acquisition of land for inventory	5.8			5.8
Depreciation and amortization	-13.4	-2.9		-16.3
Impairment charges				0.0
Assets and eliminations allocated to segments, total	1,592.3	215.7	-14.3	1,793.7
Investment Properties	1,298.1	200.9		1,499.0
Cash and cash equivalents	37.3	1.0		38.3
Other assets of the segment	257.0	13.5	-14.3	256.2
Holding in joint venture and associated companies	-0.1	0.3		0.2
Unallocated assets				26.4
Assets, total				1,820.1

Liabilities and eliminations allocated to segments, total	1,284.0	193.0	-14.3	1,462.7
Interest-bearing debt	1,178.6	183.6		1,362.2
Other liabilities of segment	105.5	9.4	-14.3	100.6
Unallocated liabilities				73.3
Liabilities, total				1,536.0

Segment information 1 Jan–31 Dec 2012

MEUR	SATO business	VATRO business	Eliminations	SATO Group, total
External turnover	250.0	36.9		286.9
Internal turnover	0.0	0.0	0.0	0.0
Turnover, total	250.0	36.9	0.0	286.9
Profits/losses from divestments of Investment Properties	8.8	0.0		8.8
Depreciation, amortizations and impairment charges	-18.0	-3.8	0.0	-21.8
Operating profit	87.5	11.6	0.0	99.1
Interest income	1.1	0.0		1.1
Interest expenses	-32.4	-7.3		-39.7
Profit before taxes	56.3	4.3	0.0	60.6
Net rental income on the housing portfolio	106.7	18.6		125.3
Net rental income of rented homes, % of book value	8.5%	9.2%		8.6%
Investments	159.9	0.0		159.9
Acquisition of land for inventory	28.1			28.1
Depreciation and amortization	-18.0	-3.8		-21.8
Impairment charges	0.0			0.0
Assets and eliminations allocated to segments, total	1,620.5	212.9	-14.1	1,819.3
Investment Properties	1,353.8	199.9		1,553.7
Cash and cash equivalents	32.0	-0.5		31.5
Other assets of the segment	234.8	13.2	-14.1	233.9
Holding in joint venture and associated companies	-0.1	0.3		0.2
Unallocated assets				34.9
Assets, total				1,854.2
Liabilities and eliminations allocated to segments, total	1,308.5	190.8	-14.1	1,485.2
Interest-bearing debt	1,192.3	183.0		1,375.3
Other liabilities of segment	116.2	7.8	-14.1	109.9
Unallocated liabilities				74.9
Liabilities, total				1,560.1

2. Investment Properties (= investment property as per IAS 40)

MEUR	30 Sep 2013	30 Sep 2012	31 Dec 2012
Acquisition cost, 1 Jan	1,711.6	1,561.9	1,561.9
Additions; new properties	81.4	89.9	149.7
Additions; additional investments	6.8	5.5	10.2
Decreases	-4.6	-6.5	-10.7
Reclassifications	-1.6	0.9	0.5
Acquisition cost, total	1,793.6	1,651.7	1,711.6
Accumulated depreciation and write-downs, 1 Jan	-158.0	-137.0	-137.0
Depreciation	-16.2	-15.7	-21.0
Accumulated depreciation and write-downs, total	-174.2	-152.7	-158.0
Book value	1,619.5	1,499.0	1,553.7
Fair value	2,183.8	2,000.5	2,088.0
Difference between fair and book value	564.3	501.5	534.3
Change in difference in value	30.0	27.8	60.6

An external appraiser has made a statement on the fair value of SATO's investment properties as at 30 Sep 2013.

SATO has chosen for its accounting processing method the historical cost method as per the IAS 40 Investment Properties standard. Investment properties are booked at the original historical cost, which includes transaction costs. Later they are valued at the original historical cost less accumulated depreciation and impairments.

The fair values of the investment properties to be shown as notes are determined as a result of the company's own appraisal at the time of preparing the financial statements. Also, an external specialist makes a statement on the appraisal.

3. Tangible assets

MEUR	30 Sep 2013	30 Sep 2012	31 Dec 2012
Book value at start of period	2.1	1.3	1.3
Increases	1.0	0.7	1.4
Decreases	0.0	-0.1	-0.1
Depreciation for accounting period	-0.5	-0.4	-0.5
Book value at end of period	2.6	1.5	2.1

4. Inventories

MEUR	30 Sep 2013	30 Sep 2012	31 Dec 2012
Housing under construction	68.9	59.0	46.4
Completed housing units and commercial space	21.9	13.5	18.0
Land areas and land area companies	93.3	78.4	94.8
Other inventories	6.9	10.6	8.4
Total	191.0	161.5	167.7

5. Notes on shareholders' equity

MEUR	Number of shares (1,000)	Share capital	Reserve fund	Reserve for invested nonrest-riected equity	Total
Precision calculation of the number of shares:					
1 Jan 2013	50,842	4.4	43.7	44.5	92.7
	0	0.0	0.0	0.0	0.0
30 Sep 2013	50,842	4.4	43.7	44.5	92.7

6. Financial liabilities

On 11 March 2013, SATO declared a 500 million euro secured note programme. Under the programme, on 20 March 2013, secured corporate bonds in the amount of 100 million euros were issued with a maturity date of 20 March 2018 and fixed annual interest at 2.875 per cent, along with an issue on 18 June 2013 of secured corporate bonds with nominal value of 24 million euros, maturing on 18 June 2023 and with a variable rate of EURIBOR 12M plus a 2.50% margin. Both issues are listed for public trading at NASDAQ OMX Helsinki Ltd.

For purposes of short-term financing, SATO has the use of a commercial paper programme 100 million euros, committed short-term credit limits 130 million euros and a non-committed current limit 5 million euros.

On 30 September 2013, the book value of interest-bearing debt totalled 1,426.8 (30 Sep 2012: 1,362.1) million euros, consisting of commercial papers 55.3 (47.2), corporate bonds 222.5 (99.5), bilateral bank loans 692.7 (755.4), interest-subsidised loans 92.1 (96.3) and state-subsidised arava loans 157.3 (168.4) millions euros. Liabilities due to shares held in housing companies and mutual property holding companies, included in investment properties, totalled 206.9 (195.3) million euros. The fair value of corporate bonds, calculated as discounted cash flows, totalled 248.2 (113.6) million euros, and that of bilateral bank loans 703.5 (772.3) million euros. The fair values of other classes of loans correspond to their carrying amounts or cannot be reliably measured.

7. Derivatives

MEUR	30 Sep 2013			30 Sep 2012	31 Dec 2012
	Positive	Negative	Net	Net	Net
Fair values of derivative instruments					
Interest rate swaps, cash flow hedge	-	-23.1	-23.1	-31.2	-33.9
Cross-currency and interest rate swaps, cash flow hedge	0.9	-4.4	-3.5	-4.5	-5.5
Foreign exchange forward contracts, cash flow hedge	0.1	-0.3	-0.2	0.0	0.1
Interest rate swaps, non-hedge accounted	-	-1.3	-1.3	-2.9	-1.9
Interest rate options, non-hedge accounted	-	-	-	0.0	-
Total	1.0	-29.1	-28.1	-38.6	-41.3

MEUR	30 Sep 2013	30 Sep 2012	31 Dec 2012
Nominal values of derivative instruments			
Interest rate swaps, cash flow hedge	433.0	434.5	418.6
Cross-currency and interest rate swaps, cash flow hedge	113.9	116.2	115.0
Foreign exchange forward contracts, cash flow hedge	23.5	5.5	14.3
Interest rate swaps, non-hedge accounted	20.0	20.0	20.0
Interest rate options, non-hedge accounted	-	60.0	-
Total	590.4	636.2	568.0

Interest rate swaps are used to hedge interest cash flows against fluctuation in market interest rates. Cross-currency and interest rates swaps additionally hedge the currency risks of interest and repayment cash flows of loan contracts denominated in foreign currency. Foreign exchange forward contracts are used to hedge contractual cash flow relating to binding purchase agreements denominated in foreign currency. Interest rate hedges have maturities ranging between 2-8 years and forward contracts 1-2 years.

8. Fair values of financial instruments

	30 Sep 2013			31 Dec 2012		
MEUR	Level 1: Fair values quoted on op- erational markets	Level 2: Fair values based on verifi- able input data	Level 3: Fair values based on un- verified input data	Level 1: Fair values quoted on op- erational markets	Level 2: Fair values based on verifi- able input data	Level 3: Fair values based on un- verified input data
Derivative instruments at fair value through profit and loss		-1.3			-1.9	
Derivative instruments, cash flow hedges, at fair value through other comprehensive income		-26.8			-39.3	
Other financial assets at fair value through other comprehensive income	25.8			0.6		
Total	25.8	-28.1		0.6	-41.2	-

The fair values of derivative instruments are calculated as present value of cash flows, discounted by market rates. Other financial assets at fair value through other comprehensive income mainly consist of shares in fixed income funds.

9. Collateral and contingency commitments

MEUR	30 Sep 2013	30 Sep 2012	31 Dec 2012
Debts for which mortgages and pledges have been given as collateral			
Market loans	915.2	819.0	845.2
Mortgages provided	241.0	165.0	157.0
Book value of pledged shares	727.7	687.3	663.5
Value of corporate mortgages pledged	-	0.0	-
Value of deposits pledged	0.1	50.1	25.1
State-subsidised ARAVA loans	157.3	163.8	168.1
Mortgages provided	336.5	331.5	336.5
Book value of pledged shares	23.8	23.8	23.8
Interest-subsidised loans	92.1	96.3	96.2
Mortgages provided	127.2	127.2	127.2
Book value of pledged shares	-	0.0	0.0
Debts of housing and mutual property holding companies, secured by mortgages on properties			
Loans from financial institutions	206.9	195.3	196.6
Mortgages provided	286.8	271.7	272.5
Other commitments			
Guarantees	0.0	0.9	0.0
Guarantee pledges for others			
Owner-occupier home purchase commitments	19.2	18.8	19.3
Rs-guarantees	9.2	12.0	10.3
Mortgages provided to secure payment of rent and street maintenance			
Property mortgages provided	6.0	5.1	5.9
Binding purchase agreements			
For acquisitions of investment properties	119.7	85.2	95.2
Pledges for land use payments on zoned plots	4.3	3.7	5.4
Commitments to cleaning and removal charges	0.9	0.9	0.9
Letters of intent on land for which there is a zoning condition	6.0	10.6	3.8

Within SATO, housing companies which hold so-called owner-occupied apartment are treated for the special purpose as units established for a fixed period, which are not included in the consolidation. The combined total for loans of such housing companies, which are included in shared ownership systems, was MEUR 87.1 on 30 Sep 2013 (MEUR 89.1 on 30 Sep 2012).

10. Related party events

The Group's related parties are comprised of the parent company, SATO Corporation, and the subsidiaries and associated companies. The owners are also counted as related parties when they have direct or indirect influence, meaning those owners whose holding in SATO is 20% or more are always related parties. When ownership falls below 20%, an owner is considered a related party when he has considerable influence in other ways, for example, through a seat on the Board of Directors. In 2013 the shareholders included in related parties were Varma Mutual Pension Insurance Company, Ilmarinen Mutual Pension Insurance Company and Suomi Mutual Life Assurance Company. In 2012 the shareholders included in related parties were Varma Mutual Pension Insurance Company, Ilmarinen Mutual Pension Insurance Company, Suomi Mutual Life Assurance Company and Wärtsilä Corporation.

Related parties are also taken to include the members of the Board of Directors and Corporate Management Groups, including the President and CEO as well as the families of the members of the Board of Directors and Corporate Management Group and the President and CEO, and companies managed by these. The Group's Corporate Management Group is comprised of SATO Corporation's President and CEO; the Vice Presidents; the Director, Customer Relationships and Communications; and the Chief Financial Officer.

MEUR	30 Sep 2013	30 Sep 2012	31 Dec 2012
The following transactions were effected with related parties:			
Open balances with shareholders			
Receivables	0.0	0.0	0.0
Debts	29.0	32.6	31.7

The terms applied in business with related parties were equal to the terms complied with in business dealings between independent parties.

Management perquisites			
Salaries and other short-term perquisites	1.0	1.0	1.6
Other long-term perquisites	0.3	0.9	1.1
Total	1.2	1.9	2.7

11. Events after the end of the period under review

There have been no significant events in the Group since the end of the period under review.

12. Key indicators

	30 Sep 2013	30 Sep 2012	31 Dec 2012
Key indicators for financial trend			
Turnover, MEUR	219.3	208.4	286.9
Operating profit, MEUR	81.1	74.3	99.1
as percentage of turnover	37.0 %	35.6 %	34.5 %
Net financing expenses, MEUR	-27.9	-29.6	-38.5
Profit before taxes, MEUR	53.3	44.7	60.6
as percentage of turnover	24.3 %	21.4 %	21.1 %
Balance sheet total, MEUR	1,913.3	1,820.1	1,854.2
Shareholders' equity and minority interest, MEUR	316.8	284.1	294.2
Liabilities, MEUR	1,596.5	1,536.0	1,560.1
Return on investment, % (ROI)	6.4	6.3	6.3
Return on equity, % (ROE)	17.5	15.7	15.5
Equity ratio, %	16.7	15.8	16.0
Equity ratio, % at fair values	30.2	28.8	29.1
Investment assets at fair values, MEUR	2,183.8	2,000.5	2,088.0
Gross investments in fixed assets, MEUR	90.2	95.9	160.0
as percentage of turnover	41.1 %	46.0 %	55.8 %
Personnel, average	150	154	152
Key indicators for shares			
Earnings per share, EUR	0.79	0.66	0.88
Net worth per share, EUR			
-at book values	6.2	5.6	5.8
-at fair values	14.61	13.03	13.72
Total return, %	11.6 %	11.1 %	13.5 %
Number of shares, million *	50.8	50.8	50.8
Average number of shares, million	50.8	50.8	50.8

* The 160,000 shares held by the Group have been deducted from the number of shares.

13. Formulas for key indicators

Return on investment, %	= $\frac{(\text{Profit or loss before taxes} + \text{interest expense and other financing expenses})}{\text{Balance sheet total} - \text{non-interest-bearing debts (average during the financial year)}} \times 100$
Return on equity, %	= $\frac{(\text{Profit or loss after taxes})}{\text{Shareholders' equity (average during the financial year)}} \times 100$
Equity ratio, %	= $\frac{\text{Shareholders' equity}}{\text{Balance sheet total} - \text{advances received}} \times 100$
Earnings per share, €	= $\frac{\text{Net profit for year due to owners of parent company}}{\text{Adjusted number of shares (average during the financial year)}}$
Net worth per share, €	= $\frac{(\text{Net worth at balance sheet value} - \text{liabilities})}{\text{Adjusted number of shares at year-end}} \times 100$
Total return, %	= $\frac{(\text{Profit or loss after taxes} + \text{return on appreciation after taxes})}{\text{Shareholders' equity at fair value (average for the financial year)}} \times 100$



Homes will always be needed.

Contact details: • Helsinki: Panuntie 4, PO Box 401, FI-00601 Helsinki, Home renting and housing sales: Mikonkatu 7, PO Box 890, FI-00100 Helsinki • Tampere: Satakunnankatu 18 B, 33210 Tampere
• Turku: Brahenkatu 20, PO Box 669, FI-20101 Turku • Oulu: Hallituskatu 20, PO Box 15, FI-90101 Oulu
• St. Petersburg: Ul. Professora Popova 37 A, g. St. Petersburg 197022

Nationwide switchboard: +358 201 344 000 • **Customer Service:** +358 201 344 344

For orders of publications: SATO Corporation Communications, Tel. +358 201 34 4338, viestinta@sato.fi

www.sato.fi • www.satodom.ru



SATO Corporation, Panuntie 4,
PO Box 401, FI-00601 Helsinki, Finland
Tel. +358 201 34 4000
www.sato.fi