



*feeling good  
at home*

#myhomeisthebesthome #thebestfeeling #livinginthecity

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# KEY FIGURES

	Q3 2016	Q2 2016	Q1 2016	Q3 2015	Q2 2015	Q1 2015
Rental housing portfolio at the end of the review period	<b>25,681</b> apts. <b>€3.34 bn</b>	25,437 apts. €3.25 bn	23,365 apts. €2.82 bn	23,992 apts. €2.70 bn	24,356 apts. €2.65 bn	24,241 apts. €2.59 bn
Investments	<b>€64.0</b> million	€407.6 million	€37.2 million	€98.9 million	€66.8 million	€29.3 million
Under construction at the end of the review period (Finland and St. Petersburg)	<b>1,428</b> rental apartments	1,520 rental apartments	1,246 rental apartments	1,122 rental apartments	1,095 rental apartments	990 rental apartments
Average rent in Finland at the end of the review period	<b>16.37</b> €/m <sup>2</sup> /month	16.18 €/m <sup>2</sup> /month	15.97 €/m <sup>2</sup> /month	15.71 €/m <sup>2</sup> /month	15.36 €/m <sup>2</sup> /month	15.34 €/m <sup>2</sup> /month
Cash Earnings	<b>€24.0</b> million	€12.6 million	€21.0 million	€22.2 million	€11.1 million	€21.6 million
Shareholders' equity at the end of the review period	<b>€1.21</b> billion	€1.16 billion	€1.01 billion	€0.95 billion	€0.95 billion	€0.91 billion
Customers' Net Promoter Score	<b>27</b>	28	24	27	26	26



## *provider of good housing*

SATO is a reliable lessor which operates in the long term, while taking care of its customers. We are one of the most active housing investors in Finland. We acquire new and old rental flats and maintain and develop them.

We have operated in the housing market for 75 years, and we have acquired know-how concerning the changing customer needs and market dynamics along the way. Some 170 SATO employees are working daily with our partnership network for better housing.



# SATO CORPORATION'S INTERIM REPORT, 1 JAN - 30 SEP 2016

## Summary for the period 1 Jan - 30 Sep 2016 (1 Jan - 30 Sep 2015)

- Net sales stood at EUR 230.8 (244.8) million, of which rental income accounted for EUR 194.8 (187.8) million.
- Profit before taxes stood at EUR 172.9 (102.5) million. The improvement was based on the change in the fair value of rental flats, which was EUR 101.5 (26.4) million.
- Earnings per share were EUR 2.57 (1.60).
- Equity was EUR 1,206.5 (948.0) million, or EUR 21.31 (18.65) per share.
- Return on equity was 16.7 (11.8) percent.
- Equity ratio was 34.1 (31.2) percent.
- Investments in rental flats stood at EUR 508.8 (195.0) million.
- A total of 3,061 (960) rental flats were acquired or completed.
- A total of 1,428 (1,122) rental apartments were under construction.
- The occupancy rate in Finland was 95.3 (96.6) percent.

## Summary for the period 1 Jul - 30 Sep 2016 (1 Jul - 30 Sep 2015)

- Net sales stood at EUR 72.5 (69.3) million, of which rental income accounted for EUR 68.3 (62.8) million.
- Profit before taxes stood at EUR 64.0 (9.4) million. The change in the fair value of rental flats included in the result was EUR 38.5 (-18.3) million.
- Earnings per share were EUR 0.90 (0.15).
- Investments in rental flats stood at EUR 64.0 (98.9) million.
- The occupancy rate in Finland was 96.0 (96.7) percent.

## Operating environment

Growth is expected in the Eurozone, but it is shadowed by several risks. Global crises related to economy, politics and security, together with Brexit, create uncertainty globally and, in particular, in Europe.

The picture of the Finnish economy is mixed. Positive signals can be seen in confidence indicators regarding construction, services and consumers, as these are at the long-term average level or higher. Then again, the outlook is pushed down by exports, and the general recovery has not started, regardless some positive news in certain industrial segments.

The uncertainty is expected to keep the market interest rates close to zero for a long time.

There was brisk demand for rental flats during the summer and early autumn. The increased supply has stabilised the relationship between supply and demand in many areas, which has increased tenant turnover with regard to the entire rental housing base.

In Russia, the purchasing power is expected to decrease further, and households are expected to use their assets to repay their loans. Even though GNP was only a little lower at the beginning of the year compared with the year before, Bank of Finland estimates that future growth is sustainable only after investments are started in Russia.

### Saku Sipola, President and CEO:

- High demand in July–September and our actions to improve the occupancy rate were clearly visible. The occupancy rate continued to increase from the previous quarter's 95.1 percent to 96.0 percent during the third quarter. This increase in the occupancy rate resulting from our productive work with our customers is an important step in our more customer-driven operations.
- Urbanisation presents an enormous change, and it largely defines the future success of Finland. Finland is currently making good progress in terms of the housing construction required by urbanisation, and we need to be able to maintain this progress. Keeping pace requires the engagement of a large set of operators. According to our strategy, SATO aspires to increase its range of rental flats in the Helsinki region, Tampere and Turku – areas showing the highest demand for new homes.
- An increase in the number of apartments alone is not enough because the values of people are changing and becoming more individual alongside urban growth – this is why housing solutions must also become more diverse. SATO, together with its partnership network, will revolutionise the field of housing – to offer diverse housing solutions and services that make living easier – more than just walls.

### REVIEW PERIOD

**1 JANUARY – 30 SEPTEMBER 2016**

**(1 JANUARY – 30 SEPTEMBER 2015)**

### Strategy

The SATO Board of Directors has adopted the company's updated strategy, strategic objectives and dividend policy.

Globalisation, digitalisation and sustainable development are accelerating the rate of urbanisation and influencing people's values and actions. Therefore, housing will also need to change. According to our vision, thriving urban environments will be home to people enjoying a high level of wellbeing. Our task is to revolutionise housing – provide our customers with more than just walls.

We will create a well-functioning cooperation network to offer diverse housing and services for different needs and to the benefit of our customers. We will target our growth investments at the Helsinki Metropolitan Area, Tampere and Turku where the demand for homes is the highest.

The role of financing is emphasised in the creation of the capacities for growth, and we have included a strengthening investment grade rating (currently Moody's Baa3) in our strategic objectives. Our return on equity target for the strategic period will remain unchanged at 12 percent. In addition, our strategic objective is a constantly improving tenant's Net Promoter Score (NPS).

According to the new dividend policy, annual dividends paid will, depending on the investment level, market situation, and the development of solvency ratio, be a maximum of 40 percent of the cash earnings.

### Net sales and profit

The Group's net sales decreased in January–September by 5.7 percent year-on-year and totalled EUR 230.8 (244.8) million. The decrease in net sales was caused by a reduction in the sales of owner-occupied apartments in accordance with the strategy. Of net sales, rental income accounted for EUR 194.8 (187.8) million. Rental income increased by 3.7 percent.

Operating profit increased by 59.3 percent to EUR 208.0 (130.5) million. Operating profit without the change in fair value was EUR 106.4 (104.1) million. The change in fair value of EUR 101.5 (26.4) million during the first half of the year was mainly affected by ending restrictions on certain properties, adjusted yield demands set for specific properties on the basis of the guidance issued by an external valuation agency and higher sales prices of flats in our operating area. The agency's guidance on the adjusted yield demands are based on the attractiveness of housing investments producing steady returns, which increases the value of apartments.

Profit before taxes increased by 68.7 percent to EUR 172.9 (102.5) million. The improvement was mainly based on the positive change in the value of rental apartments. Cash flow from operations (free cash flow after taxes excluding change in fair value) in January–September amounted to EUR 57.6 (54.9) million.

### Financial position and financing

The consolidated balance sheet totalled EUR 3,540.6 (3,034.4) million at the end of September. Equity was EUR 1,206.5 (948.1) million. Equity per share was EUR 21.31 (18.65). Through its two share issues in June, SATO Corporation strengthened its shareholders' equity by a total of EUR 112.9 million.

The Group's equity ratio was 34.1 (31.2) percent at the end of September. The minimum target is an equity ratio of 30 percent.

The Group's annual return on equity was 16.7 (11.8) percent. The return on investment was 9.5 (6.7) percent.

Interest-bearing liabilities at the end of September totalled EUR 1,971.6 (1,777.9) million, of which loans subject to market terms accounted for EUR 1,469.5 (1,450.3) million. The average interest rate was 2.6 (2.4) percent. Net financing costs totalled EUR 35.1 (28.1) million.

In March, SATO issued a EUR 300 million unsecured bond offered to European investors. The loan received the Baa3 credit rating from Moody's. The bond has a maturity of five years, and it has a fixed coupon rate of 2.375 percent. The loan-to-value (LTV) ratio was 55 (57) percent at the end of the review period.

The calculated impact of changes in the market value of interest hedging was EUR -12.4 (3.6) million on equity and EUR 0.0 (0.4) million on profit before taxes.

## Housing assets and fair value

*The development of the value of rental apartments is a key factor for SATO. Its housing assets are focused on apartment sizes and on areas where the demand for homes will increase in the long term. The allocation of building repairs is based on life-cycle plans and repair-need specifications.*

On 30 September 2016, SATO owned a total of 25,681 (23,992) flats. A total of 3,061 rental apartments were acquired or completed. The total number of divested rental apartments and shared ownership apartments redeemed by the owner occupants was 810.

The fair value of rental apartments was EUR 3,335.7 (2,697.1) million at the end of September. The change in the fair value, including the rental flats acquired and divested during the period, was EUR 582.8 (169.1) million.

Of the value of apartments, the Helsinki region accounted for some 80 percent, Tampere and Turku made up roughly 12 percent, Oulu and Jyväskylä roughly 4 percent. St. Petersburg covered roughly 4 percent at the end of June.

## Investments and divestments

*Investment activities prepare the ground for growth. Since 2000, SATO has invested a total of EUR 2.5 billion in rental flats. SATO acquires and builds entire rental buildings and single rental flats.*

SATO's investment activities will focus on the Helsinki region, Tampere and Turku in the future. During the review period, investments in rental apartments stood at EUR 508.8 (195.0) million. Investments in the Helsinki region represented 66 percent and investments in new apartments represented 21 percent of all investments in the review period.

At the end of September, binding purchase agreements in Finland totalled EUR 125.7 (115.9) million.

During the review period, 662 (1,078) flats with a total value of EUR 31.4 (52.3) million were divested in Finland.

## Rental activities

*Effective rental activities provide homeseekers with quick access to a home. Rental services are mainly offered by SATO's rental offices. In addition, SATO's electronic channels make finding a home easy for customers.*

Rental income increased by 3.7 percent to EUR 194.8 (187.8) million. The economic occupancy rate of apartments in Finland was 95.3 (96.6) percent on average, and the rental tenant turnover rate was 41.9 (40.5) percent. The large number of rental apartments completed over the past 12 months and the intensifying competition contributed to the increase in tenant

turnover and the decrease in the occupancy rate. The rental market is currently in a state of balance in many places.

The average monthly rent of SATO rental homes was EUR 16.37 (15.71) per m<sup>2</sup>, while the average monthly rent of shared ownership apartments was EUR 8.84 (8.69) per m<sup>2</sup>. The average rent is increased by investments in small apartments in growth centres and the divestment of low-cost rental apartments outside the focus area. The rent increases were more moderate than in previous years.

Net rental income from flats stood at EUR 125.4 (118.4) million, and the net rental income rate was 5.7 (6.2) percent on an annual level.

## Property development

*Property development enables new investments in rental flats in Finland. The rental capacity and value of rental flats owned by SATO are developed through renovation activities.*

The book value of owned plot reserves totalled EUR 65.4 (68.0) million at the end of September. The value of new plots acquired by the end of September totalled EUR 13.5 (11.2) million.

Permitted building volume for approximately 1,300 apartments is being developed for the plots of the company's own stock of buildings. Supplementary construction can make use of the existing infrastructure, and it allows for a denser urban structure and, thereby, serves to support the development of local services. The first SATO StudioHome is a prime example of supplementary construction. The concept was designed in response to the growing need for affordable housing in the Helsinki region. Its construction was started in conjunction with a rental building owned by SATO in Martinlaakso, Vantaa, increasing the functionality and enjoyment of the outdoor area. The building will be completed in late 2017 and will have 68 apartments with balconies, with a room height of almost four metres, creating an atmosphere of spaciousness and light.

In July, a preliminary agreement was signed with VR Group on the development of a housing block in Oulunkylä owned by VR and a later property transaction. The purpose is to make a planning change in the block located next to Oulunkylä services, train station and the future Raide-Jokeri station, and the build new apartments for approximately 800 people.

In Finland, a total of 421 (392) rental apartments and 0 (99) apartments for sale were completed for SATO. On 30 September 2016, a total of 1,428 (968) rental and 76 (130) owner-occupied flats were under construction.

A total of EUR 30.4 (36.2) million was spent on repairing and improving the quality of apartments.

A total of 95 (97) new homes were sold in January–September. At the end of the review period, a total of 6 (29) completed flats and 8 (78) flats under construction remained unsold. The total purchase value of these unsold apartments

amounted to EUR 6.1 (54.7) million. SATO has made a strategic decision to decrease its production of owner-occupied homes and focus on business operations related to rental flats.

### Business operations in St. Petersburg

*The housing market in St. Petersburg corresponds to that of the whole of Finland in terms of volume. SATO has been following its growth strategy by investing in rental homes in St. Petersburg. Homes have been acquired in central locations in the city.*

At the end of September, housing assets in St. Petersburg totalled EUR 116.9 (115.3) million. The total amount of binding purchase agreements was EUR 0.0 (3.5) million.

On 30 September 2015, SATO owned 534 (376) completed and 0 (154) homes under construction in St. Petersburg. The average monthly rent of SATO rental homes was EUR 13.0 (15.1) per m<sup>2</sup>. The change in the average rent is mainly due to changes in the exchange rate for the rouble and homes completed in cheaper areas.

The economic occupancy rate of rental homes was 80.0 (86.1) percent on average. The decrease in the occupancy rate was caused by the general economic situation in Russia, the number of rental homes completed simultaneously and the temporary traffic arrangements caused by bridge and metro worksites in some parts of St. Petersburg.

### Personnel

At the end of September, the Group employed 170 (172) people, of whom 157 were full-time employees. The average number of personnel was 170 (173) in January–September.

### Corporate responsibility

In September, SATO received the Green Star recognition of Global Real Estate Sustainability Benchmark (GRESB) for the second time for its corporate responsibility. In its benchmarking group among unlisted housing investors, SATO was the best out of five Nordic investors and the sixth out of 24 European investors. Globally, SATO was ranked ninth of the 65 participating housing investors.

### Changes in the management team

Vice president Tuula Entelä has announced that she will retire at the end of the year. Entelä will continue working as a senior advisor and a member of the management team until 31 December 2016. She will also be responsible for operations in St. Petersburg and for SATO HotelHomes and for tutoring to new members of the management team. After this, responsibility for operations in St. Petersburg will transfer to CEO Saku Sipola, and vice president Antti Asteljoki will be responsible for SATO HotelHomes.

The development activities covered by Tuula Entelä will transfer to Monica Aro, the current director of marketing and communications at SATO, who has been appointed vice president of development at SATO as of 28 November 2016. Aro will continue as a member of SATO's management team.

Miia Eloranta (43), M.Soc.Sc., has been appointed director of marketing and communications and a member of the Group's management team as of 28 November 2016.

Starting from 1 December 2016, Markku Honkasalo (52), LL.M., eMBA, will serve as CFO of SATO and a member of the Group's management team. He will be responsible for finances and funding, IT and procurement.

The members of the Group's management team report to CEO Saku Sipola.

## REVIEW PERIOD

**1 JULY – 30 SEPTEMBER 2016**

**(1 JULY – 30 SEPTEMBER 2015)**

### Net sales and profit

The Group's net sales increased by 4.6 percent year-on-year in July–September and totalled EUR 72.5 (69.3) million. Of net sales, rental income accounted for EUR 68.3 (62.8) million.

The operating profit was EUR 76.1 (18.7) million.

Profit before taxes stood at EUR 64.0 (9.4) million. The change in the fair value of rental homes included in the result was EUR 38.5 (-18.3) million. The value change was mainly affected by adjusted yield demands set for specific properties on the basis of the guidance issued by an external valuation agency and the change in the Rouble rate in relation to the comparison period.

### Housing assets, fair value and investments

The number of apartments increased by 244 in July–September. Change in fair value was EUR 38.5 (-18.3) million.

Investments in rental apartments totalled EUR 64.0 (98.9) million. A total of 534 (776) flats were divested in Finland at a total value of EUR 19.2 (36.4) million.

SATO completed Finland's first keyless rental building in Jätkäsaari, Helsinki, in which locks are opened using a digital identifier.

### Rental activities

Rental income increased by 8.8 percent to EUR 68.3 (62.8) million. The economic occupancy rate of homes in Finland was 96.0 (96.7) percent on average, and the tenant turnover rate was 43.4 (40.8) percent.

Net rental income from homes stood at EUR 44.6 (39.7) million, and the net rental income rate in rental homes was 5.7 (6.2) percent on an annual level.



## Property development

The value of new plots acquired in July–September totalled EUR 4.0 (0.9) million.

In Finland, a total of 323 (33) rental apartments were completed.

A total of EUR 11.0 (10.1) million was spent on repairing homes and improving the quality of homes.

A total of 19 (21) owner-occupied homes were sold in July–September.

## Business operations in St. Petersburg

In July–September, the value of housing assets in St. Petersburg decreased by EUR 1.7 (17.5) million. A total of 0 (154) rental apartments were under construction. No new acquisitions were made.

The economic occupancy rate of rental homes was 83.7 (76.6) percent on average.

## Events after the reporting period

In October, SATO signed the energy savings agreement for the real estate industry and became committed to VAETS, the energy efficiency agreement between rental home associations. Through the agreement, SATO is committed to reduce the total energy volume of building heat and electricity by 10.5 percent from the level of 2014 by the end of 2025. SATO has also been party to previous energy efficiency agreements between rental home associations. During the previous agreement period (2009–2015), SATO achieved heat savings of nearly 155,000 MWh.

## Future risks and uncertainties

The economy continues to grow slowly, which is reflected in the housing and financing markets.

The change in the market value of homes affects the value of SATO's housing assets. The positive development of the value of housing assets and the rental capacity of homes are secured by focusing on small rental homes in growth centres.

In Russia, SATO only operates in St. Petersburg. Risks in housing investment activities in St. Petersburg are associated with the development of the market value of flats, fluctuations in exchange rates and other changes in the operating environment. Russia is limited to a maximum of 10 percent of the Group's housing assets. The current value of housing assets in St. Petersburg accounts for 3.5 percent of the Group's entire housing assets.

Changes in interest rates affect SATO's result and balance sheet through changes in interest expenses and the market value of interest hedging. In accordance with the Group's financing policy, the aim is to ensure that at least 60 percent of all loans are fixed-rate loans. The adequacy of financing is monitored using a rolling liquidity estimate.

A more detailed description of risks and risk management is available in the Group's annual report for 2015 and on the company's website at [www.sato.fi](http://www.sato.fi).

## 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.

The Finnish economy and the general climate of confidence picked up slightly during the first half of the year, but global crises in terms of economy, politics and safety, as well as the Brexit, have increased uncertainty globally and particularly in Europe. Interest rates are expected to remain low, which will have a positive impact on SATO's financing costs.

The increase in urbanisation creates new potential for the international competitiveness of Finnish economy. Urbanisation and immigration provide good long-term conditions for continued housing investments in Finland, unless legislative changes are implemented that weaken the conditions for business operations related to rental homes.

The deregulation of provisions concerning the construction of new buildings has proceeded slowly and, as a result, the prices of apartments have not settled at reasonable levels. Nevertheless, the active construction of rental flats in many areas has increased supply and, therefore, the balance between supply and demand has improved and the increase in rents has slowed down.

SATO's net rental income is expected to increase from 2015 due to new investments. 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 situation in Russia is expected to continue. For the time being, SATO will refrain from making new investment decisions in Russia.

## SATO Corporation's shareholders on 11 October 2016

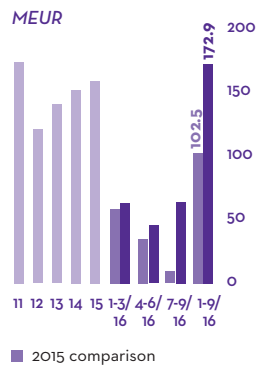
Largest shareholders and their holdings

Fastighets Ab Balder	53.6%
APG Asset Management NV	22.6%
Elo Mutual Pension Insurance Company	12.7%
The State Pension Fund	4.9%
The Finnish Construction Trade Union	1.1%
Others (82 shareholders)	5.1%
	100%

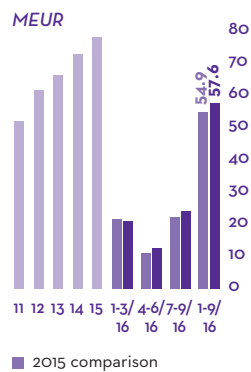
On 11 October 2016, SATO had 56,783,067 shares and 87 shareholders registered in the book-entry system. The share turnover rate was 1.2 percent for the period 1 January – 11 October 2016.

# FINANCIAL TREND

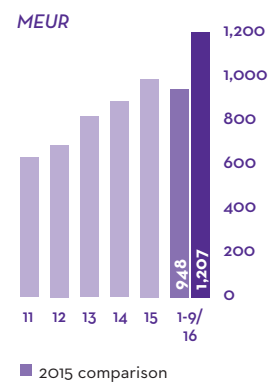
Profit before taxes



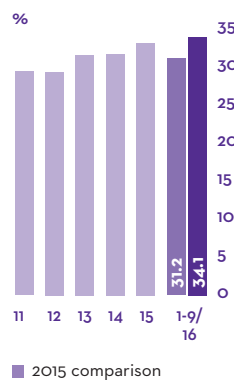
Cash earnings (CE)



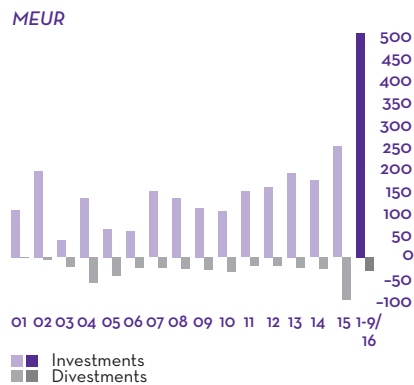
Shareholders' equity



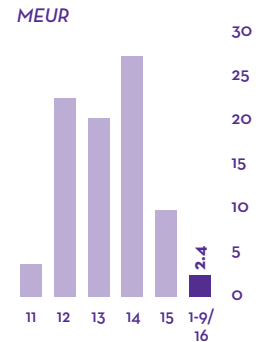
Equity ratio



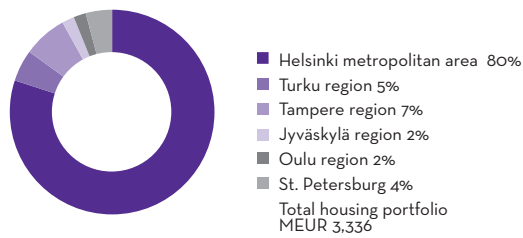
Housing investments and divestments



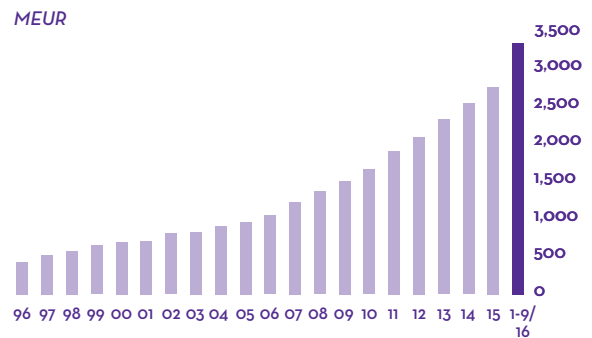
Housing investments in St. Petersburg



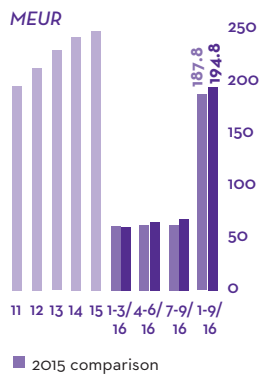
### Regional distribution of the housing portfolio 30 September 2016



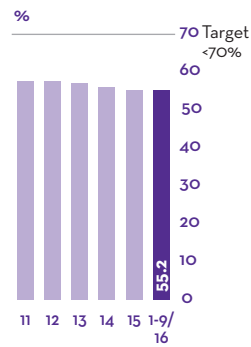
### Trend in the housing portfolio value



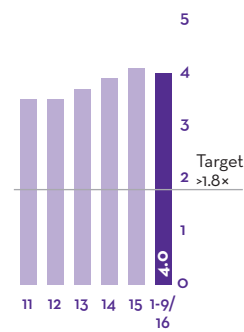
### Rental income



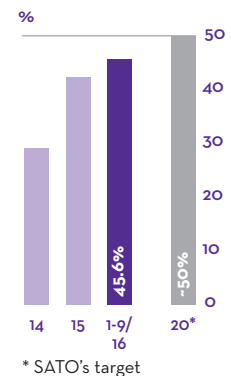
### Solvency Ratio



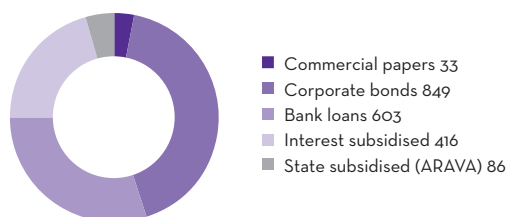
### Interest Coverage



### Unencumbered assets



### Loan portfolio, nominal values 30 September 2016, total MEUR 1,987



# CONSOLIDATED INCOME STATEMENT, IFRS

MEUR	1 Jul -30 Sep 2016	1 Jul -30 Sep 2015	1 Jan -30 Sep 2016	1 Jan -30 Sep 2015	1 Jan -31 Dec 2015
Rental Income	68.3	62.8	194.8	187.8	249.4
Sales Income, new production	3.5	6.4	26.3	55.8	72.7
Sales Income, land stock	0.6	0.0	9.2	0.7	0.7
Sales Income, other	0.1	0.1	0.6	0.4	0.6
<b>Net sales</b>	<b>72.5</b>	<b>69.3</b>	<b>230.8</b>	<b>244.8</b>	<b>323.4</b>
Property maintenance expenses	-22.9	-22.2	-66.8	-67.0	-95.1
Ground rents	-0.7	-0.6	-1.9	-1.9	-2.4
New production expenses	-3.1	-6.0	-23.3	-50.6	-66.5
Carrying value, land stock sold	-0.7	0.0	-8.8	-0.4	-0.4
<b>Operating expenses</b>	<b>-27.4</b>	<b>-28.8</b>	<b>-100.8</b>	<b>-119.9</b>	<b>-164.5</b>
<b>Net operating income</b>	<b>45.1</b>	<b>40.5</b>	<b>130.0</b>	<b>124.9</b>	<b>158.9</b>
Proceeds from disposal of investment properties	19.0	40.1	31.9	59.3	95.5
Carrying value of investment properties sold	-19.3	-36.4	-31.4	-52.3	-87.0
Fair value change of investment properties	38.5	-18.3	101.5	26.4	62.4
Sales and marketing expenses	-1.9	-1.7	-6.2	-6.1	-8.7
Administrative expenses	-4.8	-5.1	-15.9	-16.1	-21.3
Other operating income	0.0	0.0	0.2	0.1	2.0
Other expenses	-0.7	-0.5	-2.1	-5.7	-5.5
<b>Operating profit</b>	<b>76.1</b>	<b>18.7</b>	<b>208.0</b>	<b>130.5</b>	<b>196.5</b>
Financial income	0.2	0.1	0.4	0.6	0.9
Financial expenses	-12.3	-9.3	-35.5	-28.6	-37.9
	<b>-12.1</b>	<b>-9.2</b>	<b>-35.1</b>	<b>-28.1</b>	<b>-37.0</b>
<b>Profit before tax</b>	<b>64.0</b>	<b>9.4</b>	<b>172.9</b>	<b>102.5</b>	<b>159.4</b>
Income tax expenses	-12.8	-2.0	-35.2	-21.1	-32.5
<b>Profit for the period</b>	<b>51.2</b>	<b>7.4</b>	<b>137.7</b>	<b>81.3</b>	<b>127.0</b>
<b>Profit for the period attributable to</b>					
Equity holder of the parent	51.2	7.4	137.7	81.3	126.8
Non-controlling interests	0.0	0.0	0.0	0.0	0.1
	<b>51.2</b>	<b>7.4</b>	<b>137.7</b>	<b>81.3</b>	<b>127.0</b>
<b>Earnings per share attributable to equity holders of the parent</b>					
Basic, EUR	0.90	0.15	2.57	1.60	2.49
Diluted, EUR	0.90	0.15	2.57	1.60	2.49
Average number of shares, million	56.6	50.8	53.6	50.8	50.8

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

MEUR	1 Jul –30 Sep 2016	1 Jul –30 Sep 2015	1 Jan –30 Sep 2016	1 Jan –30 Sep 2015	1 Jan –31 Dec 2015
<b>Other comprehensive income</b>					
<b>Items that will never be reclassified to income statement</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>
Cash flow hedges	-0.4	-5.3	-14.8	7.6	6.9
Translation differences	0.0	-0.2	0.0	-0.1	-0.1
Related tax	0.1	1.1	3.0	-1.5	-1.4
<b>Items that may be reclassified subsequently to income statement</b>	<b>-0.4</b>	<b>-4.4</b>	<b>-11.8</b>	<b>5.9</b>	<b>5.5</b>
<b>Other comprehensive income, net of tax</b>	<b>-0.4</b>	<b>-4.4</b>	<b>-11.8</b>	<b>5.9</b>	<b>5.6</b>
<b>Total comprehensive income</b>	<b>50.9</b>	<b>3.0</b>	<b>125.9</b>	<b>87.3</b>	<b>132.5</b>
<b>Comprehensive income attributable to</b>					
Equity holders of the parent	50.9	3.0	125.9	87.3	132.4
Non-controlling interest	0.0	0.0	0.0	0.0	0.1
	<b>50.9</b>	<b>3.0</b>	<b>125.9</b>	<b>87.3</b>	<b>132.5</b>



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

MEUR	30 Sep 2016	30 Sep 2015	31 Dec 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	3,335.7	2,697.1	2,752.9
Tangible assets	2.1	2.3	2.2
Intangible assets	1.7	1.7	1.8
Investments in associated companies	0.0	0.0	0.0
Available-for-sale financial assets	1.7	1.7	1.7
Non-current receivables	12.2	12.6	13.0
Deferred tax assets	18.3	15.5	15.5
<b>Total</b>	<b>3,371.6</b>	<b>2,730.8</b>	<b>2,787.0</b>
<b>Current assets</b>			
Inventories	100.7	139.3	111.8
Account and other receivables	24.4	14.8	13.9
Deferred tax assets	8.5	6.9	6.3
Cash and cash equivalents	35.4	142.6	60.7
<b>Total</b>	<b>169.0</b>	<b>303.6</b>	<b>192.7</b>
<b>TOTAL ASSETS</b>	<b>3,540.6</b>	<b>3,034.4</b>	<b>2,979.7</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity attributable to Equity holders of the parent</b>			
Share Capital	4.4	4.4	4.4
Fair value and other reserves	-46.9	-34.6	-35.1
Reserve fund	43.7	43.7	43.7
Reserve for invested non-restricted equity	114.8	1.9	1.9
Retained earnings	1,090.4	932.6	978.1
<b>Total</b>	<b>1,206.5</b>	<b>948.0</b>	<b>993.1</b>
<b>Non-controlling interests</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>1,206.6</b>	<b>948.1</b>	<b>993.2</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	224.1	195.9	202.6
Provisions	3.7	5.0	5.2
Derivatives	67.0	49.8	47.8
Long-term non-interest bearing liabilities	0.8	0.4	0.8
Long-term interest bearing liabilities	1,889.9	1,532.8	1,488.8
<b>Total</b>	<b>2,185.6</b>	<b>1,783.8</b>	<b>1,745.2</b>
<b>Current liabilities</b>			
Accounts payable and other liabilities	62.1	56.9	49.5
Deferred tax liabilities	4.7	0.4	4.3
Short-term interest bearing liabilities	81.6	245.2	187.4
<b>Total</b>	<b>148.4</b>	<b>302.5</b>	<b>241.2</b>
<b>TOTAL LIABILITIES</b>	<b>2,334.0</b>	<b>2,086.3</b>	<b>1,986.5</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>3,540.6</b>	<b>3,034.4</b>	<b>2,979.7</b>

## CONSOLIDATED STATEMENT OF CASH FLOW, IFRS

MEUR	1 Jul –30 Sep 2016	1 Jul –30 Sep 2015	1 Jan –30 Sep 2016	1 Jan –30 Sep 2015	1 Jan –31 Dec 2015
<b>Cash flow from operating activities</b>					
<b>Profit for the period</b>	51.2	7.4	137.7	81.3	127.0
Adjustments:					
Business activities not involving payment	-38.2	18.6	-102.2	-21.4	-56.9
Profit and loss on sales of investment properties	0.2	-3.7	-0.6	-7.0	-8.6
Other adjustments	0.0	1.3		-1.0	-2.5
Interest expenses and other financial expenses	12.3	9.3	35.5	29.0	38.3
Interest income	-0.2	-0.1	-0.4	-0.5	-0.8
Dividend income	0.0	0.0	0.0	0.0	0.0
Income taxes	12.8	2.0	35.2	21.1	32.5
<b>Cash flow before change in net working capital</b>	<b>38.1</b>	<b>34.8</b>	<b>105.1</b>	<b>101.5</b>	<b>128.8</b>
Change in net working capital:					
Changes in accounts receivable and other receivables	-5.2	0.3	-7.7	-1.6	-1.1
Change in inventories	6.8	3.5	12.4	50.8	76.7
Change in accounts payable and other liabilities	4.9	-2.8	7.4	-10.8	-18.6
Interest paid	-13.1	-9.8	-35.0	-33.1	-40.9
Interest received	0.2	0.0	0.2	0.5	0.9
Taxes paid	-0.6	-6.6	-13.5	-21.2	-21.0
<b>Net cash flow from operating activities</b>	<b>31.0</b>	<b>19.4</b>	<b>68.9</b>	<b>86.0</b>	<b>124.8</b>
<b>Cash flow from investing activities</b>					
Disposals of subsidiaries, net of disposed cash	0.0	0.0	0.0	0.0	0.3
Acquisitions of Investment properties	-64.5	-98.9	-267.5	-195.0	-250.4
Acquisitions of tangible and intangible assets	-0.2	-0.1	-0.6	-1.0	-1.3
Repayments of loans receivable	0.0	0.0	0.6	1.5	2.2
Payments of granted loans	0.0	0.0	-1.0	-1.8	-3.2
Disposals of Investment property	18.3	15.9	31.2	35.3	59.1
<b>Net cash flow from investing activities</b>	<b>-46.4</b>	<b>-83.0</b>	<b>-237.3</b>	<b>-161.0</b>	<b>-193.3</b>
<b>Cash flow from financing activities</b>					
Repayments (-) / withdrawals (+) of current loans	-30.0	-34.5	-70.8	-2.1	1.1
Withdrawals of non-current loans	12.5	366.5	310.8	464.2	483.7
Repayments of non-current loans	-11.4	-181.9	-169.8	-244.9	-355.5
Payments received from the issue of shares	0.0	0.0	98.7	0.0	0.0
Repayment of capital and dividends paid	0.0	0.0	-25.4	-31.5	-31.5
<b>Net cash flow from financing activities</b>	<b>-28.9</b>	<b>150.2</b>	<b>143.5</b>	<b>185.8</b>	<b>97.7</b>
<b>Change in cash and cash equivalents</b>	<b>-44.3</b>	<b>86.6</b>	<b>-24.9</b>	<b>110.8</b>	<b>29.2</b>
Cash and cash equivalents at the beginning of period	79.7	56.2	60.7	31.8	31.8
Effect of exchange rate fluctuations on cash held	0.0	-0.2	0.2	0.0	-0.1
Cash M&A	0.0	0.0	0.5	0.0	-0.3
Cash and cash equivalents at the end of period	35.4	142.6	35.4	142.6	60.7

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

MEUR	Attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Share capital	Fair value and other reserves	Reserve fund	Reserve for invested non-restricted equity	Retained earnings			
<b>Shareholders' equity 1 Jan 2015</b>	<b>4.4</b>	<b>-40.6</b>	<b>43.7</b>	<b>23.3</b>	<b>861.4</b>	<b>892.2</b>	<b>0.1</b>	<b>892.3</b>
Comprehensive income								
Remeasurements of defined benefit liability					0.0	0.0		0.0
Cash flow hedges, net of tax		6.0				6.0		6.0
Available-for-sale investments, net of tax						0.0		0.0
Translation differences					-0.1	-0.1		-0.1
Other adjustments						0.0		0.0
Profit for the period					81.3	81.3	0.0	81.3
<b>Total comprehensive income</b>	<b>0.0</b>	<b>6.0</b>	<b>0.0</b>	<b>0.0</b>	<b>81.2</b>	<b>87.3</b>	<b>0.0</b>	<b>87.3</b>
Transaction with shareholders								
Dividend					-10.1	-10.1	0.0	-10.1
Capital Repayment				-21.3		-21.3	0.0	-21.3
<b>Transaction with shareholders, total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-21.3</b>	<b>-10.1</b>	<b>-31.5</b>	<b>0.0</b>	<b>-31.5</b>
Other adjustments					0.0	0.0	0.0	0.0
<b>Total of equity movements</b>	<b>0.0</b>	<b>6.0</b>	<b>0.0</b>	<b>-21.3</b>	<b>71.1</b>	<b>55.8</b>	<b>0.0</b>	<b>55.8</b>
<b>Shareholders' equity 30 Sep 2015</b>	<b>4.4</b>	<b>-34.6</b>	<b>43.7</b>	<b>1.9</b>	<b>932.6</b>	<b>948.0</b>	<b>0.1</b>	<b>948.1</b>

MEUR	Attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Share capital	Fair value and other reserves	Reserve fund	Reserve for invested non-restricted equity	Retained earnings			
<b>Shareholders' equity 1 Jan 2016</b>	<b>4.4</b>	<b>-35.1</b>	<b>43.7</b>	<b>1.9</b>	<b>978.1</b>	<b>993.1</b>	<b>0.1</b>	<b>993.2</b>
Comprehensive income								
Remeasurements of defined benefit liability					0.0	0.0		0.0
Cash flow hedges, net of tax		-11.8				-11.8		-11.8
Available-for-sale investments, net of tax						0.0		0.0
Translation differences					0.0	0.0		0.0
Other adjustments						0.0		0.0
Profit for the period					137.7	137.7	0.0	137.7
<b>Total comprehensive income</b>	<b>0.0</b>	<b>-11.8</b>	<b>0.0</b>	<b>0.0</b>	<b>137.7</b>	<b>125.9</b>	<b>0.0</b>	<b>125.9</b>
Transaction with shareholders								
Issue of shares				112.9		112.9		112.9
Dividend					-25.4	-25.4	0.0	-25.4
Capital Repayment						0.0	0.0	0.0
<b>Transaction with shareholders, total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>112.9</b>	<b>-25.4</b>	<b>87.5</b>	<b>0.0</b>	<b>87.5</b>
Other adjustments	0.0			0.0	0.0	0.0	0.0	0.0
<b>Total of equity movements</b>	<b>0.0</b>	<b>-11.8</b>	<b>0.0</b>	<b>112.9</b>	<b>112.3</b>	<b>213.4</b>	<b>0.0</b>	<b>213.4</b>
<b>Shareholders' equity 30 Sep 2016</b>	<b>4.4</b>	<b>-46.9</b>	<b>43.7</b>	<b>114.8</b>	<b>1,090.4</b>	<b>1,206.5</b>	<b>0.1</b>	<b>1,206.6</b>

# NOTES TO THE INTERIM REPORT

## 1. Notes to the interim report

SATO is a Finnish public limited company domiciled in Helsinki, Finland. SATO's registered address is Panuntie 4, 00600 Helsinki. SATO Corporation and its subsidiaries together form the consolidated SATO Group ("SATO" or "the Group"). SATO group provides housing solutions and its operations consist of investments in housing properties in the largest growth centres. About 80 per cent of the investment property is located in the Helsinki region. Rest of the operations are located in Tampere, Turku, Oulu, Jyväskylä and St. Petersburg.

SATO's interim report has been prepared in accordance with IAS 34 Interim Financial Reporting -standard. Figures presented in these financial statements have been rounded from exact figures and therefore the sum of figures presented individually can deviate from the presented sum figure. The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The figures in the interim report are unaudited.

From the beginning of the year 2016 SATO has adopted new or amended standards and interpretations as described in the financial statements 2015. The interpretation has been assessed not to have a significant impact on SATO's consolidated financial statements. Other parts of the interim report have been reported according to same accounting principles as in SATO's Financial Statements of 2015.

## 2. Segment information

SATO's profitability is shown as one operating segment. Significant operational decisions are done by SATO's Board of Directors, which reviews the performance at the same level as reporting of the entity's chief operating decision maker. The Group operates in two geographic regions, Finland and Russia. SATO does not have any single external customer which would bring minimum of 10% of SATO's net profit.

MEUR	30 Sep 2016	30 Sep 2015	31 Dec 2015
<b>Assets by geographical regions</b>			
Finland	3,416.6	2,912.2	2,867.1
Russia	124.0	122.1	112.6
<b>Total</b>	<b>3,540.6</b>	<b>3,034.3</b>	<b>2,979.7</b>

## 3. Result on disposal of investment properties

MEUR	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
<b>Sold Investment properties</b>					
Proceeds from disposal of investment properties	19.0	40.1	31.9	59.3	95.5
Carrying value of investment properties sold	-19.3	-36.4	-31.4	-52.3	-87.0
<b>Total</b>	<b>-0.2</b>	<b>3.7</b>	<b>0.4</b>	<b>7.0</b>	<b>8.6</b>

Proceeds from the disposal of investment properties correspond to the disposal price received net of disposal costs. The carrying value of disposed assets corresponds to the fair value recognised on the previous closing statement of financial position and capitalised expenses for the period.

#### 4. Investment properties

MEUR	30 Sep 2016	30 Sep 2015	31 Dec 2015
<b>Fair value of investment properties at start of period</b>	<b>2,752.9</b>	<b>2,528.0</b>	<b>2,528.0</b>
Acquisitions, new constructions	501.2	173.6	218.0
Other investments to properties	6.6	18.9	29.1
Disposals of investment properties	-31.4	-52.3	-87.0
Capitalized borrowing costs	0.9	0.8	1.1
Reclassification from trading properties	3.9	1.7	1.3
Gains and losses from changes in fair value *	101.5	26.4	62.4
<b>Fair value of investment properties at end of period</b>	<b>3,335.7</b>	<b>2,697.1</b>	<b>2,752.9</b>

\*Gains and losses from changes in fair value includes foreign exchange profit of EUR 12.3 (-1.9) million.

##### Significant investments during the period:

On 1 April 2016, SATO Corporation acquired the shares of SVK Yhtymä Oy. The transaction transfers 1,255 rental homes, mainly constructed in the 2000s, to SATO's ownership. In addition, SATO purchased a total of 1,015 rental homes from Suomen Laatu-asunnot Oy in April. The acquired homes are located in the Helsinki, Tampere and Turku regions.

##### Valuation methods

SATO's investment properties mainly comprises of rental apartments that are located in the largest growth centres. About 80 percent of the housing property is located in the Helsinki region. Investment property value is taken care by renovation and repair activity based on their lifecycle and repair plans. Increase in the fair value of SATO's investment property was mainly due to market price levels, reclassifications from measurement group to another when legal restrictions have ended and changes in parameters used in valuation.

The valuation of SATO's investment properties is based on a method which has been prepared by SATO in co-operation with a third party expert (currently: JLL (Helsinki office)). The external expert issues quarterly a statement on the applicability of SATO's valuation methods, the appropriateness of sources of information used and the credibility of the valuation. As part of the valuation process, the external expert also reviews each SATO's property on site every three years. Existing properties located in St. Petersburg are valued by third party expert (currently JLL, St. Petersburg office). The principles and methods used in the fair value valuation are approved by the Corporate Management Group. During the valuation process all the periodical changes are analysed. The result of the valuation and the periodical change in fair value booked through profit and loss are reported to the Corporate Management Group and Board of Directors.

At inception investment properties are booked at acquisition value, which includes transaction costs. Later investment properties are valued at fair value. Gains and losses from changes in fair value are booked through profit and loss in the period when they are incurred. Fair value is the price at which the property would trade in a competitive auction setting. Fair value of investment properties represents the price in local primary market taking into account the condition and location of the property. SATO's investment properties valuation methods are sales comparison method, Income value method and Acquisition cost method.

Some of the investment properties are subject to legislative and usage restrictions. The so-called non-profit restrictions apply to the owning company and the so-called property-specific restrictions apply to the investment owned. The non-profit restrictions include, among other things, permanent limitations on the company's operations, distribution of profit, lending and provision of collateral, and the divestment of investments. The property-specific restrictions include the use of apartments, the selection of residents, the setting of rent and divestment of apartments, and they are fixed-term.

MEUR	30 Sep 2016	30 Sep 2015	31 Dec 2015
<b>Investment property by valuation classes</b>			
Sales comparison method	2,566.6	1,989.0	2,054.1
Income value	594.7	502.8	508.5
Acquisition method	174.4	205.2	190.3
<b>Total</b>	<b>3,335.7</b>	<b>2,697.1</b>	<b>2,752.9</b>



### Sensitivity analysis of investment properties

Sensitivity analysis of investment properties has been presented in the 2014 financial statement. Quarterly changes are not significant. All SATO's investment properties are classified to hierarchy level 3 under IFRS 13. Items which are included in the hierarchy level 3 are measured using input data which is not based on observable market data.

## 5. Tangible assets

MEUR	30 Sep 2016	30 Sep 2015	31 Dec 2015
<b>Balance at the start of the period</b>	<b>2.2</b>	<b>2.4</b>	<b>2.4</b>
Additions	0.3	0.2	0.3
Disposals	-0.5	-0.2	-0.2
Accumulated depreciation of disposals	0.3	0.1	0.2
Depreciation	-0.3	-0.4	-0.5
<b>Balance at the end of the period</b>	<b>2.1</b>	<b>2.3</b>	<b>2.2</b>

## 6. Intangible assets

MEUR	30 Sep 2016	30 Sep 2015	31 Dec 2015
<b>Balance at the start of the period</b>	<b>1.8</b>	<b>1.3</b>	<b>1.3</b>
Additions	0.3	0.7	1.0
Transfers between items	0.1	0.1	0.2
Depreciation	-0.6	-0.5	-0.7
<b>Balance at the end of the period</b>	<b>1.7</b>	<b>1.7</b>	<b>1.8</b>

## 7. Inventories

MEUR	30 Sep 2016	30 Sep 2015	31 Dec 2015
<b>Inventories</b>			
Buildings under construction	20.2	45.1	9.3
Completed apartments and commercial space	4.5	21.4	33.5
Land areas	63.5	58.5	57.5
Other inventories	12.5	14.3	11.5
<b>Total</b>	<b>100.7</b>	<b>139.3</b>	<b>111.8</b>

## 8. Shareholders equity

The total number of SATO's shares is 56 623 067 (51 001 842) and company holds 160 000 (160 000) own shares as at 30 June 2016.

During the period, SATO carried out a directed share issue and a rights issue. SATO announced on 1 April 2016 the acquisition of all the shares in SVK Yhtymä Oy. The transaction was completed by a directed share issue approved by SATO's Board of Directors. Shareholders of SVK Yhtymä subscribed for a total of 728,763 SATO's shares. In the rights issue a total of 5,052,462 shares was subscribed. SATO raised approximately EUR 98.7 million through the rights issue. The subscription price is recorded to the reserve for invested non-restricted equity.

The following dividend and repayment of capital were declared and paid by the company:

MEUR	30 Sep 2016	30 Sep 2015	31 Dec 2015
<b>Paid dividends and repayment of capital</b>			
Repayment of capital 0,0 (0,42) per share, EUR	0.0	-21.3	-21.3
Dividends 0,50 (0,20) per share, EUR	-25.4	-10.2	-10.2
<b>Total</b>	<b>-25.4</b>	<b>-31.5</b>	<b>-31.5</b>

## 9. Financial liabilities

MEUR	30 Sep 2016	30 Sep 2015	31 Dec 2015
<b>Financial liabilities</b>			
Commercial Papers	32.9	100.6	103.7
Corporate bonds	844.4	545.8	545.5
Bank loans	592.2	803.9	707.3
Interest-subsidised loans	416.1	220.6	226.1
State-subsidised ARAVA loans	86.0	107.0	93.6
<b>Total</b>	<b>1,971.6</b>	<b>1,777.9</b>	<b>1,676.2</b>

In March 2016 SATO issued a euro 300 million unsecured corporate bond for European investors, with maturity of five years and coupon rate of 2.375 per cent. The loan was assigned Baa3 rating by Moody's and is listed in Irish Stock Exchange.

SATO acquired two housing portfolios in April 2016 and the loans transferred to SATO among these transactions explain the increased amount of interest-subsidised loans.

The average interest on the SATO debt portfolio during the period was 2.6 (2.4) per cent.

For purposes of short-term financing, SATO has a commercial paper program of EUR 200 (200) million, committed credit limits of EUR 400 (290) million, of which EUR 400 (235) million were unused, and a non-committed current overdraft limit of EUR 5 (5) million.

## 10. Derivatives

MEUR	30 Sep 2016		30 Sep 2015	31 Dec 2015
	Positive	Negative	Net	Net
<b>Fair values of derivative instruments</b>				
Interest rate swaps, cash flow hedge	0.6	-47.6	-47.0	-32.8
Cross-currency and interest rate swaps, cash flow hedge		-20.0	-20.0	-15.6
Foreign exchange forward contracts, cash flow hedge				-1.0
Interest rate swaps, non-hedge accounted				0.0
<b>Total</b>	<b>0.6</b>	<b>-67.6</b>	<b>-67.0</b>	<b>-49.5</b>
<b>Nominal values of derivative instruments</b>				
Interest rate swaps, cash flow hedge			674.5	515.5
Cross-currency and interest rate swaps, cash flow hedge			107.2	109.4
Foreign exchange forward contracts, cash flow hedge				2.5
Interest rate swaps, non-hedge accounted				
<b>Total</b>			<b>781.7</b>	<b>627.4</b>

Change in fair value of designated interest rate hedges, booked to hedge reserve in other comprehensive income, totalled EUR -12.4 (3.6) million and that of foreign exchange hedges totalled EUR 0.6 (2.4) million. 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. Currency forward contracts are used to hedge contractual cash flow relating to binding purchase agreements denominated in foreign currency. The interest rate hedges mature within 1 to 10 years and forward contracts within 1 year. Typically, netting agreements are applied to derivative contracts, however the contracts are represented in gross value in financial statements. The method of presentation has no significant impact on figures on reporting or comparative period.

## 11. Fair values of financial instruments

MEUR	30 Sep 2016			30 Sep 2015		
	Level 1:	Level 2:	Level 3:	Level 1:	Level 2:	Level 3:
<b>Assets</b>						
Loans receivable		12.2			11.2	
Derivative assets		0.6			1.5	
Cash and cash equivalents		35.4			142.6	
<b>Liabilities</b>						
Corporate bonds	869.3	24.0		536.0	24.0	
Other loans		1 129.8			1 237.7	
Derivative liabilities		67.6			51.0	

MEUR	31 Dec 2015		
	Level 1:	Level 2:	Level 3:
<b>Assets</b>			
Loans receivable			11.9
Derivative assets			1.1
Cash and cash equivalents			60.7
<b>Liabilities</b>			
Corporate bonds			537.1
Other loans			1 131.8
Derivative liabilities			48.7

Fair values of assets and liabilities at fair value hierarchy level 1 are quoted on operational markets. Level 2 assets and liabilities fair values are based on verifiable input data and level 3 asset and liabilities are based on unverified input data.

SATO fair values of assets and liabilities level 1 are quoted market prices. Values on hierarchy level 2 are based on discounted cash flows, with market rates as calculation input. Loans are presented at acquisition cost.

## 12. Non-current provisions

MEUR	Other provisions	Provision for refund claim	Provision for litigation claim	Total
<b>Provision at the end of the period Dec 31 2015</b>	<b>0.0</b>	<b>3.0</b>	<b>2.2</b>	<b>5.2</b>
Increases	1.7	0.1	0.0	1.8
Used provisions	-1.0	-0.2	-2.0	-3.2
Cancellations	0.0	-0.1	0.0	-0.1
<b>Provision at the end of the period Sep 30 2016</b>	<b>0.7</b>	<b>2.8</b>	<b>0.2</b>	<b>3.7</b>

Provision for refund claim includes guarantees related to new construction business and 10 year warranty period after completion of the work. Provision for refund claim is measured based on previous claims and assessment of previous experience.

Provision for litigation claim is due to litigation process started during 2008 of one of SATOs investment in Helsinki. Based on Helsinki Court of Appeals decision given on January 30 2015, SATO has recorded a profit effecting litigation claim provision. The expense has been included in 'other expenses' in the income statement in 2015.

### 13. Notes to the cash flow statement

MEUR	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
<b>Business actions not involving a payment</b>					
Depreciation	0.3	0.3	0.8	0.9	1.2
Gains and losses from changes in fair value of investment properties	-38.5	18.3	-101.5	-26.4	-62.4
Unrealised gains and losses measured at fair value, Interest rate swaps	0.0	0.0	0.0	-0.4	-0.4
Changes in provisions	0.1	0.0	-1.5	4.5	4.8
<b>Total</b>	<b>-38.2</b>	<b>18.6</b>	<b>-102.2</b>	<b>-21.4</b>	<b>-56.9</b>

### 14. Collateral, commitments and contingencies

MEUR	30 Sep 2016	30 Sep 2015	31 Dec 2015
<b>Mortgages and pledges for secured borrowings</b>			
Secured borrowings	1,338.7	1,282.3	1,232.5
Pledges and mortgages provided, fair value	1,924.5	1,755.1	1,715.9
<b>Guarantees for others</b>			
Shared ownership apartment purchase commitments	15.8	24.2	31.0
Rs-guarantees	4.2	5.6	4.1
<b>Mortgages provided to secure payment of rent and street maintenance</b>			
Property mortgages provided	5.8	5.8	5.8
<b>Binding purchase agreements</b>			
For acquisitions of investment properties	125.7	115.9	151.2
Pledges for land use payments on zoned plots	5.2	4.7	7.3
Commitments to cleaning and removal charges	0.7	1.7	2.5
Letters of intent on land for which there is a zoning condition	37.6	5.9	5.2

Housing companies which hold so-called shared ownership apartments are treated as structured entities, which are established for a fixed period, and are not included in the consolidation. On the report date, the loans of such housing companies included in the shared ownership systems, totalled EUR 54.4 (76.2) million.

## 15. Related party transactions

SATO Group's related party consists of the parent company SATO Plc. its subsidiaries and associated companies. SATOs related party includes persons or entities that have control or joint control, significant influence or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. Shareholders whose holding is 20% or more are automatically considered as related party of SATO. When ownership is below 20% shareholders are considered as related party when they have considerable influence of the reporting entity for example through position in the Board of Directors.

Shareholders that are considered as SATOs related party in 2016 are APG Asset Management N.V., Elo Mutual Pension Insurance Company and Fastighets AB Balder.

Shareholders that are considered as SATOs related party in 2015 are Varma Mutual Pension Insurance Company, APG Asset Management N.V. Ilmarinen Mutual Pension Insurance Company (until 1 th of April 2015), Elo Mutual Pension Insurance Company and since 1th of April 2015 Fastighets AB Balder, a Swedish property investment company.

The members of the Board of Directors of SATO, CEO and the members of the Corporate Management Group and the entities controlled or jointly controlled by them are considered as SATOs related party. Also close members of their family are considered as related party. The Corporate Management Group comprises of SATO Corporation's President and CEO, Vice Presidents, Customer Relationships and Communications Director and Chief Financial Officer.

Related party transactions consist of rental agreements and insurance payments. The terms and conditions used in the related party transactions are equivalent to the terms used in transactions between independent parties.

### The following transactions were made with related parties:

MEUR	1-9/2016	1-9/2015	1-12/2015
<b>Transactions with related parties</b>			
Rental agreements	0,0	0,1	0,2
Insurance payments	0,1	1,0	1,0
<b>Total</b>	<b>0,1</b>	<b>1,1</b>	<b>1,1</b>
MEUR	1-9/2016	1-9/2015	1-12/2015
<b>Management employee benefits</b>			
Salaries and other short-term employee benefits	1,3	1,2	1,5
Other long-term employee benefits	0,7	0,6	0,9
<b>Total</b>	<b>2,0</b>	<b>1,8</b>	<b>2,4</b>

### Rights issue 2016

During 2016 SATO issued 5.1 million new shares in a rights issue in June 2016. The gross proceeds raised by SATO in the rights issue were approximately EUR 98.7 million. Related parties subscribed 4.6 million shares in the rights issue.

### Management Remuneration

Persons employed by the Group are not paid separate remuneration when serving as a member of the Board of Directors or as a President of a Group company. The members of SATOs Corporate Management Group are covered by an annual incentive scheme based on the SATOs profit and fulfilment of the key targets for their respective area of responsibility. The Board of Directors approves the payment of bonuses. Retirement age for the President's deputy is 60 years. At that time they are entitled to a pension of 60 per cent of their pensionable salary.

Board of Directors have decided on a long-term incentive scheme for the period 2013 - 2015, 2014 - 2016, 2015 - 2017 and 2016-2018 with a maximum limit. The incentive scheme applies to 15 people working in management positions in SATO. The purposes of the incentive schemes are to combine the goals of the management with those of the shareholder, commitment of the key people, improvement of competitiveness and promotion of long-term financial success.

## 16. Subsequent events

No significant events after the reporting period.



# KEY INDICATORS

Key financial indicators	1-9/2016	1-9/2015	1-12/2015	1-12/2014	1-12/2013**	1-12/2012**	1-12/2011**
Net sales, MEUR	231	245	323	312	312	287	232
Profit before taxes, MEUR	173	102	159	152	141	121	174
Earnings per share, EUR	2.57	1.60	2.49	2.37	2.34	1.78	2.63
Balance sheet total, MEUR	3,541	3,034	2,980	2,802	2,596	2,360	2,167
Shareholders' equity, MEUR	1,207	948	993	892	823	693	635
Interest bearing liabilities, MEUR	1,971.6	1,777.9	1,676.2	1,584.9	1,501.3	1,375.3	1,255.4
Equity per share, EUR ****	21.31	18.65	19.53	17.55	16.16	13.72	12.59
Average number of shares, million *	53.6	50.8	50.8	50.8	50.8	50.8	50.8
Number of shares, million *	56.6	50.8	50.8	50.8	50.8	50.8	50.8
Return on invested capital, % (ROI)	9.5 %	6.7 %	7.6 %	7.7 %	7.7 %	7.7 %	10.9 %
Return on equity, % (ROE)	16.7 %	11.8 %	13.5 %	14.0 %	15.5 %	13.5 %	22.8 %
Equity ratio, %	34.1 %	31.2 %	33.3 %	31.8 %	31.7 %	29.4 %	29.5 %
Personnel, average***	170	173	172	165	156	152	137
Personnel at the end of period	170	172	170	169	156	150	141
<b>Key figures according to EPRA recommendations and operational cash earnings</b>							
EPRA Earnings, MEUR	53.2	49.8	64.5	65.1	62.7	44.4	43.2
EPRA Earnings per share, EUR	0.99	0.98	1.27	1.28	1.23	0.87	0.85
EPRA Net Asset Value, MEUR *****	1,479.3	1,177.9	1,227.8	1,120.3	1,006.9	900.5	825.1
EPRA Net Asset Value per share, EUR *****	26.1	23.2	24.2	22.0	19.8	17.7	16.2
Cash earnings, MEUR	57.6	54.9	78.1	72.9	66.1	61.6	51.9
Cash earnings per share, EUR	1.07	1.08	1.54	1.43	1.30	1.21	1.02
<b>Quarter key financial indicators</b>							
	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net sales, MEUR	72.5	79.9	78.4	78.6	69.3	79.2	96.3
Operating profit, MEUR	76.1	58.9	72.9	65.9	18.7	44.4	67.5
Profit and losses from changes of fair value	38.5	23.2	39.8	36.1	-18.3	8.1	36.6
Net financing expenses, MEUR	-12.1	-13.3	-9.6	-9.0	-9.2	-9.6	-9.2
Profit before taxes, MEUR	64.0	45.6	63.3	57.0	9.4	34.7	58.3
Earnings per share, EUR	0.90	0.68	0.99	0.90	0.15	0.55	0.90
Average number of shares, million *	56.6	53.3	50.8	50.8	50.8	50.8	50.8
Gross investments, MEUR	64.0	407.6	37.2	55.5	98.9	66.8	29.3
as percentage of net sales	88.3 %	510.4 %	47.4 %	70.5 %	142.6 %	84.4 %	30.4 %
<b>Key figures according to EPRA recommendations and operational cash earnings</b>							
EPRA Earnings, MEUR	20.1	16.4	16.7	14.7	18.0	17.3	14.5
EPRA Earnings per share, EUR	0.36	0.31	0.33	0.29	0.35	0.34	0.29
Cash earnings, MEUR	24.0	12.6	21.0	23.3	22.2	11.1	21.6
Cash earnings per share, EUR	0.42	0.24	0.41	0.46	0.44	0.22	0.42

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

\*\* Adoption of IAS 40 Investment properties - standard fair value model has been taken into account retrospectively in key figures. Retrospectively adjusted figures are unaudited.

\*\*\* Including summer trainees

\*\*\*\* Equity excluding non-controlling interests

\*\*\*\*\* Includes items valued at their carrying amount

## FORMULAS USED IN CALCULATION

<b>Return on investment, %</b>	= $\frac{(\text{Profit or loss before taxes} + \text{interest expense and other financing expenses})}{\text{Balance sheet total} - \text{non-interest-bearing debts (average during the financial year)}} \times 100$
<b>Return on equity, %</b>	= $\frac{(\text{Profit or loss after taxes})}{\text{Shareholders' equity (average during the financial year)}} \times 100$
<b>Equity ratio, %</b>	= $\frac{\text{Shareholders' equity}}{\text{Balance sheet total} - \text{advances received}} \times 100$
<b>Earnings per share, EUR</b>	= $\frac{\text{Net profit for year due to owners of parent company}}{\text{Adjusted number of shares (average during the financial year)}}$
<b>Equity per share, EUR</b>	= $\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares (at the end of the reporting period)}}$
<b>EPRA Earnings</b>	Profit for the period, IFRS -/+ Gains and losses from valuation of investment properties - Profit on sales of investment properties + Loss on sales of investment properties -/+ Profit on sales of new apartments adjusted with sales and marketing expenses -/+ Profit on sales of land areas -/+ Fair value change of financial instruments -/+ Deferred taxed of above items - Non-controlling interests
<b>EPRA Net Asset Value</b>	Net asset value -/+ Fair value of financial instruments (net), net of tax -/+ Deferred tax assets and liabilities (net)
<b>Cash Earnings</b>	Operating profit +/- Gains and losses from valuation of investment properties + Depreciations +/- Change of provisions +/- Defined benefit plans - Cash based financial income and expenses - Cash taxed +-Other items

The information presented in the Interim Report has not been audited.

# FACTS ABOUT US

SATO homes

**25,700**

Personnel

**170**

Investments/year, € million

**200-400**

Fair value of investment assets

**€3.3 BILLION**

Operating areas

Helsinki metropolitan area, Tampere,  
Turku, Jyväskylä, Oulu and St. Petersburg



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you want it*

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