



sato

STRONG
DEVELOPMENT
CONTINUED

Interim report 1 Jan–31 Mar 2015

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SATO is one of Finland's leading corporate investors in housing. By providing homes, we support growth and development in society. We anticipate future needs and *open new doors.*

We have revised our reporting starting from 1 January 2015, and shifted to a function-specific presentation method in our income statement. Through this revision, we are able to offer more detailed information about the allocation of income and costs between different business areas. We have discontinued the division into segments, and all of SATO's operations are reported as a single business entity.



SATO's strategy creates value



MISSION

SATO provides good housing

VISION

Best home address –
50,000 happy residents

VALUES

AIMING HIGH

A HUMAN TO HUMAN

JOY AND EASE OF EXPERTISE

KEY STRATEGIC AREAS

PROFITABILITY

ensures the creation of well-being in the long term

GROWTH

increases the supply of rental apartments and the company's value

EXCELLENT CUSTOMER EXPERIENCE

provides competitive edge

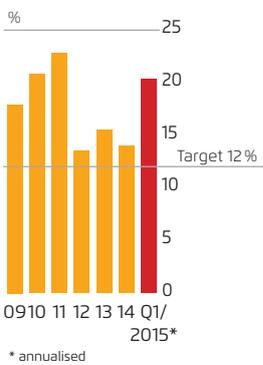
INSPIRING COMPANY CULTURE

supports employee engagement

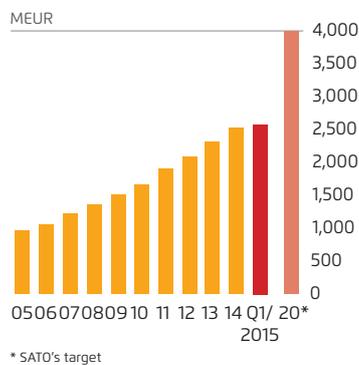
SUSTAINABILITY CREATES WELL-BEING

STRATEGIC GOALS

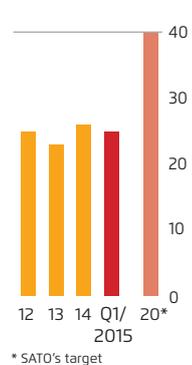
Return on equity



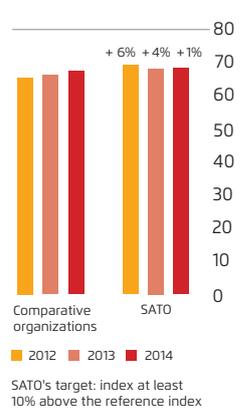
Value of the investment property



Net promoter score NPS



Personnel's satisfaction, index



SATO Corporation's interim report 1 Jan – 31 Mar 2015

Summary of 1 Jan – 31 Mar 2015 (1 Jan – 31 Mar 2014)

- Profit before taxes stood at EUR 58.3 (50.7) million.
- The change in the fair value of rental homes included in the result was EUR 36.6 (24.4) million.
- Shareholders' equity was EUR 908.1 (827.8) million, EUR 17.86 (16.28) per share.
- The return on equity was 20.4% (19.6%).
- Rental income amounted to EUR 62.1 (59.8) million.
- Investments in rental homes stood at EUR 29.3 (59.2) million.
- The occupancy rate was 96.4% (96.2%).

Operating environment

Consumer confidence returned close to the average level during the first part of the year.

Growth in the global economy is expected to accelerate, whereas the Finnish economy will recover more slowly. Inflation and reference rates are at historically low levels.

The supply of rental homes has increased in SATO's operating areas but, particularly in the Helsinki region, demand for small, low-cost rental homes is higher than supply. Rents are increasing, but at a moderate pace.

Demand for owner-occupied houses is lower than the average, and regional differences in purchase prices have increased. In the Helsinki region, the prices of homes are expected to

remain stable throughout the year.

The Russian economy is expected to contract.

Erkka Valkila, President and CEO:

– SATO's rental homes are increasingly attractive because of the larger proportion of new homes and their good locations. The average size of our homes is small, which is what our customers want.

– Immigration, internal migration towards the Helsinki metropolitan area, and decreasing family sizes are trends that will continue to increase demand for rental homes. In order to continue the positive development of our business operations, we will increase and upgrade our homes through investments and focus on developing the customer experience.

Revised reporting

SATO's business operations are reported as a single segment starting from 1 January 2015. The presentation of the income statement has been changed from reporting by cost item to reporting by function. The purpose of this change is to provide investors with more accurate information about the allocation of income and costs between different business areas.

Net sales and profit

The Group's net sales increased by 30.8 percent from the reference period and totalled EUR 96.3 million (EUR 73.6 million in 1 January – 31 March 2014). Of the net sales, rental income accounted for EUR 62.1 (59.8) million.

The operating profit in the review

period stood at EUR 67.5 (60.1) million.

Consolidated profit before taxes over the review period was EUR 58.3 (50.7) million. The change in the fair value of rental homes included in the profit was EUR 36.6 (24.4) million. This change was positively affected by the expiry of restrictions on some properties and the increase in the value of the Russian rouble. The result was decreased by a prudent cost provision of EUR 4.3 million made on the basis of a decision by the Court of Appeal on the construction of Asunto Oy Helsingin Tila.

Financial position and financing

The consolidated balance sheet total was EUR 2,842.7 (2,658.2) million at the end of the review period. Equity was EUR 908.1 (827.8) million. Equity per share was EUR 17.86 (16.28).

The Group's equity ratio was 31.9 (31.2) percent.

The Group's annual return on equity was 20.4 (19.6) percent. The return on investment was 10.8 (10.1) percent.

Interest-bearing liabilities at the end of the review period totalled EUR 1,611.2 (1,542.0) million, of which loans subject to market terms accounted for EUR 1,239.2 (1,159.1) million. At the end of the review period, the average loan rate was 2.5 (2.8) percent. Net financing costs during the review period totalled EUR -9.2 (-9.5) million.

EUR 43.9 million of new long-term financing was acquired during the review period. The Loan-to-Value (LTV) ratio was 56 (58) percent at the end of the period.

During the review period, the calculated impact of changes in the market value of interest hedging was EUR -0.5 (-3.1) million on equity and EUR 0.2 (0.2) million on profit before taxes.

Housing assets and fair value

The development of the value of rental homes is a key factor for SATO. Housing assets are located in areas where

demand for rental homes will increase in the long term. The allocation of building repairs is based on life cycle plans and repair need specifications.

On 31 March 2015, SATO owned a total of 24,241 (24,166) homes. The number of homes increased by 68 during the review period.

The fair value of rental homes was EUR 2,585 (2,393) million, and the change in fair value totalled EUR 57 (77) million.

Of the value of homes, the Helsinki region accounts for some 80 percent, Tampere, Turku, Oulu and Jyväskylä make up 15 percent, and St. Petersburg covers 5 percent.

Investments and divestments

Investment activities prepare the ground for growth. Since the year 2000, SATO has invested a total of EUR 1.9 billion in rental homes. SATO acquires and builds entire rental buildings and single rental homes.

During the review period, the Group's investments in rental homes totalled EUR 29.3 (59.2) million, of which new construction investments accounted for 72 percent, i.e. EUR 21.0 (31.3) million. At the end of the review period, binding purchase agreements in Finland totalled EUR 68.3 (102.9) million.

A total of 773 (722) rental homes were under construction in Finland at the end of the review period.

A total of EUR 11.4 (8.2) million was spent on repairing homes and improving the quality of homes.

During the first quarter, 119 (86) homes with a total value of EUR 8.8 (7.6) million were divested in Finland. The divested homes were mainly located outside SATO's primary operating area.

Rental activities

Effective rental activities provide home-seekers with quick access to a home and the Group with steadily increasing

cash flow. Rental services are mainly offered by SATO's rental offices. In addition, web-based initiatives produce an excellent match between customers' needs and homes available.

Rental income increased by 3.7 percent to EUR 62.1 (59.8) million. The economic occupancy rate of homes in Finland was 96.4 (96.2) percent on average, and the rental home turnover rate was 39.3 (38.3) percent.

The monthly average rent per square metre was EUR 16.10 (15.49) in SATO's rental homes and EUR 8.76 (9.54) in shared ownership apartments during the review period.

Net rental income from homes stood at EUR 40.0 (37.7) million. The net rental income rate in rental homes was 6.0 (6.1) percent on an annual level.

Property development

Property development allows for new investments in rental homes and the production of owner-occupied homes in Finland. The rental capacity and value of rental homes owned by SATO are developed through renovation activities.

The book value of owned plot reserves totalled EUR 68.5 (87.1) million at the end of the period. EUR 1.5 (0.0) million of new plots were acquired during the review period.

By the end of March, 154 (298) rental and 65 (23) owner-occupied homes were completed in Finland. On 31 March 2015, a total of 773 (722) rental and 132 (258) owner-occupied homes were under construction.

A total of 34 (95) owner-occupied homes were sold during the review period. At the end of the period, 44 (92) completed and 132 (127) owner-occupied homes under construction remained unsold at a total purchase value of EUR 84.7 (103.8) million. SATO mainly sells its owner-occupied homes after completion according to the SATO Owner-Home concept.

Business operations in St. Petersburg

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

At the end of the review period, housing assets in St. Petersburg totalled EUR 121.9 (115.1) million. The total amount of binding purchase agreements was EUR 8.2 (15.6) million at the end of the period.

On 31 March 2015, SATO owned 313 (237) completed and 217 (219) homes under construction in St. Petersburg.

The economic occupancy rate of rental homes was 93.0 (96.4) percent on average.

Personnel

At the end of the review period, the Group employed 173 (161) people, of whom 160 were full-time employees. During the review period, the Group employed an average of 171 (159) people.

Annual General Meeting on 3 March 2015

The Board of Directors of SATO Corporation was confirmed to consist of seven members. The Annual General Meeting selected Esa Lager as the chairman. Andrea Attisani, Niina Rajakoski, Tarja Pääkkönen and Ilkka Tomperi are to continue as members of the Board of Directors. Jukka Hienonen and Timo Stenius were elected as new members.

KPMG Oy Ab, authorised public accountants, continue as the Group's auditor, with Lasse Holopainen, APA, acting as the primary accountant.

The AGM decided to establish a nomination committee for sharehol-

ders. Its task is to prepare proposals for the AGM concerning the election of members of the Board of Directors and the fees paid to Board members. In addition, the AGM approved the agenda of the nomination committee for shareholders.

The Board of Directors was authorised to decide on one or more rights issues concerning the issuance of a maximum of 160,000 treasury shares held by the company. The authorisation remains valid until 28 February 2020.

According to the proposal of the Board of Directors, the AGM approved the distribution of EUR 0.62 per share in dividends and capital returns over 2014, totalling EUR 31.5 million.

Organisation of the Board of Directors

At its organisation meeting on 3 March 2015, the company's Board of Directors selected from among its members Jukka Hienonen as the Deputy Chairman of the Board of Directors of SATO Corporation.

The Board of Directors selected Esa Lager as the Chairman of the Nomination and Remuneration Committee, and Andrea Attisani and Jukka Hienonen as members.

The Board of Directors selected Ilkka Tomperi as the Chairman of the Audit Committee, and Tarja Pääkkönen, Niina Rajakoski and Timo Stenius as members.

Legal proceedings

On the basis of the decision of the Court of Appeal, the company has made a cost provision regarding the completion of the Asunto Oy Helsingin Tila building project, reducing the profit for the review period. The company has applied for leave to appeal to the Supreme Court.

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 growth centres.

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

Risks in housing investment activities in St. Petersburg are associated with the development of the market value of homes, fluctuations in exchange rates and other changes in the operating environment. St. Petersburg 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 5 percent of the Group's entire housing assets.

Changes in interest rates affect SATO's profit and balance sheet through changes in interest expenses and the market value of interest hedging. According to the Group's financing policy, 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 2014 annual report and on the company's website at www.sato.fi.

Outlook

Finnish economic growth and the general climate of confidence are expected to remain poor. In the operating environment, SATO's business operations are mainly affected by consumer confidence, the rental

and price development of homes, and the interest rate.

Demand for rental homes is expected to remain high in SATO's operating areas, focusing mainly on small homes. Some 80 percent of SATO's housing assets are located in the Helsinki region, where the rental and price development is more stable than in other regions. SATO's product range responds to the demand for small homes, with the average area of homes being 57 square metres.

Increasing urbanisation and immigration offer good potential for continued investments in Finland. Thanks to high demand and new

investments, SATO's net rental income is expected to improve from the year before. However, increases in rents are expected to be lower than in the previous year.

Interest rates are estimated to remain low, which will have a positive impact on SATO's business operations.

The Russian economy is expected to contract. Some 5 percent of SATO's housing assets are located in St. Petersburg. Due to the unstable economic and political situation in Russia, SATO is refraining from making new investment decisions for the time being.

SATO Corporation's shareholders 13 April 2015

The largest shareholders and their holdings

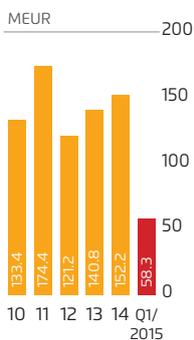
Varma Mutual Pension Insurance Company	22.8%
APG Asset Management NV	22.8%
Balder Finska Otas AB	16.1%
Elo Mutual Pension Insurance Company	12.9%
Danske Bank Oyj (nominee-registered)	6.7%
The State Pension Fund	5.0%
LocalTapiola Group	4.8%
Pohjola Insurance Ltd	2.5%
The Finnish Construction Trade Union	0.9%
Others	5.5%

On 13 April 2015, SATO had 51,001,842 shares and 75 shareholders registered in the book-entry system. The share turnover rate was 24.3 percent on 13 April 2015.

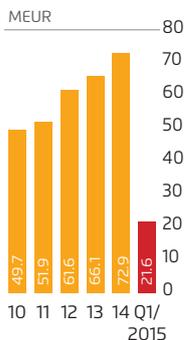
In April, Ilmarinen announced that it had sold all of its shares in SATO (16.1%) to Balder.

Financial trend

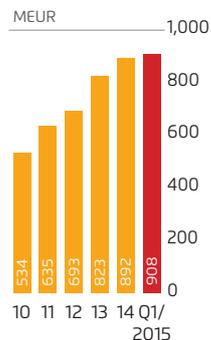
Profit before taxes



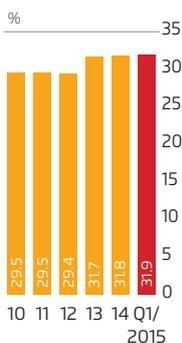
Cash earnings



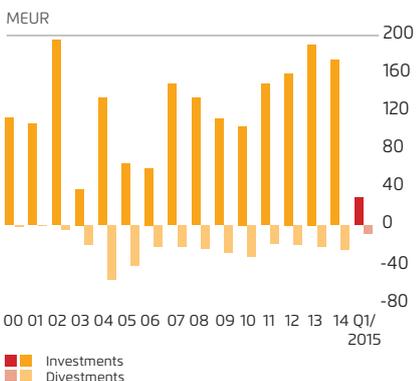
Shareholders' equity



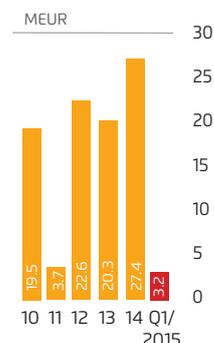
Equity ratio



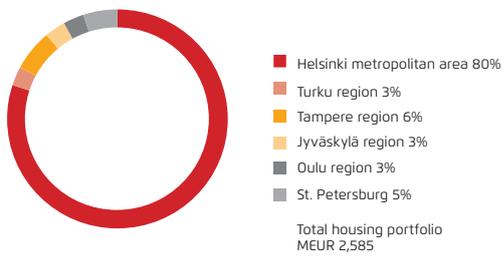
Housing investments and divestments



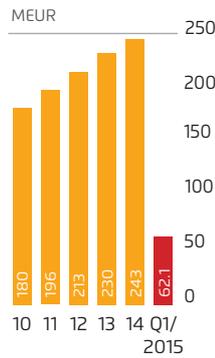
Housing investments in St. Petersburg



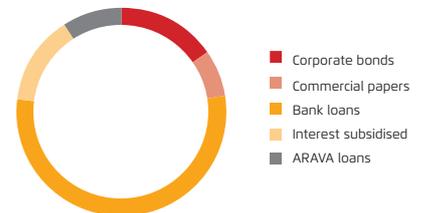
Regional distribution of the housing portfolio 31 March 2015



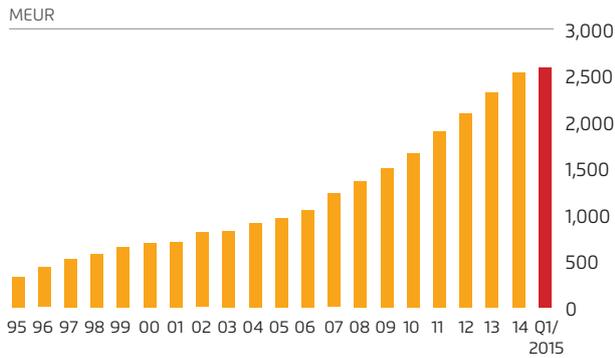
Rental income



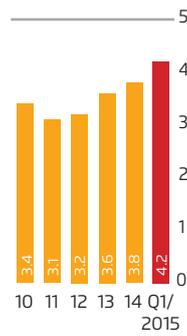
Debt portfolio, nominal values 31 March 2015 total MEUR 1,617



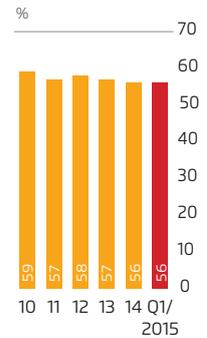
Trend in the housing portfolio, fair values



Interest coverage ratio



LTV (Loan to Value)



Consolidated income statement, IFRS

MEUR	note	1 Jan – 31 Mar 2015	1 Jan – 31 Mar 2014	1 Jan – 31 Dec 2014
Rental Income		62.1	59.8	243.2
Sales Income, new production		33.4	12.4	60.6
Sales Income, land stock		0.7	1.2	7.9
Sales Income, other		0.1	0.2	0.5
Net sales		96.3	73.6	312.3
Property maintenance expenses		-21.3	-21.5	-92.1
Ground rents		-0.6	-0.6	-2.3
New production expenses		-30.9	-10.5	-54.7
Carrying value, land stock sold		-0.4	-0.2	-6.7
Operating expenses		-53.2	-32.8	-155.9
Net operating income		43.1	40.8	156.5
Proceeds from disposal of investment properties	2	8.6	7.5	24.8
Carrying value of investment properties sold	2, 3	-8.6	-6.5	-25.7
Fair value change of investment properties	3	36.6	24.4	63.8
Sales and marketing expenses		-2.2	-1.8	-8.0
Administrative expenses (and depreciations)		-5.3	-4.5	-20.4
Other operating income		0.0	0.5	1.4
Other expenses		-4.7	-0.3	-1.1
Operating profit		67.5	60.1	191.3
Financial income		0.2	0.2	0.6
Financial expenses		-9.4	-9.7	-39.7
		-9.2	-9.5	-39.1
Profit before tax		58.3	50.7	152.2
Income tax expenses		-12.5	-10.1	-31.8
Profit for the period		45.8	40.5	120.5
Profit for the period attributable to				
Equity holder of the parent		45.8	40.5	120.3
Non-controlling interests		0.0	0.1	0.1
		45.8	40.5	120.5
Earnings per share attributable to equity holders of the parent				
Basic, EUR		0.90	0.80	2.37
Dilluted, EUR		0.90	0.80	2.37
Average number of shares, million		50.8	50.8	50.8

Consolidated statement of comprehensive income, IFRS

MEUR	note	1 Jan – 31 Mar 2015	1 Jan – 31 Mar 2014	1 Jan – 31 Dec 2014
Other comprehensive income				
Items that will never be reclassified to income statement		0.0	0.0	-0.2
Items that may be reclassified subsequently to income statement				
Cash flow hedges		1.9	-4.9	-22.8
Available-for-sale financial assets		0.0	0.1	-0.7
Translation differences		0.1	0.1	-0.2
Related tax		-0.4	1.0	4.7
		1.7	-3.8	-18.9
Other comprehensive income, net of tax		1.7	-3.8	-19.1
Total comprehensive income		47.5	36.7	101.4
Comprehensive income attributable to				
Equity holders of the parent		47.4	36.7	101.2
Non-controlling interest		0.0	0.1	0.1
		47.5	36.7	101.4

Consolidated statement of financial position, IFRS

MEUR	note	31 Mar 2015	31 Mar 2014	31 Dec 2014
ASSETS				
Non-current assets				
Investment property	3	2,585.3	2,393.1	2,528.0
Tangible assets	4	2.5	2.3	2.4
Intangible assets	5	1.7	1.4	1.3
Investments in associated companies		0.0	0.1	0.1
Available-for-sale financial assets		1.7	2.6	1.7
Non-current receivables		10.3	9.1	10.8
Deferred tax assets		16.5	13.3	17.2
Total		2,617.9	2,422.0	2,561.5
Current assets				
Inventories	6	165.9	190.6	188.1
Account and other receivables		15.4	20.6	13.1
Deferred tax assets		8.3	4.6	7.1
Cash and cash equivalents		35.2	20.4	31.8
Total		224.8	236.2	240.1
TOTAL ASSETS		2,842.7	2,658.2	2,801.6
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity attributable to Equity holders of the parent				
Share Capital		4.4	4.4	4.4
Fair value and other reserves		-39.1	-25.7	-40.6
Reserve fund		43.7	43.7	43.7
Reserve for invested non-restricted equity		1.9	23.2	23.3
Retained earnings		897.2	782.2	861.4
Total		908.1	827.8	892.2
Non-controlling interests		0.1	1.1	0.1
TOTAL SHAREHOLDERS EQUITY		908.2	828.9	892.3
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities		192.6	172.7	187.9
Provisions	11	7.3	3.0	2.9
Other non-current liabilities		52.3	33.4	53.5
Defined benefit liabilities		0.3	0.5	0.5
Long-term interest bearing liabilities	8	1,380.5	1,470.5	1,373.7
Total		1,633.0	1,680.1	1,618.5
Current liabilities				
Accounts payable and other liabilities		56.5	64.4	70.9
Deferred tax liabilities		14.4	13.2	8.8
Short-term interest bearing liabilities	8	230.7	71.5	211.1
Total		301.6	149.2	290.8
TOTAL LIABILITIES		1,934.6	1,829.3	1,909.3
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,842.7	2,658.2	2,801.6

Consolidated statement of cash flow, IFRS

MEUR	1 Jan – 31 Mar 2015	1 Jan – 31 Mar 2014	1 Jan – 31 Dec 2014
Cash flow from operating activities			
Profit for the period	45.8	40.5	120.5
Adjustments:			
Business activities not involving payment	-36.5	-24.3	-63.4
Profit and loss on sales of investment properties	0.0	-1.5	0.4
Interest expenses and other financial expenses	9.6	9.9	40.6
Interest income	-0.2	-0.2	-0.7
Dividend income	0.0	0.0	-0.1
Income taxes	12.5	10.1	31.8
Cash flow before change in net working capital	31.1	34.5	129.0
Change in net working capital:			
Changes in accounts receivable and other receivables	-2.2	-8.6	-1.9
Change in inventories	22.2	-0.4	2.2
Change in accounts payable and other liabilities	-11.4	2.9	7.9
Change in reserves	4.4	0.0	-0.2
Interest paid	-11.1	-10.2	-41.1
Interest received	0.2	0.7	1.2
Taxes paid	-3.1	-3.0	-15.7
Net cash flow from operating activities	30.2	15.9	81.3
Cash flow from investing activities			
Disposals of subsidiaries, net of disposed cash	0.0	0.0	-0.1
Acquisitions of Investment properties	-29.3	-59.2	-174.1
Acquisitions of tangible and intangible assets	-0.6	-0.5	-1.0
Repayments of loans receivable	0.5	0.0	0.4
Payments of granted loans	0.0	0.0	-2.1
Disposals of Investment property	8.8	7.6	24.6
Net cash flow from investing activities	-20.6	-52.2	-152.4
Cash flow from financing activities			
Repayments (-) / withdrawals (+) of current loans	27.0	-3.1	28.2
Withdrawals of non-current loans	43.9	73.9	254.2
Repayments of non-current loans	-45.8	-30.1	-194.5
Repayment of capital and dividends paid	-31.5	-30.5	-30.5
Net cash flow from financing activities	-6.4	10.2	57.5
Change in cash and cash equivalents	3.1	-26.0	-13.7
Cash and cash equivalents at the beginning of period	31.8	46.4	46.4
Effect of exchange rate fluctuations on cash held	0.2	0.0	-1.0
Cash and cash equivalents at the end of period	35.2	20.4	31.8

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			
Shareholders' equity 1 Jan 2014	4.4	-21.9	43.7	44.5	750.9	821.7	1.0	822.8
Comprehensive income								
Remeasurements of defined benefit liability						0.0		0.0
Cash flow hedges, net of tax		-3.9				-3.9		-3.9
Available-for-sale investments, net of tax		0.1				0.1		0.1
Translation differences	0.0				-0.1	-0.1		-0.1
Other adjustments						0.0		0.0
Profit for the period					40.5	40.5	0.1	40.6
Total comprehensive income	0.0	-3.8	0.0	0.0	40.4	36.6	0.1	36.6
Transaction with shareholders								
Dividend					-9.2	-9.2		-9.2
Capital Repayment				-21.2		-21.2		-21.2
Transaction with shareholders, total	0.0	0.0	0.0	-21.2	-9.2	-30.5	0.0	-30.5
Other adjustments				-0.1	0.1	-0.1		-0.1
Total of equity movements	0.0	-3.8	0.0	-21.3	31.2	6.1	0.1	6.2
Shareholders' equity 31 Mar 2014	4.4	-25.7	43.7	23.2	782.2	827.8	1.1	828.9

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			
Shareholders' equity 1 Jan 2015	4.4	-40.6	43.7	23.3	861.4	892.2	0.1	892.3
Comprehensive income								
Remeasurements of defined benefit liability					0.0	0.0		0.0
Cash flow hedges, net of tax		1.5				1.5		1.5
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					45.8	45.8	0.0	45.8
Total comprehensive income	0.0	1.5	0.0	0.0	45.9	47.4	0.0	47.4
Transaction with shareholders								
Dividend					-10.2	-10.2	0.0	-10.2
Capital Repayment				-21.4		-21.4	0.0	-21.4
Transaction with shareholders, total	0.0	0.0	0.0	-21.4	-10.2	-31.5	0.0	-31.5
Other adjustments					0.0	0.0	0.0	0.0
Total of equity movements	0.0	1.5	0.0	-21.4	35.8	15.9	0.0	15.9
Shareholders' equity 31 Mar 2015	4.4	-39.1	43.7	1.9	897.2	908.1	0.1	908.2

Notes to the interim report

1. Accounting principles

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 consists 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 2015 SATO has adopted new or amended standards and interpretations as described in the financial statements 2014. 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 2014.

The profitability of SATO is presented as a single entity. The According to the Group's strategy,

new investments made in the 2000s are targeted in SATO business. As the significance of VATRO business has decreased, SATO's Board decided to abandon the past segment division in the reporting for the year 2015. As of 1 January 2015, SATO's business will be reported as one entity. Material operative decisions are made by the Board of Directors of SATO.

SATO has changed its presentation of expenses recognised in profit or loss from 'nature of expense' method to 'function of expense method' as of January 2015. The amendment is intended to provide investors with more relevant and detailed information about expense recognition and function in SATO's business. In addition, alongside cumulative figures presented in interim financial statements, SATO will start reporting the quarterly change of these figures.

2. Result on disposal of investment properties

MEUR	note	1-3/2015	1-3/2014	1-12/2014
Sold Investment properties				
Proceeds from disposal of investment properties		8.6	7.5	24.8
Carrying value of investment properties sold	3	-8.6	-6.5	-25.7
Total		0.0	1.0	-0.9

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.

3. Investment properties

MEUR	31 Mar 2015	31 Mar 2014	31 Dec 2014
Fair value of investment properties at start of period	2,528.0	2,316.0	2,316.0
Acquisitions, new constructions	20.8	53.7	152.5
Other investments to properties	7.6	4.7	20.1
Disposals of investment properties	-8.6	-6.5	-25.7
Capitalized borrowing costs	0.2	0.4	1.2
Reclassification from trading properties	0.6	0.3	0.2
Gains and losses from changes in fair value *	36.6	24.4	63.8
Fair value of investment properties at end of period	2,585.3	2,393.1	2,528.0

*Gains and losses from changes in fair value includes foreign exchange gains of EUR 12.1 million.

SATO's investment properties mainly comprises of rental apartments that are located in the largest growth centers. 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 SATOs 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.

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.

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 SATOs' property on site every three years. Existing properties located in St. Petersburg are valued by third party expert (currently JLL, St. Petersburg office).

Valuation methods

At inception investment properties are booked at acquisition value, which includes transaction costs. Later investment properties are valued on 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 measures investment properties at fair value which are based on:

- Sales comparison
- Income value
- Acquisition cost

Sensitivity analysis of investment properties

Sensitivity analysis of investment properties has been presented in the 2014 financial statement. Quarterly changes are not significant. All SATOs 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.

4. Tangible assets

MEUR	31 Mar 2015	31 Mar 2014	31 Dec 2014
Balance at the start of the period	2.4	2.4	2.4
Additions	0.2	0.1	0.6
Disposals	0.0	0.0	-0.2
Depreciation	-0.1	-0.1	-0.3
Balance at the end of the period	2.5	2.3	2.4

5. Intangible assets

MEUR	31 Mar 2015	31 Mar 2014	31 Dec 2014
Balance at the start of the period	1.3	1.3	1.3
Additions	0.4	0.1	0.6
Depreciation	-0.1	-0.1	-0.5
Balance at the end of the period	1.7	1.4	1.3

6. Inventories

MEUR	31 Mar 2015	31 Mar 2014	31 Dec 2014
Inventories			
Buildings under construction	46.4	54.9	66.7
Completed apartments and commercial space	38.3	39.2	38.3
Land areas	68.5	87.1	71.6
Other inventories	12.7	9.4	11.5
Total	165.9	190.6	188.1

7. Shareholders equity

The total number of SATOs shares is 51,001,842 and company holds 160,000 own shares at 31 March 2015.

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

MEUR	31 Mar 2015	31 Mar 2014	31 Dec 2014
Paid dividend and repayment of capital			
Repayment of capital	-21.4	-21.2	-21.2
Dividends	-10.2	-9.2	-9.2
Total	-31.5	-30.5	-30.5

8. Financial liabilities

MEUR	31 Mar 2015	31 Mar 2014	31 Dec 2014
Financial liabilities			
Commercial Papers	114.7	69.2	102.7
Corporate bonds	247.9	247.6	247.8
Bank loans	876.6	842.6	858.2
Interest-subsidised loans	227.5	224.4	224.5
State-subsidised ARAVA loans	144.5	158.3	151.6
Total	1,611.2	1,542.0	1,584.9

During the reporting period, a total of EUR 43.9 (42.6) million of new longterm debt was drawn. On March 31, 2015, the average interest on the SATO debt portfolio was 2.5 (2.8) per cent.

For purposes of short-term financing, SATO has a commercial paper program of EUR 200 (100) million, committed credit limits of EUR 290 (130) million, of which EUR 230 (105) million is unused at the end of the period, and a non-binding current limit of EUR 5 (5) million.

9. Derivatives

MEUR	31 Mar 2015			31 Mar 2014 Net	31 Dec 2014 Net
	Positive	Negative	Net		
Fair values of derivative instruments					
Interest rate swaps, cash flow hedge	–	–36.5	–36.5	–26.2	–35.4
Cross-currency and interest rate swaps, cash flow hedge	–	–15.9	–15.9	–6.2	–17.5
Foreign exchange forward contracts, cash flow hedge	0.0	–1.5	–1.5	–1.3	–4.0
Interest rate swaps, non-hedge accounted	–	–0.2	–0.2	–1.0	–0.4
Total	0.0	–54.1	–54.1	–34.7	–57.4

MEUR	31 Mar 2015	31 Mar 2014	31 Dec 2014
Nominal values of derivative instruments			
Interest rate swaps, cash flow hedge	495.9	429.9	475.9
Cross-currency and interest rate swaps, cash flow hedge	110.5	112.8	110.5
Foreign exchange forward contracts, cash flow hedge	7.1	15.4	7.6
Interest rate swaps, non-hedge accounted	20.0	20.0	20.0
Total	633.5	578.1	614.0

Change in fair value of designated cash flow hedges, booked to hedge reserve in other comprehensive income, totalled EUR 1.5 (-3.1) 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. Interest rate hedges have maturities ranging between 1-9 years and forward contracts 1-2 years. 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.

10. Fair values of financial instruments

	31 Mar 2015			31 Mar 2014		
	Level 1:	Level 2:	Level 3:	Level 1:	Level 2:	Level 3:
	Fair values quoted on operational markets	Fair values based on verifiable input data	Fair values based on unverified input data	Fair values quoted on operational markets	Fair values based on verifiable input data	Fair values based on unverified input data
MEUR						
Assets						
Available for sale financial assets, at fair value through profit and loss	-			0.7		
Derivative instruments, cash flow hedges, at fair value through other comprehensive income		0.0			0.0	
Liabilities						
Derivative instruments at fair value through profit and loss		0.2			1.0	
Derivative instruments, cash flow hedges, at fair value through other comprehensive income		53.9			33.7	
Corporate bonds	207.9	49.0		204.1	49.0	
Other interest bearing liabilities		1,364.3			1,294.3	
Total	207.9	1,467.4	-	204.1	1,378.0	-

	31 Dec 2014		
	Level 1:	Level 2:	Level 3:
	Fair values quoted on operational markets	Fair values based on verifiable input data	Fair values based on unverified input data
MEUR			
Assets			
Available for sale financial assets, at fair value through profit and loss			
Derivative instruments, cash flow hedges, at fair value through other comprehensive income			
Liabilities			
Derivative instruments at fair value through profit and loss		0.4	
Derivative instruments, cash flow hedges, at fair value through other comprehensive income		56.9	
Corporate bonds	207.2	49.0	
Other interest bearing liabilities		1,338.2	
Total	207.2	1,444.5	

11. Provisions

MEUR	Provision for refund claim	Provision for litigation claim	Total
Provision at the beginning of the period	2.9	0.0	2.9
Increases	0.2	4.3	4.5
Used provisions	-0.1	0.0	-0.1
Cancellations	0.0	0.0	0.0
Provision at the end of the period	3.0	4.3	7.3

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 assesment 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. SATO has applied for leave to appeal to the Supreme Court. The expense is included in 'other expenses' in the income statement.

12. Collateral, commitments and contingencies

MEUR	31 Mar 2015	31 Mar 2014	31 Dec 2014
Loans for which mortgages and pledges have been given as collateral			
Market loans	1,124.5	1,090.2	1,106.1
Mortgages provided	419.7	333.3	408.1
Book value of pledged shares	851.7	848.7	846.5
Value of deposits pledged	0.1	0.1	0.1
State-subsidised ARAVA loans	144.5	158.3	151.6
Mortgages provided	341.1	349.2	349.2
Book value of pledged shares	23.8	23.8	23.8
Interest-subsidised loans	227.5	224.4	224.5
Mortgages provided	309.9	321.3	309.3
Guarantees for others			
Owner-occupier home purchase commitments	19.9	19.5	19.8
Rs-guarantees	4.6	7.8	6.8
Mortgages provided to secure payment of rent and street maintenance			
Property mortgages provided	6.0	6.0	6.0
Binding purchase agreements			
For acquisitions of investment properties	76.4	118.6	69.1
Pledges for land use payments on zoned plots	6.4	4.8	6.4
Commitments to cleaning and removal charges	2.0	0.9	2.0
Letters of intent on land for which there is a zoning condition	6.7	6.0	6.7

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 84.6 (86.8) million.

13. Related party transactions

SATO Group's related party consists of the parent company SATO Plc. its subsidiaries and associated companies. SATO's 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 SATO's related party in 2015 are Varma Mutual Pension Insurance Company, APG Asset Management N.V. Ilmarinen Mutual Pension Insurance Company and Elo Mutual Pension Insurance Company.

During 2014 related party shareholders consisted of Varma Mutual Pension Insurance Company, APG Asset Management N.V., Ilmarinen Mutual Pension Insurance Company, Suomi Mutual Life Assurance Company and LocalTapiola Group.

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 SATO's 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.

The following transactions were made with related parties:

MEUR	31 Mar 2015	31 Mar 2014	31 Dec 2014
Transactions with related parties			
Rental agreements	0.1	0.4	1.8
Insurance payments	0.7	1.1	3.4
Total	0.8	1.5	5.2

MEUR	31 Mar 2015	31 Mar 2014	31 Dec 2014
Open balances with shareholders			
Receivables	–	0.0	0.0
Liabilities	–	27.1	0.0
Total	–	–27.1	0.0

MEUR	31 Mar 2015	31 Mar 2014	31 Dec 2014
Management employee benefits			
Salaries and other short-term employee benefits	0.6	0.5	2.4
Other long-term employee benefits	0.2	0.2	0.6
Total	0.8	0.7	3.0

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. Retirement age for the President and the President's deputy is 60 years. At that time they are entitled to a pension of 60 per cent of their pensionable salary. The Board of Directors has decided to continue the President's employment until December 31st 2015.

Notice period of the President is six months. If the company decides to terminate the President's employment before pension age, the President is entitled to severance pay equal to 12 months' total salary in addition to the salary of the notice period

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.

In spring 2010 the Board of Directors decided on a new long-term incentive scheme for the period 2010- 2012 with a maximum limit. The earnings period is three years and the criterion for accrual is growth in net assets. The commitment period for the incentive scheme will continue until 2014. In spring 2013 the Board of Directors decided on a long-term share based incentive scheme for the period 2013-2015 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 shareholders, commitment of the key people, improvement of competitiveness, and promotion of long-term financial success.

14. Subsequent events

On April 1, 2015, Swedish property investment company Fastighets AB Balder acquired a 21% stake in SATO Corporation. Ilmarinen Mutual Pension Insurance Company announced that it sold its 16.1% holding in SATO to Balder, which is now SATO's third-largest shareholder. SATO has one series of shares, and each share carries one vote. The number of SATO Corporation shares totals 51,001,842.

Key indicators

Key financial indicators	1-3/2015	1-3/2014	1-12/2014	1-12/2013**	1-12/2012**	1-12/2011**
Net sales, MEUR	96	74	312	312	287	232
Profit before taxes, MEUR	58	51	152	141	121	174
Earnings per share, EUR	0.90	0.80	2.37	2.34	1.78	2.63
Balance sheet total, MEUR	2,843	2,658	2,802	2,596	2,360	2,167
Shareholders' equity, MEUR	908	829	892	823	693	635
Interest bearing liabilities, MEUR	1,611	1,542	1,585	1,501	1,375	1,255
Equity per share, EUR ****	17.86	16.28	17.55	16.16	13.72	12.59
Number of shares, million *	50.8	50.8	50.8	50.8	50.8	50.8
Return on invested capital, % (ROI)	10.8%	10.1%	7.7%	7.7%	7.7%	10.9%
Return on equity, % (ROE)	20.4%	19.6%	14.0%	15.5%	13.5%	22.8%
Equity ratio, %	31.9%	31.2%	31.8%	31.7%	29.4%	29.5%
Personnel, average***	171	159	165	156	152	137
Personnel at the end of period	173	161	169	156	150	141
Key figures according to EPRA recommendations and operational cash earnings						
EPRA Earnings, MEUR	14.5	17.9	65.1	62.7	44.4	43.2
EPRA Earnings per share, EUR	0.29	0.35	1.28	1.23	0.87	0.85
EPRA Net Asset Value, MEUR	1,138	1,029	1,120	1,007	900	825
EPRA Net Asset Value per share, EUR	22.4	20.2	22.0	19.8	17.7	16.2
Cash earnings, MEUR	21.6	23.3	72.9	66.1	61.6	51.9
Cash earnings per share, EUR	0.42	0.46	1.43	1.30	1.21	1.02
Quarter key financial indicators						
	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	
Net sales, MEUR	96	76	77	85	74	
Operating profit, MEUR	67	38	37	56	60	
Profit and losses from changes of fair value	37	16	5	19	24	
Net financing expenses, MEUR	-9	-10	-10	-10	-9	
Profit before taxes, MEUR	58	28	27	46	51	
Earnings per share, EUR	0.90	0.42	0.42	0.72	0.80	
Gross investments, MEUR	29	31	43	42	59	
as percentage of net sales	30.4%	40.1%	55.1%	48.9%	80.4%	
Economic occupancy rate, %	96.4%	97.2%	96.9%	96.5%	96.2%	
Key figures according to EPRA recommendations and operational cash earnings						
EPRA Earnings, MEUR	14.5	12.0	16.7	18.5	17.9	
EPRA Earnings per share, EUR	0.29	0.24	0.33	0.36	0.35	
Cash earnings, MEUR	21.6	10.8	20.3	18.5	23.3	
Cash earnings per share, EUR	0.42	0.21	0.40	0.36	0.46	

* 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 minority interest

Formulas used in calculation

Return on investment, %	=	$\frac{(\text{Profit or loss before taxes} + \text{interest expense and other financing expenses})}{\text{Balance sheet total} - \text{non-interest-bearing debts (average during the financial year)}}$	x 100
Return on equity, %	=	$\frac{(\text{Profit or loss after taxes})}{\text{Shareholders' equity (average during the financial year)}}$	x 100
Equity ratio, %	=	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total} - \text{advances received}}$	x 100
Earnings per share, EUR	=	$\frac{\text{Net profit for year due to owners of parent company}}{\text{Adjusted number of shares (average during the financial year)}}$	
Equity per share, EUR	=	$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares (at the end of the reporting period)}}$	
EPRA Earnings		<ul style="list-style-type: none"> 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 - minority interest 	
EPRA Net Asset Value		<ul style="list-style-type: none"> Net asset value -/+ Fair value of financial instruments (net), net of tax -/+ Deferred tax assets and liabilities (net) 	
Cash Earnings		<ul style="list-style-type: none"> 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 	



FACTS ABOUT SATO:

Number of SATO homes:

24,200

Fair value of investment property:

€2.6 billion

Investments/year:

€150-200 million

Number of personnel:

170

Business areas:

Helsinki Metropolitan Area, Tampere, Turku, Jyväskylä, Oulu and St. Petersburg

Major owners:

Pension insurance and insurance companies

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