

ANNUAL REPORT

2016



sato

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SATO IN BRIEF

ABOUT US IN BRIEF

SATO is a responsible lessor which plays a significant part in enabling urbanisation and offering housing solutions. We are increasing our range of apartments in the Helsinki Metropolitan Area, Tampere, and Turku, which are focal areas for internal migration. We develop diverse housing solutions for various housing needs, and provide our customers with benefits that make their lives easier and experiences.

25,300

SATO
RENTHOMES

180

SATO
HOTELHOMES

530

SATOHOMES IN
ST. PETERSBURG

50,000

SATO
RESIDENTS

Operating areas



Our service promise is a Home the way you want it.

THE YEAR 2016 : CEO'S REVIEW

AN INSPIRING YEAR

The reporting year has been a successful and positively revolutionary one for SATO. For me, it has been an inspiring and educational year. Customer driven strategy focus at the centre of our sustainable success accelerated us towards better customer service, which can be seen in most results. By making record-high investments, we are helping to build an urbanising Finland and increase the number and quality of our rental apartments.

Urbanisation is vital for Finland's success. Being a long-term developer of housing, SATO is in a significant position to enable the urbanisation process.

THE IMPACT OF TRENDS CAN BE SEEN AND FELT IN OUR STRATEGY

Our entire personnel were engaged in the preparation of SATO's new strategy. We looked for inspiration and understanding in major societal trends and examined other factors affecting our operating environment. In the autumn, together with the Board of Directors, we specified SATO's **future direction and strategic goals.**


Globalisation, digitalisation and the requirements set by sustainable development are significantly shaping societies such as Finland: innovation, businesses and jobs are mainly created in urban environments where people and ideas meet. Urbanisation is a key factor in our international success. **We believe that in the Finland of the future, thriving cities will be home to people enjoying a high level of wellbeing.** 

According to our strategy, we are targeting our investments at the most rapidly growing urban areas.

Megatrends and urbanisation are influencing people's behaviour and values. For this reason, the range of housing must also be able to change. At SATO, we see changes in trends as huge opportunities to renew and improve our housing services. According to our new mission: "We will revolutionise housing – it is more than just walls." A key change in our operations is our strong "Customer first" attitude, which represents our engagement in continuously improving our customer services and customer experience. This will be materialised by the recruitment of close to 30 new employees during the early 2017. We are also committed to developing new digital services to improve the everyday lives of our customers.

HOUSING PRICES RAISED DISCUSSION – CONSTRUCTION VOLUME WILL IMPROVE THE SITUATION

The range of affordable housing is felt to be insufficient, particularly in the Helsinki Metropolitan Area – as in other major global cities. The question is simply one of an imbalance between supply and demand.

The current record-high construction of apartments strengthens the urban and, therefore, internationally successful Finland.  This positive development is based on sufficient zoning in major cities and successful decisions on future rail transport solutions.

In Finland, we are making good progress but we still have some catching up to do, even at the current pace of construction, if we intend to fulfill the estimated lack of 20,000 apartments in the Helsinki Metropolitan Area and 3,000 apartments in Tampere (VTT). In addition, at least 25,000 apartments should be built in Finland every year to respond to the population development (VTT). The lack of apartments is largely due to decreased ARA production volume caused by tightened restrictions in the 2000s. The new ten-year interest subsidy model leads us in the right direction, but we also need other options to match housing needs. It is vital to avoid any regulations and activities that disturb this positive development in construction and in increase in housing capacity.

Uncertainty over the development of the global economy has created a situation where real estate investments have become more attractive. In Finland, this change is reflected, for example, in the increased number of real estate funds and the increased activity of private investors. These in turn support growth in supply and help curb price increases.

This development may change rapidly if the attractiveness of other investment objects improves.

Price levels can be changed the most by increasing supply to meet demand in terms of quantity through sufficient zoning and plot availability. By developing zoning and construction more clearly on the basis of a true understanding of the customer, and by reducing regulations that increase costs, we can extend impacts to everyone.

Within the scope of current regulations, SATO aims to promote affordable housing through partnership zoning, the active promotion of complementary construction, more effective housing design and the development of production standardisation, in a way that enables a living cityscape. Good examples include our new concepts **SATO StudioHome** and **SATO IdealHome**. Together with major growing cities, we have ongoing zoning changes that enable complementary construction for building 2,000 new apartments. I hope that the partnership zoning between municipalities and private companies will increase in order to enable the targeted development of new residential areas on the basis of the wishes and opportunities of future residents.

We renewed our range of apartments through record-high investments and divestments.

SUCCESSES IN 2016

It has been a true pleasure to see how our personnel have been eager to develop our customer driven service. Our performance improved in many areas from the year before. We were more actively present for our tenants: at meet ups in home buildings, during apartment inspections, by telephone and at different customer events. All in all, the largest family event gathered approximately 1,000 of our customers. As a result, the Net Promoter Score (NPS) among our tenants improved clearly, and our occupancy rate increased during every quarter.

We renewed our range of apartments through record-high investments and divestments. Our housing stock increased by roughly 1,800 apartments. Through the active development of our housing portfolio, we have divested apartments in towns with a smaller population and focused on smaller apartments in growing cities to support urbanisation. This speeds up the value development of our housing assets, which in turn enables our future investments.

Investment financing was strengthened by SATO's shareholders who invested roughly EUR 113 million in the company, and by finding new sources of financing. Significant

steps in our changed financing structure included the second issuance of a bond of EUR 300 million in March and the loan arrangements of EUR 200 million, without using properties as securities, completed in the autumn with Aktia and the European Investment Bank (EIB).

The strategy work carried out with our entire personnel was a valuable experience and laid a solid foundation for future successes in accordance with our new guidelines.

WE WILL REVOLUTIONISE HOUSING

We will do our part to develop urban Finland and Finnish housing, together with our customers and partners. As the values of our customers are changing, we aim to enable customised housing through different services.

We will do our groundwork even better and renew our way of serving our customers. In the future, SATO customer relationship will stand for personal service, benefits, communal living and various housing options. To fulfill these objectives, we have launched three strategic development programmes. **Customer first**, **MySATO** and **Diversified housing concepts**.

All SATO employees are eager and engaged to make a change. This was visible, for example, in our personnel survey results that improved further from the year before. We are in an excellent position to continue our journey forward.

I wish to thank SATO's shareholders who made a significant investment in our company and urbanisation in Finland in 2016, and all members of our Board of Directors, our partners and our other stakeholders for their productive cooperation. Above all, I wish to thank our customers who fill SATO homes with life.

Saku Sipola

SATO IN 2016

OUR YEAR IN A NUTSHELL

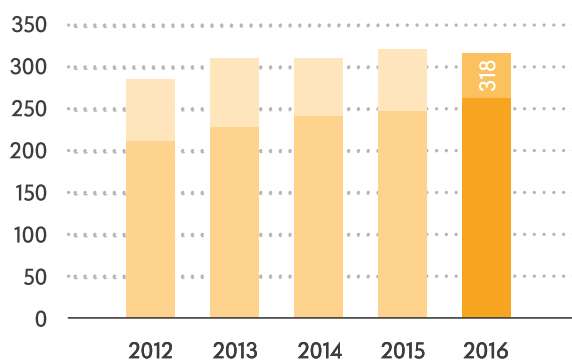
RECORD-HIGH INVESTMENTS IN HOUSING

- Housing investments stood at EUR 572.6 (250.5) million.
- A total of 3,381 (1,184) apartments were acquired or completed.
- A total of 1,232 (1,278) new apartments were under construction.
- After divestments, the number of apartments increased by 1,793 apartments
- Customer driven strategy focus resulted in the occupancy rate that improved during every quarter, rising from 94.8 per cent in the first quarter to 96.3 per cent in the last quarter. The full-year occupancy rate in Finland was 95.6 (96.4)%.

THE EQUITY RATIO STRENGTHENED

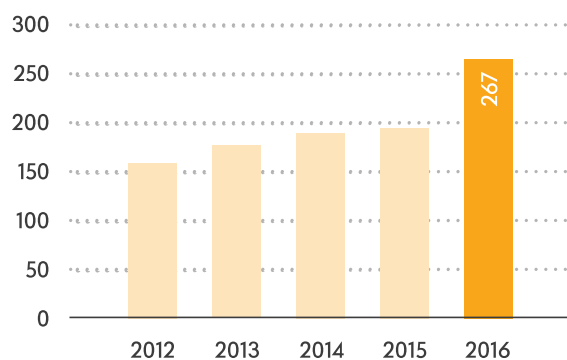
- Invested capital stood at EUR 3,196 (2,669) million.
- When evaluating business profitability, one of the key indicators is return on investment, which was 9.1 (7.6)%.
- Profit before taxes stood at EUR 219.4 (159.4) million. The improvement in profit is largely attributable to the positive change in the value of apartments, amounting to EUR 124.3 (62.4) million. The change in value is based on placing focus on smaller apartments in growing urban centres.
- The equity ratio strengthened supported by an increase in value and a capital investment made by our shareholders and the equity ratio was 35.2 (33.3)%.
- Net sales stood at EUR 318.0 (323.4) million, of which rental income comprised EUR 262.7 (249.4) million.
- Earnings per share was EUR 3.22 (2.49).

Net sales, MEUR

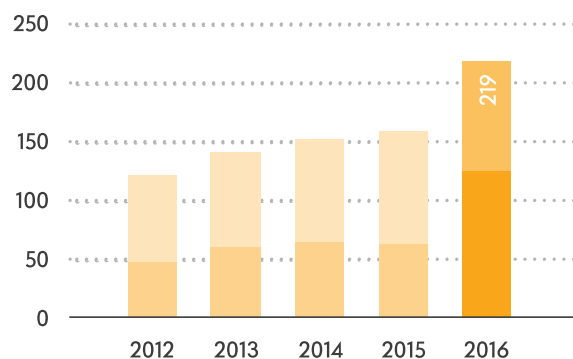


■ Proportion of rental income

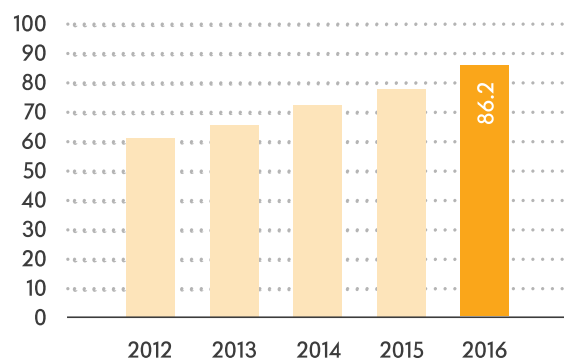
Operating profit, MEUR



Profit before taxes, MEUR

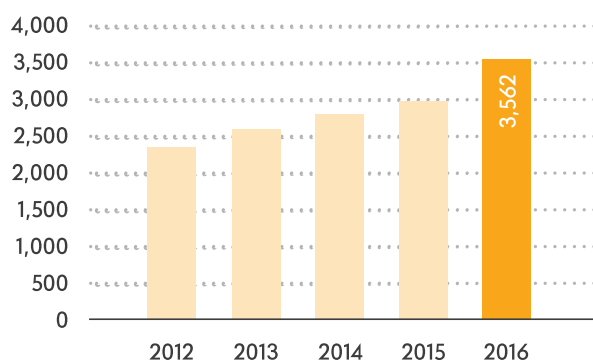


Cash earnings (CE), MEUR

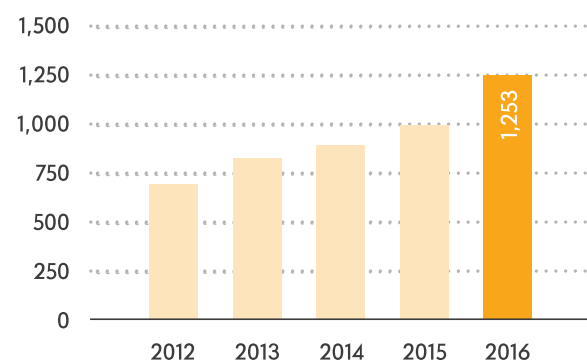


Change in fair value

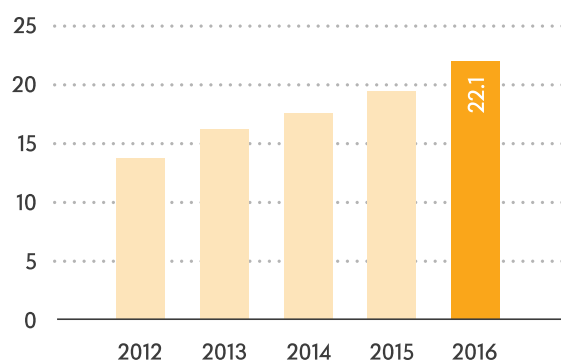
Balance sheet, MEUR



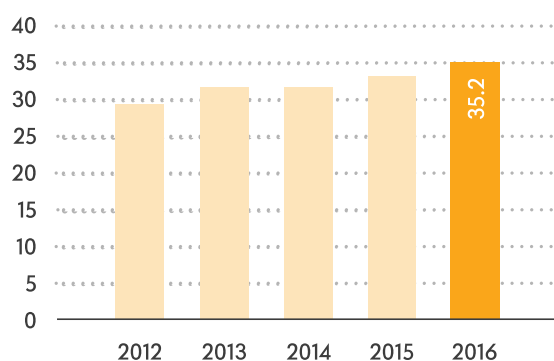
Shareholders' equity, MEUR



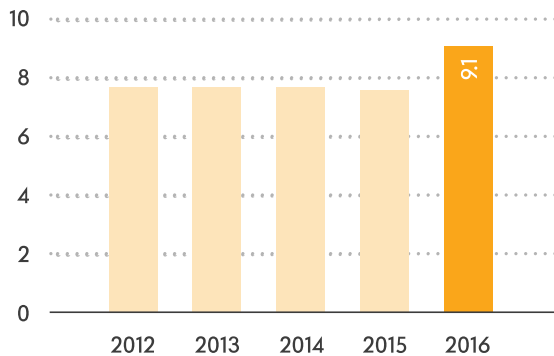
Equity per share, EUR



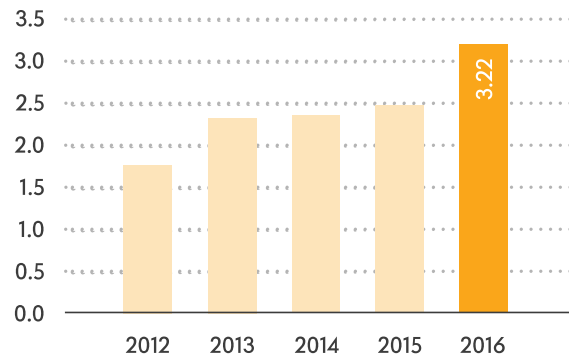
Equity ratio, %



Return on invested capital %



Earnings per share, EUR



SATO'S STORIES/AT HOME

A NEW WAY OF LIVING

A home is made by the people who live there. We support them by offering good apartments. We have developed SATO StudioHome and IdealHome solutions for affordable housing needs.

SATO STUDIOHOME

In a SATO StudioHome, you can live for a monthly rent of approximately EUR 500. The idea for the concept came from an innovation made by SATO's personnel and some young upper secondary school students. It is based on a unique and enjoyable communal living experience in a setting which features unconventional high-quality spatial and interior design solutions. In the concept, a home expands to cover not only the apartment, but also shared facilities in the building.

Residents have access to a studio apartment with a room height of three metres, a spacious loft and a separate balcony. Customised embedded furniture solutions save on floor space. The design of shared facilities has focused particularly on atmosphere and functionality.

The pilot site will be completed in Martinlaakso, Vantaa, at the end of 2017. Before its completion, we will plan the use of shared facilities and resident activities together with future tenants.

SATO IDEALHOME

We have identified proven apartment solutions on the basis of customer feedback and the experiences of our personnel. As a result, we have designed a modular range of apartments of different sizes. Hence, the IdealHome concept offers the best layouts that can be adapted to different building frames. These apartments have excellent functions and effective layouts.

Model apartments make it quicker to design new apartments and produce cost savings. What is more, customer satisfaction will improve thanks to the good price-quality ratio of the apartments. The first site where the IdealHome concept has been utilised is under planning in Vantaa.

Incredible, this feels like a two room apartment!

SATO'S STORIES/IN SOCIETY

BENEFITS FROM COMPLEMENTARY CONSTRUCTION

Complementary construction offers one way to increase the number of reasonably priced apartments. SATO has pending complementary construction planning projects for 2,000 apartments and potential projects for 1,500 apartments. Sped up by the construction of new buildings, residents are able to move in to a new apartment in a familiar area.

Together with the City of Helsinki, we launched a complementary zoning process in Kontula in autumn 2015 regarding the plots of some residential buildings owned by SATO.

RESIDENTS ENGAGED IN THE DEVELOPMENT OF KONTULA

During the zoning process, residents of neighbouring buildings were able to have an impact on the plans during public events where they provided us with valuable information about what they consider to be important. The participation and assessment plan was on display in spring 2016, when the city also arranged an event for residents.

NEW APARTMENTS GIVE MORE OPTIONS

The residents who took part in our events in Kontula considered complementary construction to be a positive aspect. The residents appreciate the options made available by new buildings, for example, in terms of lifts and accessibility. Many residents want to continue living in Kontula, even if their housing needs change, and they are attracted by modern apartments. We will ask SATO's current residents for their ideas for improvement, for example, regarding their outdoor areas and waste collection points.

*SATO to have 170 new apartments
on existing plots in Kontula.*

Complementary construction in Kontula will allow SATO to build approximately 170 new homes. The objective is to reach legal validity for the plan change in summer 2017 and to complete the project in 2018–2020.

SATO'S STORIES/AT HOME

RESIDENTS ACTIVELY ENGAGED IN THE WATER- SAVING COMPETITION

SATO's water-saving competition acts as a wake-up call and reminder for residents. The specific water consumption of SATO's buildings was approximately 400 litres per cubic metre, and our aim is to be below the level of 350 litres by 2020.

Water consumption was compared with the corresponding period the year before and the preceding six months in each building, and the building which was able to reduce its relative consumption the most was selected as the winner.

SIGNIFICANT SAVINGS THROUGH SMALL ACTIONS

We encouraged our residents to monitor their use of water and to reduce their water consumption for six months. The winning building in Härmälänranta, Tampere, saved much more water than other buildings, approximately 25 per cent compared to the preceding six-month period, and approximately 30 per cent compared to the corresponding period the year before. Taking shorter showers was the number one tip from the building's residents. Other tips included washing the dishes in the dishwasher instead of using running water and washing the laundry using the washing machine's energy-saving programme. Many were surprised by how much savings could be achieved through small actions.

In total, the participating buildings were able to reduce their water consumption by one per cent from the year before.

Residents of the winning building guarantee that they will continue to save water.

THE IMPROVEMENT OF WATER CONSUMPTION TO BE CONTINUED

In addition to the water-saving competition, we will promote the reduction in water consumption in many other ways. A leaking toilet or tap consumes litres of water on an annual level. Monitoring water consumption and installing water-saving fixtures in apartments are part of SATO's regular property maintenance. During larger repairs, we focus on technical solutions that help us to reduce our water consumption.

This competition made me observe what I do at home more closely.

SATO'S STORIES/IN SOCIETY

GIVING A NEW LIFE TO A WEAVING MILL

SATO is actively exploring possibilities to increase its range of apartments in the Helsinki Metropolitan Area. Changing the purpose of a building's use extends the lifecycle of existing buildings and offers a setting in a central location for personal apartments that our customers are increasingly expecting.

The building in Kutomotie 14 a is situated in the Tali district in Helsinki, and it was originally designed by Erkki Huttunen in the 1940s as a weaving mill.

A WEAVING MILL CONVERTED INTO APARTMENTS

During the first phase of the Kutomotie building, it was home to industrial weaving facilities, as well as offices and packaging and shipping rooms. Helsingin Puhelinyhdistys acquired the building in the 1950s, after which it has mainly been used as an office building. SATO purchased the building in 2014.

The building is protected in the local plan, and SATO developed the local plan together with the City of Helsinki. The building underwent a thorough modernisation, and it was converted into apartments. The modifications were completed in December 2016, and the building has started its new life with 63 SATO RentHomes.

Kutomotie 14 a is part of the Tali residential area where SATO has so far developed and built 260 rental apartments and 105 owner-occupied apartments.

SPACIOUS APARTMENTS WITH A FUNCTIONAL LAYOUT

Balconies were added to the protected facade of the building, but otherwise the facade was maintained in its original form. Existing beam structures were maintained and wooden-frame windows matching the original ones were fitted indoors. Stairways were also modernised respecting the history of the building.

The tall spaces of the former industrial building were utilised in the design process, and spacious lofts were built in some apartments. Apartment sizes vary between 34 and 54 square metres. The taller rooms, large windows and loft solutions add light and space to the apartments.

SATO'S STORIES/AT HOME

PANCAKES AND FRIENDS

We want to listen to our customers more closely, and serve our customers better in their everyday lives as well as help them in any home-related problems. In order to learn from one another, we started building-specific meet and greet events between SATO, building management and maintenance and residents in March 2016.

During meet ups in home buildings, we talk about what it means to be a neighbour or part of a community, or about the condition of the homes and buildings, and also about rents. We also tell the residents about the possibility to renovate their apartments, present the building's rescue plan and talk about waste sorting. There is also always a maintenance employee who the residents can ask to suspend gymnastics rings from the ceiling or fix a leaking tap.

FEEDBACK PROVIDES ENCOURAGEMENT

People from many apartments, often nearly 20 residents, usually attend these meet ups.

"It was nice that all the contact people were there. We were heard and we also listened," said a resident from Vantaa,

giving positive feedback via email. In Tapulikaupunki, Helsinki, we met a couple who had lived in a 40-year-old building since its completion and a granny who wanted to give hugs. In a building in Oulu, neighbours needed a maintenance man to carry out small tasks and, in Lahti, residents planted 100 bulbs outside their building.

We have received nothing but positive feedback for these events, and we will continue to meet our residents at meet ups in home buildings in spring 2017.

"Osku, our substitute maintenance man in Kannelmäki, had made pancakes in honour of the event."

SATO'S STORIES/IN SOCIETY

RENEWABLE ENERGY UTILISED IN ESPOO

The buildings in Kilvoituksentie are heated by geothermal heat. Using the automation systems of the buildings, we are able to monitor in detail how different adjustments and building solutions affect energy efficiency during the use of the buildings.

ENERGY EFFICIENCY ABOVE THE REQUIREMENT LEVEL BY MORE THAN 20 PER CENT

In Kilvoituksentie 1, energy efficiency is the sum of many parts. In terms of structures, we focused particularly on the thermal insulation and tightness of walls and windows. The temperatures of the heating system have been dimensioned so that geothermal heat can be used as effectively as possible and the energy required for cooling can be obtained from geothermal wells during summer. The property uses wind power supplemented by solar panels as its energy source.

The heat recovery system is also more effective than normal. All apartments are equipped with water-saving fixtures and the lighting system uses LEDs and motion sensors.

ENVIRONMENTALLY CONSCIOUS CUSTOMERS

Thanks to the energy sources used, the Kilvoituksentie property only produces greenhouse gas emissions from household waste. The buildings are more than enjoyable as indicated by the NPS of 59 among its residents. The cosy environment, the eco-friendliness of the building and how the building blends into nature received special recognition. Other positives were our customer service and functional apartment layouts.

In Kilvoituksentie 1, energy efficiency is the sum of many parts.

GENERAL OPERATING ENVIRONMENT

POSITIVE SIGNALS, CAUTIOUS INTERPRETATIONS

Finland stepped out of recession during the reporting year, even though demand for Finnish exports has not recovered as expected. However, economic growth is expected to continue because estimates of the recovery of the global economy have strengthened to some degree and the competitiveness pact for the labour market increases our competitiveness in international markets.

In the eurozone, structural changes have been implemented slowly, which may decelerate economic growth in the region.

UNCERTAINTY IS THE NEW STANDARD

At present, there are a number of global risks. The consequences of Brexit and the new president of the United States are yet unknown, the development of the geopolitical situation is difficult to estimate and conventional economic standards do not seem to apply in the current operating environment. These factors will cause uncertainty over the global economy for a long time to come.

RECOVERY STARTED

In December, The Bank of Finland stated that the Finnish economy has undergone a slight upturn. Even though this growth is largely based on private consumption and building investments, production investments are also showing signs of recovery. During 2016, industrial production grew for the first time in four years. However, the GDP has not even reached the 2008 level.

EMPLOYMENT SHOWING SIGNS OF IMPROVEMENT

The working age population is becoming smaller, which can be seen in the increase in job vacancies. Furthermore, consumption-based growth in the national economy has created more jobs, especially in services and construction. Even though the employment situation continues to improve, the unemployment rate is decreasing slowly due to imbalance between the supply and demand of jobs. The number of

long-term unemployed is alarming and decelerates economic recovery.

MODERATE RATE OF INFLATION

The rate of inflation accelerated towards the end of 2016, while the increase in prices is expected to remain moderate, close to 1 per cent. However, the increase in the prices of energy and raw materials may speed up the rate of inflation.

During the reporting year, the competitiveness pact signed by labour market associations curbs salary increases and the pressure to increase prices. The tax cuts promised by the Finnish Government, combined with low interest rates, support purchasing power.

POPULATION DEVELOPMENT

According to advance information issued by Statistics Finland, Finland's population increased by 15,000 people in 2016, being approximately 5.5 million at the end of the year. The most important reason for this population growth was immigration as the number of people moving in was approximately 16,000 higher than the number of people moving out. There were 984 more deaths than births. Immigration speeds up urbanisation and brings much sought after new workforce.

CONSUMERS SHOWING STRONG CONFIDENCE

The increase in private consumption has been strong considering the general trend, and consumer confidence is at its highest since spring 2011 and clearly above the long-term average. The improved employment situation has increased

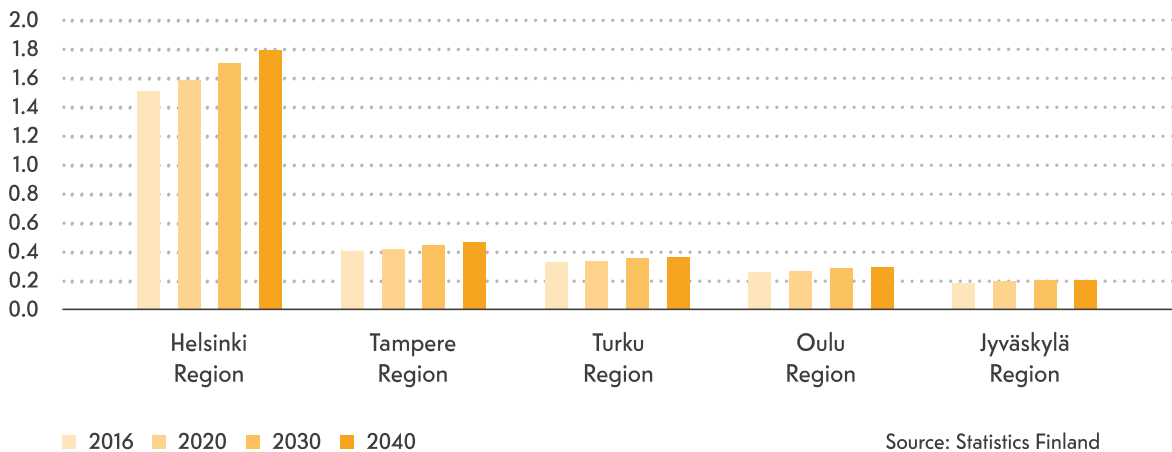
confidence among consumers. This increased confidence indicates that the outlook on new economic growth has strengthened in Finland.

RUSSIAN ECONOMY RECOVERING

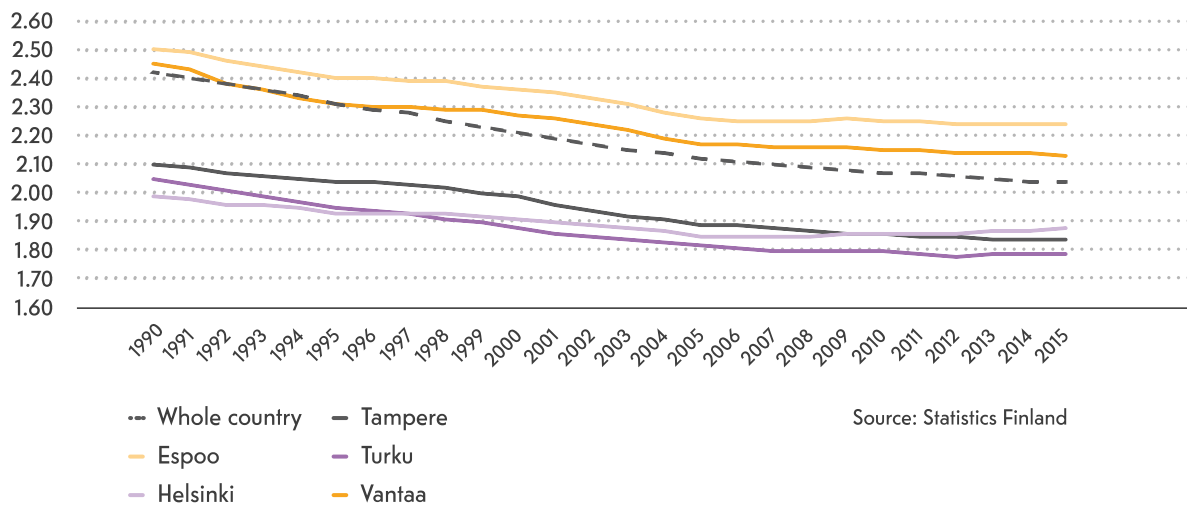
The Russian GDP decreased at the beginning of the year but evened out towards the end of the year because of the increase in oil prices and the agreement signed by OPEC members to restrict oil production in 2017. After this

agreement was announced, the price of oil and the exchange rate for the Russian rouble increased rapidly. As the economy recovers and Russia's income from exports increases, imports are expected to grow moderately. During the reporting year, the rate of inflation was close to 5–6 per cent, but its deceleration is estimated to be caused by temporary factors. Russia's national economy still involves a number of risks associated with geopolitics and raw material prices.

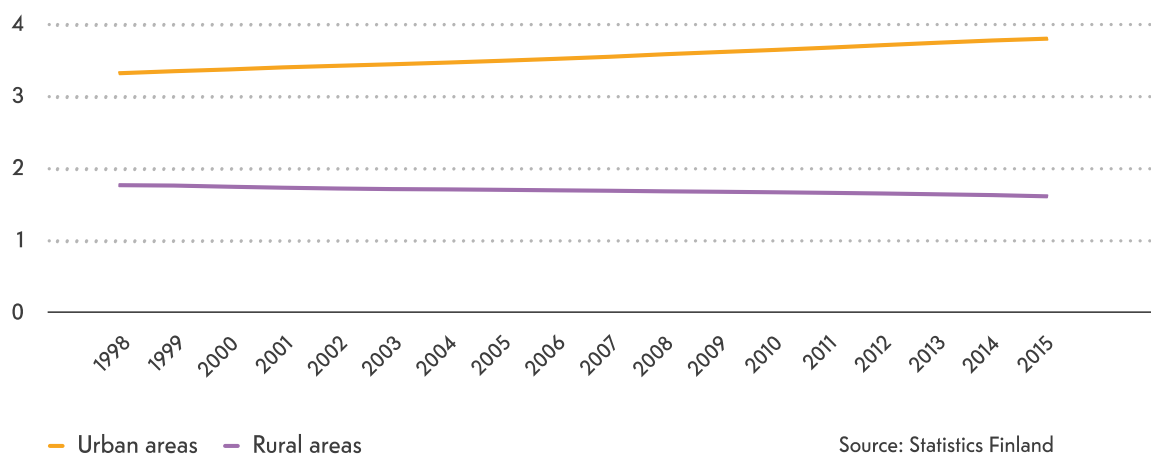
Forecast population by region 2016–2040, million people



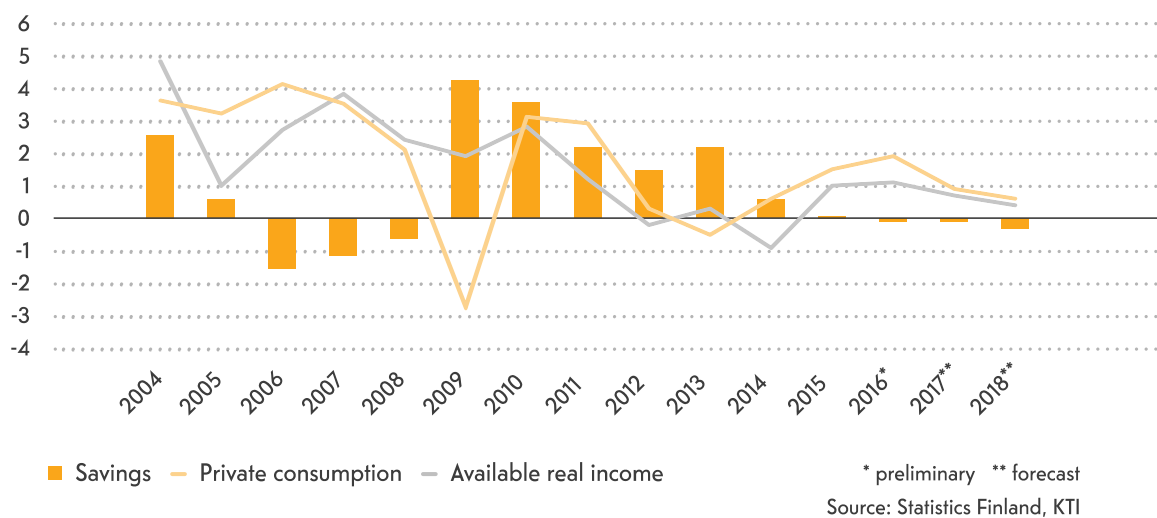
Average size of households in 1990–2015, persons



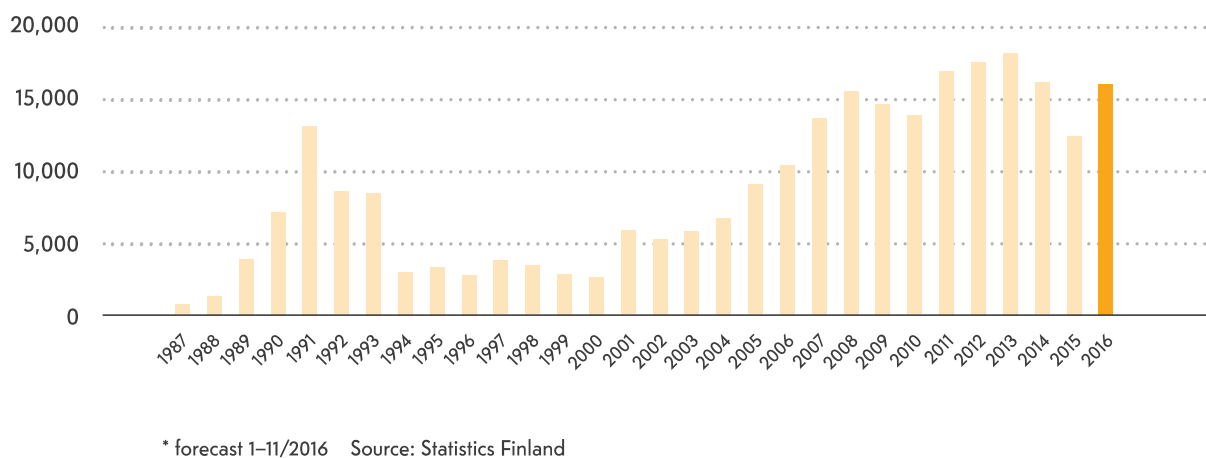
Urbanisation 1998–2015, million people



Real income available to households, consumption and savings in 2004–2018, MEUR



Net immigration 1987–2016, number








MEGATRENDS

FUTURE HOUSING IS NOW BEING DONE

As a result of megatrends, such as globalisation, digitalisation and sustainable development, the production structure will undergo major changes, for which the ongoing urbanisation offers a response. Urbanisation is essential for the international success of a country like Finland: innovation, businesses and jobs are mainly created in urban environments where people and ideas meet.

Megatrends 2016

TRENDS	IMPACT	OPERATIONS IN 2016
 GLOBALISATION	More international customers, competition and financing	<ul style="list-style-type: none"> • Service in different languages • Cooperation with international investors
 DIGITALISATION	Electronic transactions through different channels	<ul style="list-style-type: none"> • Development programme for digital services: FindAHome and MySATO
 SUSTAINABLE DEVELOPMENT	Increased importance of energy efficiency and sustainable operating methods	<ul style="list-style-type: none"> • Energy efficiency investments EUR 1.3 million • Award-winning sustainability reporting • New Code of Conduct
 URBANISATION	Increased need for apartments Smaller households	<ul style="list-style-type: none"> • Growth investments in the Helsinki Metropolitan Area, Tampere and Turku • Complementary construction and new housing concepts
 AGEING POPULATION	Increased need to combine housing and services	<ul style="list-style-type: none"> • MySATO development programme

HOUSING MARKETS

THE LATEST IN THE REAL ESTATE MARKET


The housing market recovered during the year: apartment construction increased, the number of transactions grew and housing investments were active. Apartments formed the most attractive sector in real estate investments.

The largest cities had several new residential areas under construction. However, the long-term need for apartments will exceed the level of supply, unless the current pace of housing construction can be continued. Urbanisation is speeding up in Finland, we are still behind other European countries.

URBANISATION CONTINUES

Because education, jobs and innovation activities are concentrated in cities, urbanisation is regarded as an inevitable phenomenon which is essential for the future of Finland.

Nearly half of Finland's urban population live in the six largest cities. People move into these cities from other municipalities, and in recent years, roughly half of people moving in come from abroad. The largest cities also attract people moving from other parts of Finland, most of whom are young people.

A functional rental apartment market also promotes the mobility of the workforce and the acceptance of a study place.  There should be a sufficient supply of rental apartments in order to maintain rents at a reasonable level.

PROMOTING AFFORDABLE HOUSING

The aim of the Government is to reduce statutory regulations in order to improve innovation and employment. This aim has been poorly fulfilled in the real estate industry. To promote affordable housing, a number of means have been identified, but they have not been reflected in legislation or regulatory provisions. The pricing of planned plots, taxes on construction and housing and requirements set for civil defence shelters, together with parking and other standards that increase costs, remain unchanged.

To promote affordability, SATO uses the means that are available in the current regulatory environment. These include a growing range of apartments, complementary construction in the existing urban structure, smaller apartment sizes without making any compromises on the quality of residential life and the provision of services included in the rent.

The regulatory environment needs to be changed to promote affordable housing.

RECORD-HIGH PRODUCTION OF PRIVATELY FINANCED HOUSING

Some 20 per cent more new apartments were sold in 2016 than in the previous year, while the volume of existing apartments sold increased by 5 per cent. The high demand for apartments is reflected in the volume of building production. It is estimated that there was an increase of 20 per cent in building construction, with approximately 35,000 apartments being constructed in 2016. According to the VTT Technical Research Centre of Finland, Finland needs 25,000–30,000 new apartments every year, depending on the regional population development. The balance of supply and demand is the only factor which curbs the level of prices and rents.

Broader range of rental apartments.

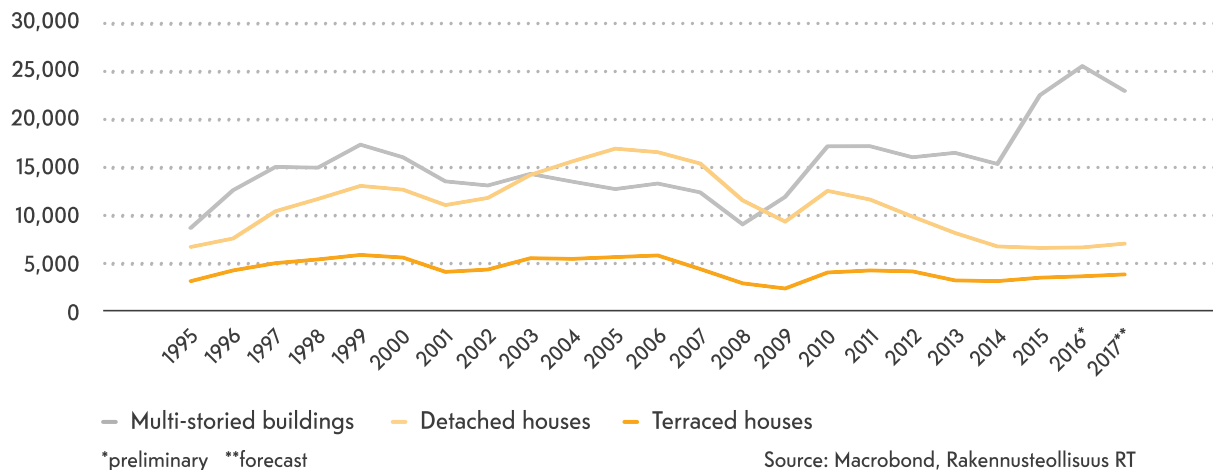
Building construction is supported by the recovery of the labour market and internal immigration towards growth centres. Furthermore, low interest rates and the availability of financing strengthen the investment environment, and households also have stronger faith in the future. In addition,

the extensive need to renovate existing apartments will maintain the level of investments.

of rental apartments. However, in 2017, construction is expected to decrease to 34,000 apartments.

High demand for apartments, combined with the interest shown by investors, create conditions for the construction

Housing starts 1995–2017, number



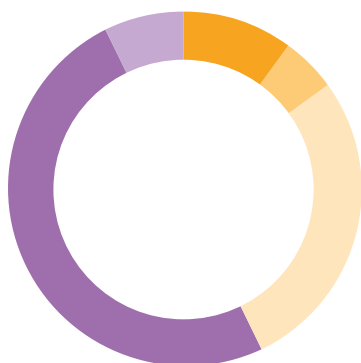
RENTAL APARTMENT MARKETS RAISE INTEREST

Demand for rental apartments has remained high, and the production of new rental apartments is at a record-breaking level. Low interest rates make properties attractive to investors whose profit requirements are historically low. Apartments have become the most attractive sector in the field of real estate investments and, during

the year, foreign investors also emerged in the markets. During the reporting year, housing investments accounted for approximately 40 per cent of the largest property portfolio transactions.

The strong growth in housing investments has increased the range of rental apartments and temporarily balanced the ratio between supply and demand in many areas. This has also increased apartment turnover.

Parties that own rental homes, %

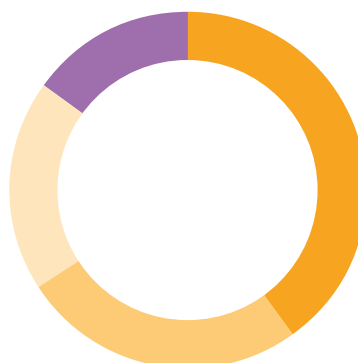


- Housing investment companies 10%
- Funds and institutional investors 5%
- Municipal owners 28%
- Private investors 50%
- Foundations, foreign investors, etc. 7%

Total volume approximately 900,000 rental apartments

Source: SATO's estimate

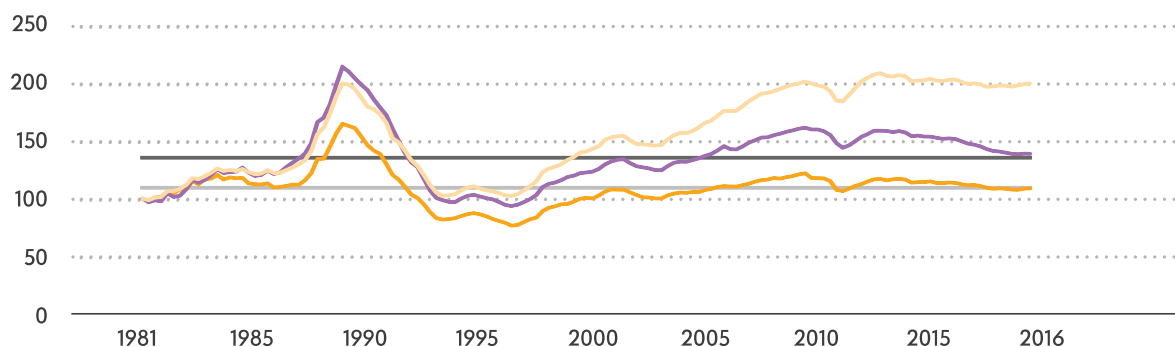
Distribution of property transactions in Finland in 2016, %



- Residential properties 40%
- Retail and shopping centres 26%
- Office properties 19%
- Others 15%

Source: KTI, EY

Relative prices of homes 1980–2016, index 1981/1 = 100



- House prices in relation to consumer prices
- House prices in relation to rents
- House prices in relation to wage earners' income level
- House prices in relation to rents: long-term average
- House prices in relation to wage earners' income level: long-term average

Source: Statistics Finland and calculations from the Bank of Finland

Housing prices in St. Petersburg 2005–1/2017, €/m²



Source: Bulletin Nedvizhimosti

PRICES STILL ON THE UP

Regional differences in apartment prices have increased. During the reporting year, the prices of existing apartments in terraced houses and multi-storied buildings increased in the Helsinki Metropolitan Area by 3 per cent from the previous year, whereas the prices went down by 2 per cent in other parts of Finland.

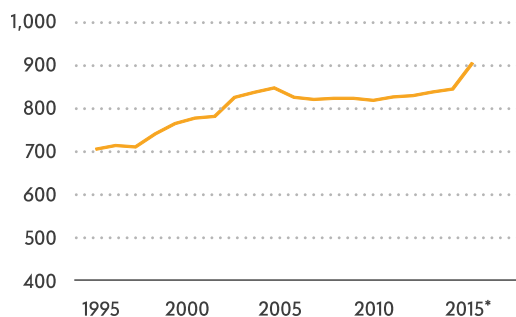
According to Statistics Finland, the annual increase in rents of privately financed apartments was 2.5 per cent in the Helsinki Metropolitan Area and 2.3 per cent in other parts of Finland. Rents of ARA apartments went up by nearly 3 per cent throughout the country. Even though SATO has divested its apartments in locations with a smaller population and focused on smaller apartments in growing urban centres in order

to support urban development, the annual change in the average rent of our apartments was roughly 0.5 per cent. The development in rent levels is expected to remain moderate.

INVESTMENTS AND NEW CONCEPTS AND SERVICES FOR SATO

Urbanisation and immigration provide good long-term conditions for continued housing investments in Finland. As competition remains fierce, SATO will invest in growth centres, develop new solutions for affordable housing, increase its range of apartments through complementary construction in existing areas, and develop diverse services and benefits for its customers.

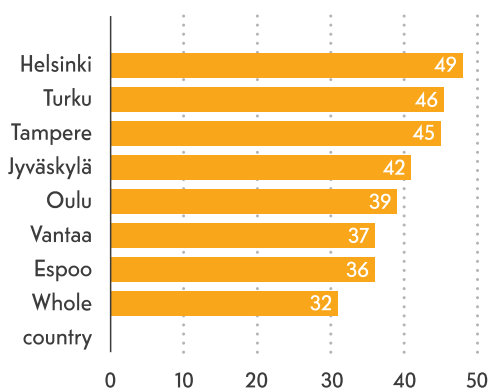
The rented housing stock in Finland 1995–2015, thousand units



* change in statistics behaviour in 2014 whereby all vacant rental homes in all rental buildings are to be taken into account

Source: Statistics Finland

Share of rental homes of all permanently occupied homes in 2015, %



Source: Statistics Finland

OUR STRATEGY

CUSTOMER DRIVEN STRATEGY FOCUS



During the reporting year, we thoroughly considered the core of our operations and any needs to make changes. All of our personnel were engaged in the strategy process. We analysed the impact of key trends on our operations in the future and the most significant current changes in the operating environment and consumer behaviour. As a result, we updated our vision, mission, strategy, including our main targets, and dividend policy, and our Board of Directors approved these in the autumn.

Globalisation, digitalisation and sustainable development are accelerating the rate of urbanisation and changing people's values and actions. The cornerstone of our strategy is that housing must also be able to change.

WHAT WILL STAY THE SAME

SATO is a company which offers and produces rental apartments. We maintain our range of apartments in accordance with the lifecycle principle and invest actively in new rental apartments in order to broaden our range and to grow. We operate in the Helsinki Metropolitan Area and its commuter areas, Tampere, Turku, Oulu and Jyväskylä in Finland. We also operate in St. Petersburg in Russia.

WHAT WILL CHANGE

We will create a well-functioning cooperation network to offer diverse housing and services for different needs and for the benefit of our customers. We have launched three strategic development programmes: Customer first, OmaSATO digital services and Diverse housing concepts.

In the **Customer first programme**, we set the customer as the driver of our operations, improve our services and interact more closely with our customers. From spring 2017 onwards, we will mainly handle our customer relationships ourselves. We will bring back building management to be operated in-house, increase the interaction with customers and improve the management of our customers. We will also change our management model.

The objective of the **OmaSATO programme** is to speed up digital services and develop them together with our customers to produce added value in housing. The first phase of the programme is the FindAHome service which will be released in the spring of 2017.

As a result of urbanisation, housing needs are becoming more varied and the range of apartments needs to be broader. In addition to service development, we want to offer other options for current solutions **through new concepts**.

We will target our growth investments in the Helsinki Metropolitan Area, as well as Tampere and Turku where the demand for apartments and the expected value development are the highest.

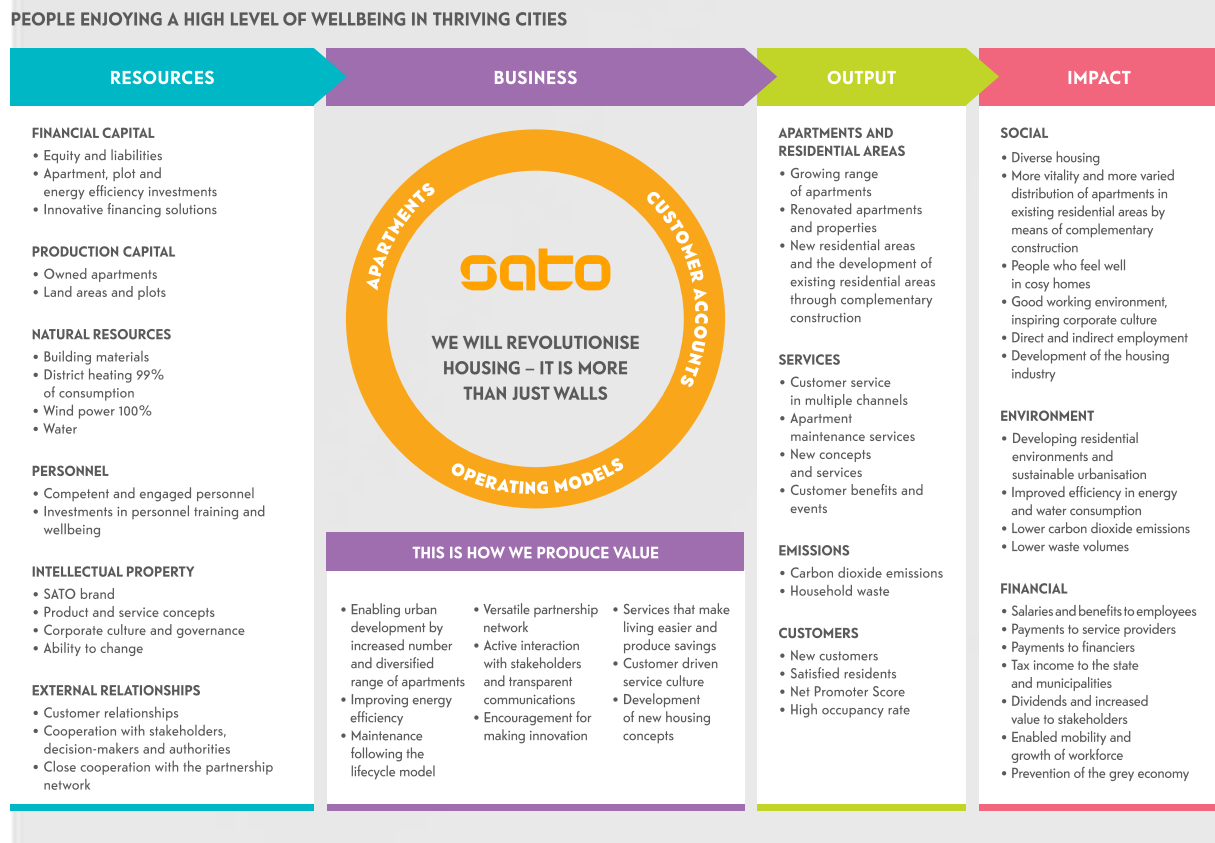
STRATEGIC GOALS AND DIVIDEND POLICY

The role of financing is emphasised in the creation of capacity 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 per cent. In addition, our strategic objective is a constantly improving Net Promoter Score (NPS) among our tenants.

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

VALUE CREATION

HOUSING SERVICES PROVIDE WELLBEING FOR MANY



SOCIETY

We develop housing for the changing needs of society. SATO's broad and growing range of apartments enables people to relocate for work and, therefore, supports urban development and creates preconditions for growth. We develop housing for the changing needs of society. In addition to providing jobs for our employees, we also create jobs indirectly. Taxes and public utility fees produce direct financial value for society.

INDIVIDUALS

SATO creates wellbeing for its customers by offering diversified housing solutions, as well as related services and benefits. For our personnel, we offer meaningful

work, occupational wellbeing services and a competitive salary. Shareholders obtain value from changes in the value of apartments and dividends paid. We create job opportunities and pay remuneration within our network of professionals.

ENVIRONMENT

We reduce greenhouse gas emissions of our operations by improving energy efficiency in our apartments and by targeting new investments close to good public transportation routes.

Value creation to stakeholders has been opened in more detail under [At home](#), [In society](#) and [Partnerships](#).

STAKEHOLDERS

CLOSE COLLABORATION WITH STAKEHOLDERS

SATO's stakeholders include parties affected by our operations, as well as parties whose operations affect the company directly or indirectly. Interaction with stakeholders promotes the identification of material aspects to business and corporate responsibility, the definition of goals and their attainment. Our strategic goals support the wellbeing and goals of our stakeholders.

Identification of stakeholder groups, development of stakeholder work and assessment of operations are included

in strategy work, management and plans of operations. Main stakeholders were identified on the basis of internal analysis. The analysis took into account the impacts of cooperation on implementation of the strategy and on achieving the goals, as well as on the ability to produce together added value for both parties and other stakeholders.

The main stakeholders include customers, personnel, owners and financiers, partners and service providers as well as society.

Key themes for stakeholders	Impact on SATO's operations	Stakeholder engagement and channels for interaction	Level of impact
Customers			
Correct price-quality ratio for homes	Home-specific pricing, maintaining the condition of properties and homes, continuous market benchmarking, service development	Customer surveys and feedback, social media, sato.fi, tenant meetings, resident forum	***
Fluent services to customers and customer engagement in development activities	Digital services, diverse service channels	Customer service and feedback, sato.fi, social media, resident forum	***
Financiers			
Sustainable investment	Maintaining profitability, growth, sustainable operating methods	Investor and financier meetings, financial reports, bulletins, GRI reporting, GRESB	*
Transparent operations	Good and transparent governance and communications	Meetings, website, reviews	*
Shareholders			
Sustainable investment	Maintaining profitability, value increase, sustainable operating methods	Strategic work, shareholder meetings, annual general meeting, board meetings, financial reports, bulletins, GRI reporting, GRESB	*

Transparent operations	Good and transparent governance and communications	Meetings, website, reviews	*
Good management	Development of the management system, supervisory work and corporate culture	Board work, strategic work	*
Personnel			
Wellbeing at work	Extensive healthcare services for all SATO employees in Finland, early intervention model, support for exercise and recreational activities, occupational safety	Personnel events, performance appraisals, interaction with supervisors, cooperation teams between the personnel and employer, engagement in exercise and recreational activities, activities of the labour protection committee and industrial safety delegates	*
Inspiring company culture, management and supervisory work	Training for supervisors, training in self-management and interaction skills	Performance appraisals, personnel surveys, measurement of management behaviour, rewarding of personnel	*
Competence development	Training opportunities, coaching, mentoring, job rotation	Performance appraisals, personnel surveys, SATO's work and development groups, engagement of the personnel in strategic work and operational planning, training sessions	*
Partners and service providers			
Sustainable procurement principles	Centralised procurement, long-term partnership and service agreements, purchasing guidelines and criteria, quality control, instructions for preventing the grey economy	Bidding processes, negotiations, agreements and guidelines, steering and work groups for cooperation with partners, general development projects in the real estate industry, supplier audits	*
Society			
Development of rental housing	Provision and development of high-quality homes and associated services, planning development, active interaction with different stakeholders, activities in industrial associations	Cooperation with authorities, participation in general projects in the real estate industry	**

Reduction of adverse
impact caused by climate
change

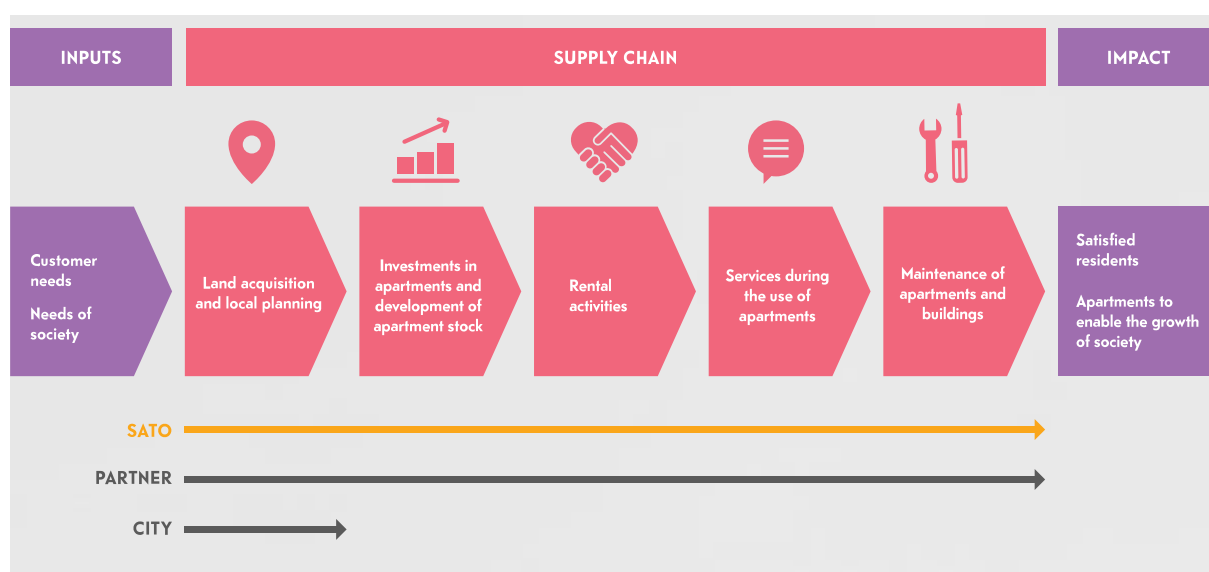
Energy efficiency objectives and
actions, commitments with the state
and the City of Helsinki

Cooperation with authorities, * *
participation in general
projects in the real estate
industry

Group level *, Group and property level **, Group, property
and home level ***

SUPPLY CHAIN

THE SUPPLY CHAIN PROVIDES JOBS AND PRODUCES VALUE FOR STAKEHOLDERS



We are responding to the housing needs of our customers and society by engaging in close cooperation with the authorities and our supply chain.

Through the good management of our supply chain, we can maintain a high level of quality and produce value for our customers.

OPPORTUNITIES FOR CONSTRUCTION THROUGH LAND ACQUISITIONS AND ZONING PROCESSES

Through zoning development and land acquisitions, we create opportunities for building apartments to match general demand for the increasing need for rental apartments in society and for the continuity of our investment activities. Our aim is to build versatile and high-quality apartments for rental housing. We strengthen sustainable urban development

by promoting complementary construction in built-in areas to offer more housing options in the existing urban and service structure. Cities are responsible for their zoning processes. SATO takes part in zoning development as an expert and, if necessary, uses additional consultants as specialists.

INVESTMENTS INCREASE THE OFFERING OF APARTMENTS

Through investments, we build and acquire new apartments, repair apartments we own, improve their energy efficiency and develop the distribution of apartments to match the needs of our customers. New rental apartments in growth centres promote the mobility of the workforce and urban development. We work with architects and specialists when designing apartments, and we order construction work from

contractors and supervisory activities from consultants. We steer the design process and inspect new apartments, or order their inspection by third parties to ensure their high level of quality from the start. We purchase existing apartments from other property owners.

WE HELP OUR CUSTOMERS TO FIND A HOME

We mainly handle apartment letting and marketing ourselves. We want to understand the housing needs of our customers and find a home that matches their needs. Our aim is to have satisfied customers and to serve them quickly. If SATO does not have an organisation in a specific region, one of its partners will offer rental services.

ENJOYABLE LIVING

We want that our customers feel at home in our apartments

and that we can support their wellbeing. We are developing services to make the lives of our customers easier and produce savings. We take good care of the wellbeing of our customers, together with our extensive cooperation network.

MAINTENANCE OF APARTMENTS AND BUILDINGS

Our property maintenance services ensure that our apartments maintain their condition and value. An enjoyable and properly looked-after building and outdoor area have an impact on the living experience. SATO is responsible for the management of apartment maintenance and for ordering major repairs. We acquire maintenance and cleaning services from maintenance companies, and supervise the quality of maintenance ourselves. We monitor the consumption of energy and water in our apartments, and we carry out activities that improve energy efficiency, together with our service providers.

SATO HOMES

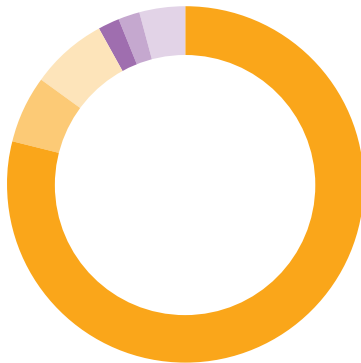
SATO HOUSES RESPOND TO NEEDS AND HOPES

Urbanisation increases demand for services and creates new jobs. Secured mobility of the workforce and increasing immigration require a broad and sufficient range of apartments that fulfil different needs. With its 25,000 apartments, SATO responds to the diverse wishes of people living in cities, while supporting the wellbeing of individuals and society. Our aim is to develop new housing concepts for changing needs.

The location of an apartment remains one of, if not the most important criteria for our customers.  Location also has significant impact on the development of the value of apartments, and that is why we have allocated our housing assets to apartment sizes and areas showing growing

demand in the long term. SATO homes are close to public transportation routes and services, which helps us to reduce the carbon footprint caused by our operations.

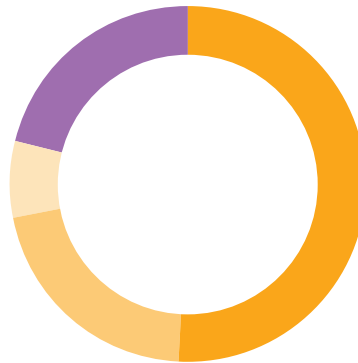
Regional distribution of the housing portfolio,
31 Dec 2016



- Helsinki Metropolitan Area 79%
- Turku region 6%
- Tampere region 7%
- Jyväskylä region 2%
- Oulu region 2%
- St. Petersburg 4%

Total housing portfolio MEUR 3,383

Distribution of housing by area,
Helsinki 31 Dec 2016



- South 51%
- West 21%
- North 7%
- East 21%

Total housing portfolio MEUR 1,396

SATO RENTHOMES

SATO RentHomes offer a solution to those who want a long-term home from a reliable lessor. Rental income from apartments and the development of the value of apartments are prerequisites for the profitability of our business operations.

In the largest cities of Finland, households of one or two people account for 70–80 per cent of all households. In recent years, the proportion of living costs from income has increased, which has strongly directed demand towards smaller apartments. Instead of space, people appreciate functional solutions, a balcony and high-quality surface materials. Of all SATO RentHomes, 70 per cent are 1 and 2 bedroom apartments.

The average size of SATO RentHomes is 56 m².

Our apartments are homes for our customers, and we want them to enjoy their homes. We take good care of the condition and cleanliness of buildings and outdoor areas. During regular maintenance visits, we inspect any need for maintenance in apartments, and the building manager coordinates all repairs performed in buildings. Our residents can also renovate their homes using SATO's Omatoimi (DIY) renovation kit, which includes optional materials and tools for a facelift.

The rent includes a fast broadband subscription.

SATO RentHome	2016	2015
Number of properties	742	712
Total number of apartments	25,344	23,551
Rental apartments	24,605	22,461
Shared-ownership apartments	739	1,090
Floor area of apartments, m ²	1,408,407	1,334,595
Average size of apartments, m ²	55.6	56.7
Fair value of apartments, MEUR	3,383.2	2,752.9
Net rental income of apartments, MEUR	166.2	151.8
Increase during the reporting year, %	9.5	2.4
Net rental income of apartments, %	5.6	6.0

SATO HOTELHOMES

In global work communities, shared projects set needs for the temporary relocations of employees from one country to another, requiring that an apartment is offered for the duration of the project. Getting a temporary apartment may also be difficult during changes in life changes. Our solution for temporary housing needs is SATO HotelHomes where the stay can range from a few days to several months.  SATO HotelHomes offer home-like housing in stylishly furnished apartments, including a fully equipped

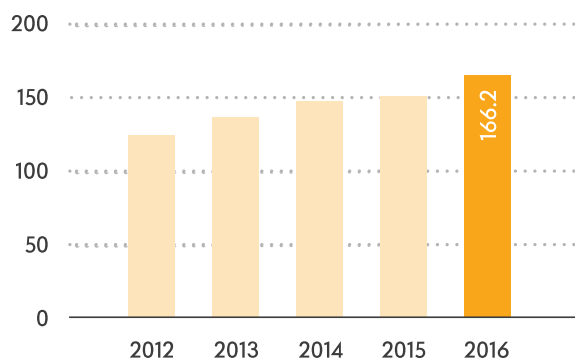
kitchen and modern electronical appliances. Our service includes linen, cleaning and Wi-Fi.

We have 2 HotelHomes in Helsinki and 1 in Espoo. Our objective is to increase the number of HotelHomes.

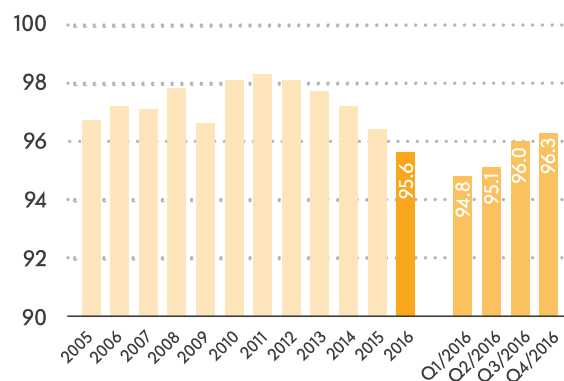
179 SATO HotelHomes apartments in the Helsinki Metropolitan Area.

SATO HotelHome	2016	2015
Number of properties	3	3
Total number of apartments	179	179
Number of lease agreements	7,461	5,348
Average duration of lease agreements, days	8	9

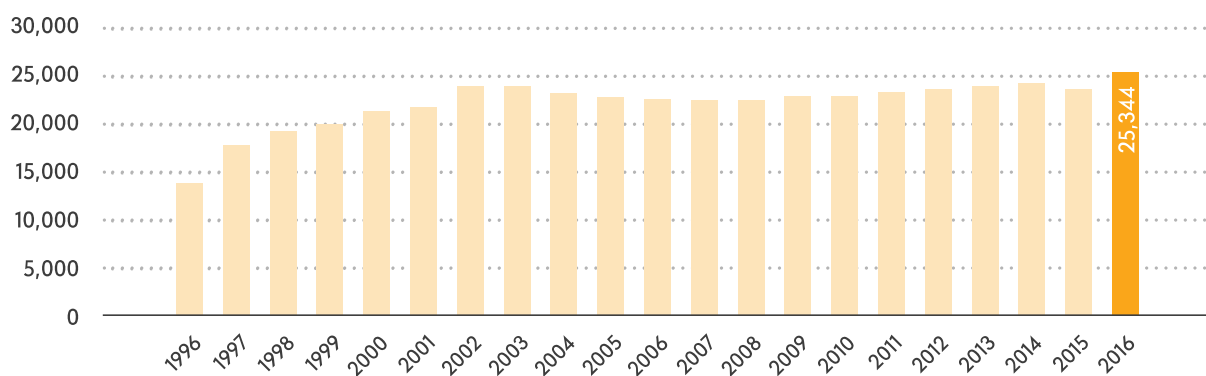
Net rental income, MEUR



Financial occupancy rate of rental housing, %



Trend in the housing portfolio, number



RENTAL ACTIVITIES

WE WILL FIND A NEW HOME FOR OUR CUSTOMERS

Effective rental activities ensure that we can quickly find a new home for our customers. Rental services are mainly offered by SATO's rental offices. In addition, SATO's electronic channels make finding a home easy for customers.

DEMAND FOR RENTAL APARTMENTS

During the reporting year, demand for rental apartments was high. We signed a total of nearly 11,000 lease agreements as a result of the increased number of apartments, showing a growth of roughly 10 per cent from the year before.

SATO's customers showed the highest demand for one bedroom apartments, with studios and two bedroom apartments following close behind.

26% of the rental agreements were signed digitally.

CUSTOMER NEEDS LEADING THE WAY

Expectations set for housing have changed and diversified. Our objective is to set up long-term customer

relationships, which is why we identify the wishes of every customer in order to find the best possible home.

In the spring 2017, we will launch the new FindAHome service on our website. Using the service our customers can quickly and easily find their dream home.

MAKING CHANGING AN APARTMENT EASY FOR SATO'S CUSTOMERS

During the year, roughly 2,000 contractual customers moved from one SATO apartment to another. Our aim is to make the moving process as quick and flexible as possible. We are improving our services to make the changing apartments even easier.

Rental activities in Finland	2016	2015
Average rent of apartments, EUR/m ² /month, at the end of the review period	16.47	16.39
Financial occupancy rate, %	95.6	96.4
Tenant turnover, %	40.5	41.1


CUSTOMER SERVICE

CUSTOMER FIRST

Our objective is to improve our customers' experience. In our service culture, we ensure that the customer comes first by using concrete actions that increase interaction with customers, improve the quality of our customer encounters and ensure that we take care of customer matters all the way to the end.

Customer first is one of our three strategic development programmes aimed to improve our service. The idea behind the name of the programme reflects the core of the change in our corporate culture.

NEW KINDS OF ENCOUNTERS

During the reporting year, we approached our customers more actively and in new ways. We held the "Unelmien kesäkaupunkikoti" ("Dream summer house in the city") competition and went to shopping centres in the Helsinki Metropolitan Area, Turku, and Tampere, and at the Helsinki railway station to talk to people. We also offered meet and greet events to our residents in their home buildings, while performing instant maintenance  and installation tasks in their apartments.

We are looking for new ways to be closer to our customers.

OUR CUSTOMER SERVICE IS APPRECIATED

Starting from 2009, our Contact centre has handled calls, emails and Facebook messages sent to SATO, as well as the chat service at sato.fi. During the reporting year, our Contact centre handled a total of 110,800 calls and 24,500 emails. In addition, it received some 6,000 chat and 4,200 Facebook messages. SATO's Contact centre was the fourth best developer and the tenth best customer service centre in the SN4 Customer's Voice competition. The results were based on feedback received from more than 520,000 customers.

The service experience of our customers is our number one priority. Home is important to people and close to their hearts, and we want to serve them accordingly.

Queries related to building management and maintenance have previously been forwarded directly to the service channels of our partners. To make it easier for our customers to contact us, our Contact centre will be changed in the spring of 2017 so that customer queries will be mainly forwarded to SATO's Contact centre. Our customer service employees will be in charge of solving our customers' problems all the way, even though concrete actions will still be performed by our partners. Our customer service employees will be trained to serve our customers in more ways through all of our service channels.

The NPS of our telephone service was 67.

CUSTOMER DRIVEN SERVICE MODEL

To improve our residence-related services, we have developed a new housing and maintenance service model. We will organise our operations according to our customers' needs. This will create new customer service roles that involve areas such as building management services, that have previously been acquired from external suppliers. To implement this change, we will recruit more than 30 new employees. Our new service model will be adopted during spring 2017.

DEVELOPING CUSTOMER RELATIONSHIPS

MORE THAN JUST WALLS

Our aim is to ensure that SATO has a long-term partnership with its customers, offering more than just walls. Our starting point in developing customer relationships is to make the everyday lives of our customers easier and to support their wellbeing.

To continuously improve the customer experience, we have launched our MySATO strategic development programme. Its objective is to use digital channels to offer not only an apartment, but also easy and affordable living, as well as experiences and opportunities to be a part of their community.

EASY LIVING

SATO's customers have access to a free high-speed broadband connection in buildings owned by SATO and other benefits related to everyday housing and living at special prices. In 2016, our benefits included a low-cost electricity agreement based on renewable energy and discounts on cleaning and moving services, as well as on the installation of dishwashers and washing machines. Our objective is to widen our range of benefits that make everyday purchases easier.

The NPS went up by 2 percentage points.

SMALLER AND LARGER EXPERIENCES

From tennis schools to meet ups in the home building, from the Korkeasaari Zoo event in Helsinki to a singing event in Turku – during the reporting year, our customers had many opportunities to participate in wonderful events.

The tennis school offered to children living in SATO buildings was a new experiment which turned out to be an unforgettable experience for children. Some of the children who took part in the course have continued to play tennis and even gotten their family members excited about the sport.

The large customer event held at Korkeasaari Zoo in the autumn gathered nearly 1,000 customers together. In other locations, we offered summer theatre and cinema events to our customers. We handed out film tickets to our long-term and active residents.

DIGITAL SERVICES

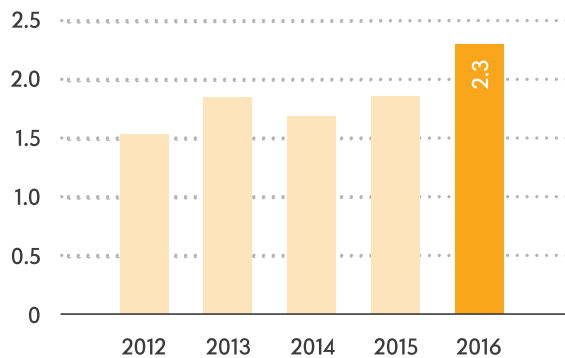
In March, more than 2,700 customers used the new opportunity offered to our customers to sign their lease agreement in electronic format.

The first development phase of MySATO is the FindAHome service intended for apartment-seekers. It allows customers to get more experiences from finding a new home, and the service will work better in a mobile environment. We will add a search alert function, the possibility to independently update personal data and an easy way to continue the search process after an interruption. The FindAHome service will be launched in spring 2017.

We changed our customer communications by opening kotona.fi, an interactive digital channel, alongside the Kotona customer magazine. It contains housing-related content and messages our customers have posted on social media. In 2017, we will no longer publish the Kotona magazine in print format, and we will adopt faster ways to communicate to our customers.

In the next phases of our OmaSATO development programme, we will increase our services and the ways in which our residents can contact us. In autumn, we started to plan an online customer panel, to which we will invite our residents to take part in our service development following the co-creation principle. Our aim is to build a permanent forum where we can, together with our customers, create and test development ideas.

Visits on sato.fi web site 2012–2016,
million visits



OPERATIONS IN ST. PETERSBURG

SATO ALSO SERVES 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 by investing in apartments in St. Petersburg. These apartments have been acquired in central locations in the city.

During the reporting year, the number of SATO's apartments in St. Petersburg exceeded 500 apartments. On the basis of the net promoter score NPS, they give homes to satisfied customers.

SINGLES FORM THE LARGEST CUSTOMER GROUP

A central location is not the only common factor

between SATO RentHomes in St. Petersburg and Finland; in both metropolises, singles form the largest customer group. Our customers, consisting of Russians with high incomes and foreigners working in Russia, appreciate SATO as a lessor. The NPS among our customers is as high as 67.

People living in SATO apartments in St. Petersburg:

28%

FAMILIES WITH CHILDREN

38%

SINGLES

19%

FOREIGNERS

20%

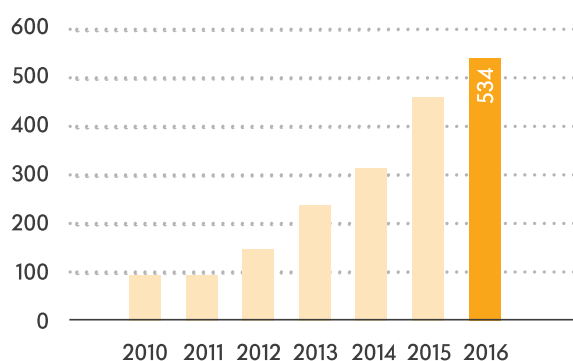
CORPORATE CUSTOMERS

HIGH-QUALITY APARTMENTS

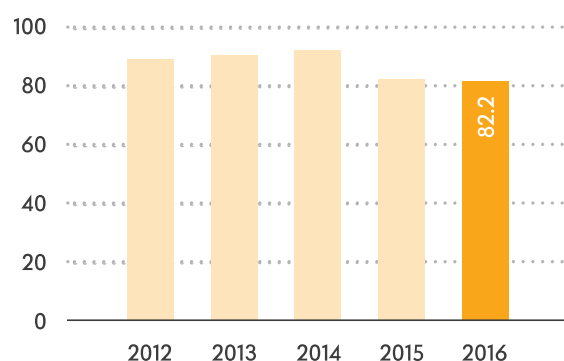
We have mainly acquired our apartments from Nordic construction companies, and their quality is of a Scandinavian level. Our elite, business and comfort apartments are situated in central locations close to good transportation

connections. Approximately half of our apartments are rented furnished. During the reporting year, the average monthly rent of our apartments, including furniture, was EUR 15.33 per m², and the rouble-denominated change in rents was -0.7 per cent.

Trend in the housing portfolio in St. Petersburg, number



Financial occupancy rate in St. Petersburg, %



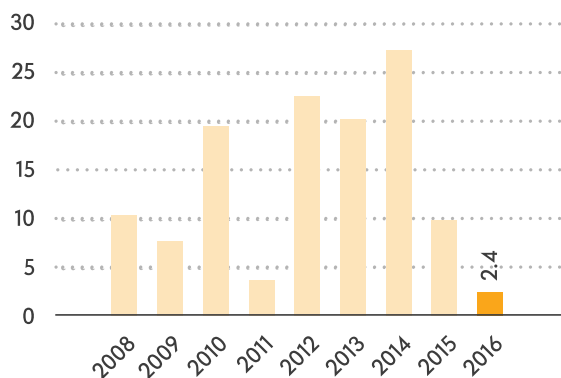
NO NEW INVESTMENT DECISIONS

SATO has not made any new investment decisions in St. Petersburg since summer 2014 and for now we will not be making any new investments in the city. During the reporting year, 74 new SATO apartments were completed and currently there are no new apartments under construction. Therefore, the number of complete apartments is 534. During 2016, we completed 74 apartments in the centre of St. Petersburg.

At the end of the review period, the value of SATO's housing assets in St. Petersburg stood at roughly EUR 130 million. The net impact of the positive rouble-denominated value change and the change in the exchange rate of the rouble on assets in St. Petersburg and SATO's profit was roughly EUR 20 million. There were no binding purchase agreements.

Rental apartments	2016	2015
Complete homes on 31 December, pcs	534	460
Completed during the year, pcs	74	147
Under construction on 31 December, pcs	0	74
Value of housing portfolio, MEUR	128.6	106.1
Investments, MEUR	2.4	9.8
Investment commitments, MEUR	0.0	2.4
Average rent, including furniture, €/m ² /month at the end of the review period	15.33	12.54
Financial occupancy rate of rental housing, %	82.2	82.7
Tenant turnover, %	39.1	50.8


Housing investments in St. Petersburg, MEUR



INVESTMENTS

MORE APARTMENTS IN HIGH-DEMAND AREAS

The number and quality of apartments have a significant impact on the success of urbanisation and the vitality of cities and towns. We develop our range through investments, divestments and repairs.

We will increase our range of apartments by investing in the Helsinki Metropolitan Area, Tampere, and Turku, areas which are the main focus of migration. There are several new housing areas currently under construction in the Helsinki Metropolitan Area and other major cities. This will provide momentary relief to the lack of apartments and even create temporary situations of excessive supply in some areas. However, urbanisation will in the long run lead to a situation where the number of apartments available is insufficient to meet the demand. [We need investments for the construction of apartments, as well as other infrastructure, in order to ensure the smooth functioning of society.](#) 

RECORD HIGH INVESTMENTS

Investment activities prepare the ground for growth. Since 2000, SATO has invested a total of EUR 2.7 billion in apartments. We acquire and construct entire multi-storied buildings and single apartments under our ownership.

In 2016, SATO made record high investments of nearly EUR 600 million to increase its apartment stock. Most of the investments were related to 2 significant transactions, through which we purchased around 2,300 apartments. Of all investments, 26 per cent were made in new apartments.

Proportion of investments from net sales 180%.

INVESTMENTS IN INFRASTRUCTURE

We will also invest in infrastructure, for example, through the acquisition of plots, plan development, investment in public utility services and soil remediation. In 2016, our investments in infrastructure totalled EUR 22.1 (15.4) million.

APARTMENT STOCK DEVELOPED THROUGH DIVESTMENTS

We divest the apartments that do not correspond with our strategy over the long term. The apartments to be sold are mainly selected on the basis of their location, size or condition. During the reporting year, divestments stood at EUR 70 million. The most significant divestment included 294 apartments sold to KAS Group.

Investments	2016	2015
Housing investments, MEUR	572.6	250.5
Purchases of existing housing stock, pcs	2,679	476
New apartments, pcs	702	708
Investment commitments on 31 December, MEUR	121.2	151.2

Apartments under construction
on 31 December, pcs

1,232

1,278

Divestments

Apartments divested, pcs

1,267

1,743

Apartments divested, MEUR

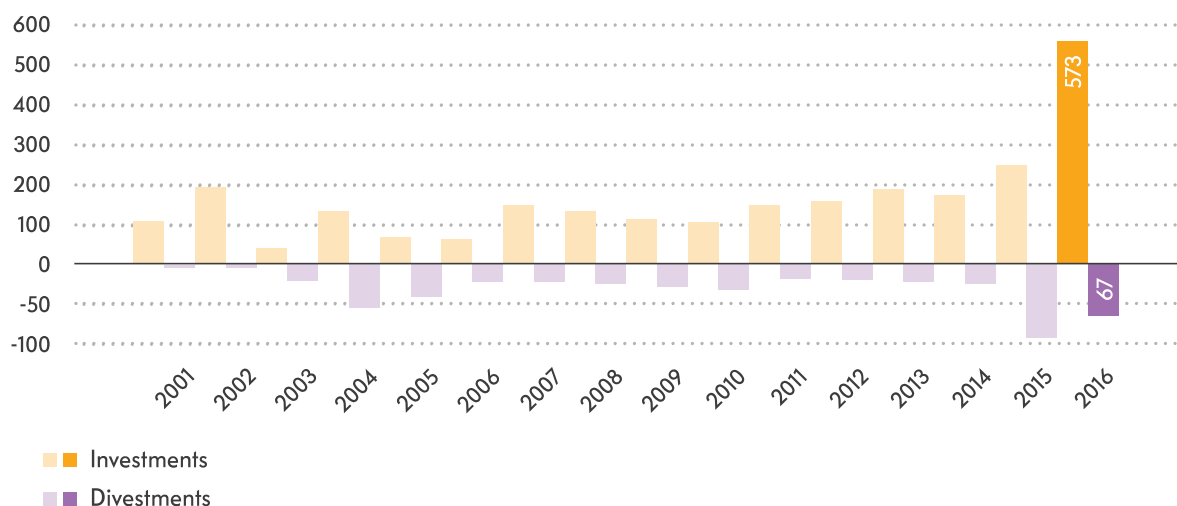
67.7

95.9

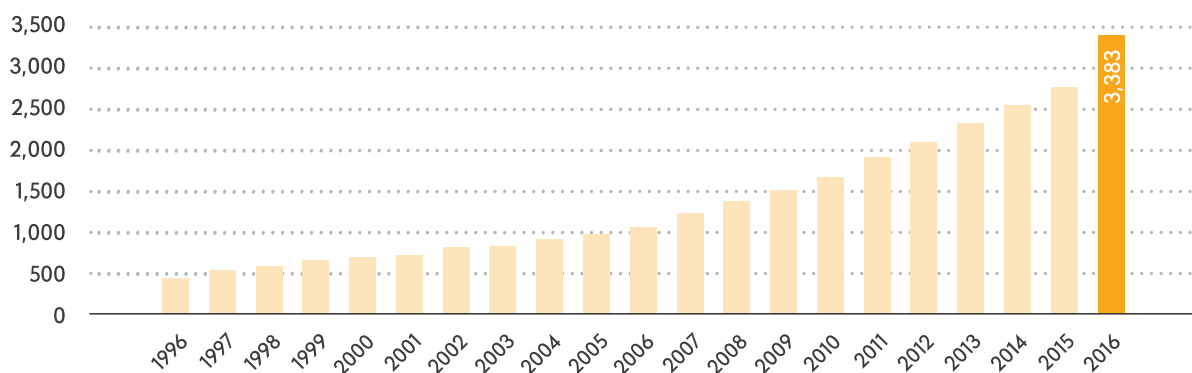
ENVIRONMENTAL IMPACT

We prepare an investment sustainability evaluation before trading. The evaluation focuses on the fulfilment of financial criteria, the environmental impact of the investment, transport connections and the execution of the procurement process in accordance with good corporate governance. By investing close to public transportation routes, we can reduce our environmental load and that of our customers.

Housing investments and divestments, MEUR



Trend in the housing portfolio, fair values, MEUR



FINANCING

BROAD AND FLEXIBLE FINANCING BASE SUPPORTS GROWTH

We are determined to develop SATO's financing structure to support our apartment investments in the long-term. To ensure the availability of financing and to reach an optimal cost level, our strategic goal is to strengthen our investment grade rating.

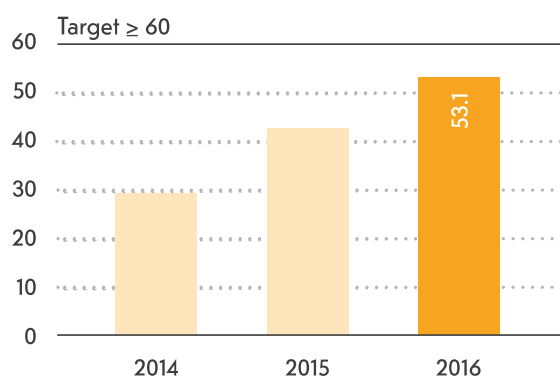
The purpose of SATO's capital structure management is to support the company's growth and to ensure the Group's operating conditions in capital markets. An optimal capital structure secures sufficient financing with competitive terms and the ability to pay dividends. SATO's target is to maintain equity ratio above 35 per cent.

have increased our unsecured borrowings and the amount of unencumbered assets. At the end of 2016, 53.1 per cent of our total assets were unencumbered.

AMOUNT OF UNENCUMBERED ASSETS INCREASES

To improve the management of financing risks, we

Unencumbered assets, %



UNSECURED FINANCING IN VARIOUS WAYS

In March, SATO issued a EUR 300 million bond offered to European investors. The loan guaranteed by a Group company received a credit rating of Baa3 from Moody's, and is listed on the Irish stock exchange. The loan was well oversubscribed, with two-thirds of all investors coming from abroad.

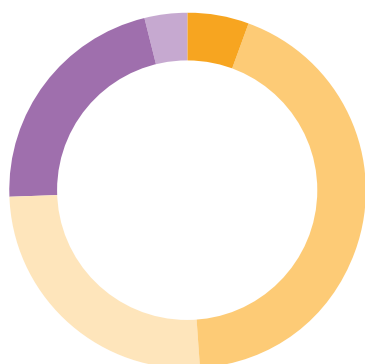
In June, we signed an agreement on syndicated credit facilities of EUR 400 million to refinance the company's existing credit facilities and to increase the total number of credit facilities. The facilities are guaranteed by a Group company and comprise two separate tranches: a five-year credit facility of EUR 200 million, and a three-year credit facility of 200 million, both with two one-year extension options. In addition, we increased the amount of our commercial paper program to EUR 400 million.

Bank financing is an important part of SATO's financing. It accounts for approximately 32 per cent of all of the company's loans. During the review period, SATO agreed on a long-term loan of EUR 150 million with the European Investment Bank. The loan is guaranteed by a Group company and will be used to construct new buildings of nearly zero energy and to carry out repairs that improve the energy efficiency of the Group's current apartments over the next few years.

In December, SATO and Aktia Bank plc agreed on a loan of EUR 50 million for the company's refinancing needs. The five-year loan has two one-year extension options and is also guaranteed by a Group company.

To support SATO's objectives, we will continue to diversify our financing structure and increase the amount of unencumbered assets.

Debt portfolio, Nominal values, 31 Dec 2016, total MEUR 1,957

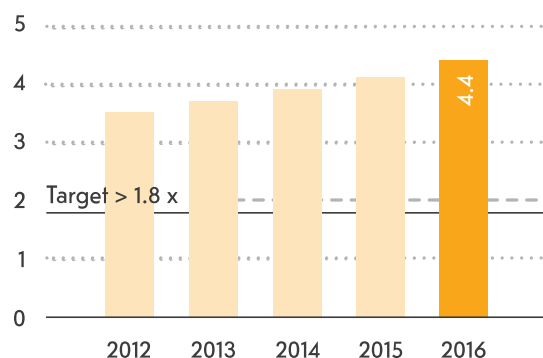


- Commercial papers 110
- Corporate bonds 849
- Bank loans 502
- Interest subsidised 421
- State subsidised (ARAVA) 75

STRONGER EQUITY

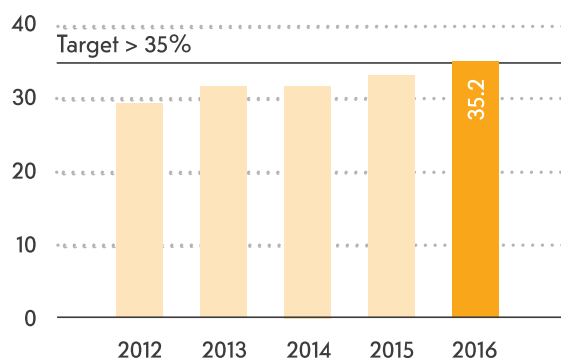
During the review period, SATO carried out a directed share issue and a rights issue. In the directed share issue, shareholders of SVK Yhtymä Oy subscribed for a total of 728,763 SATO shares to complete the acquisition of SVK Yhtymä Oy shares. In the rights issue, shareholders

Interest coverage ratio

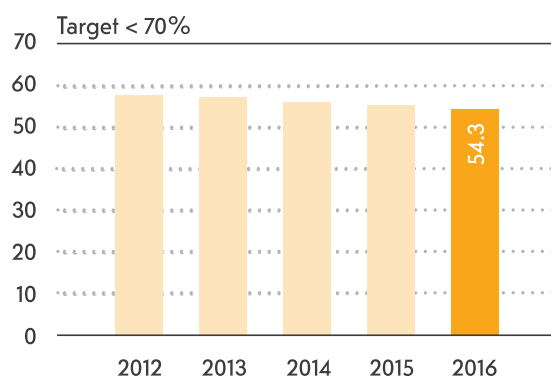


of SATO subscribed for a total of 5,052,462 shares to collect assets of approximately EUR 98.7 million. The subscription price was recorded to the reserve for non-restricted equity.

Equity ratio, %



Solvency ratio, %



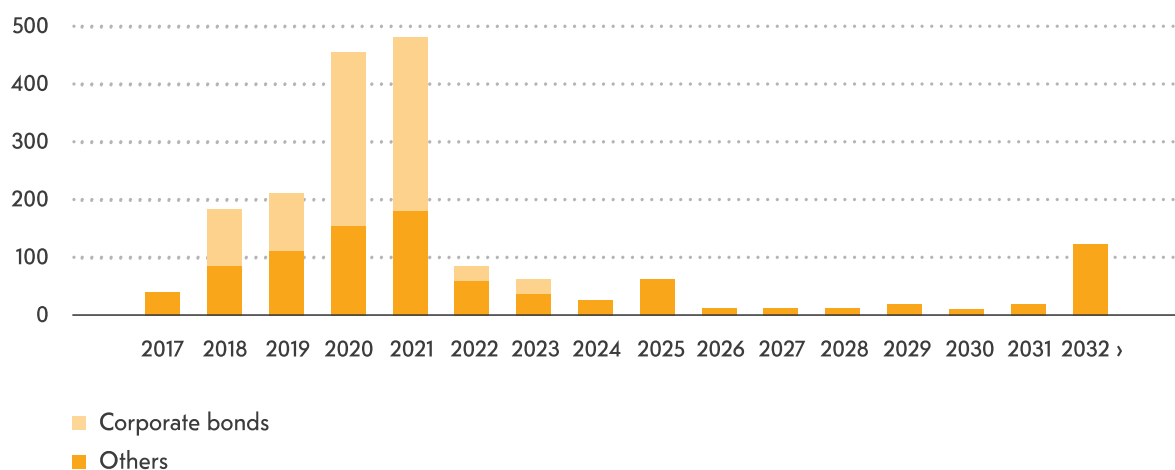
RISK MANAGEMENT

The principles of financial risk management are defined in the Treasury Policy approved by SATO's Board of Directors. The purpose of financial risk management is to reduce the impact of unfavourable movements in financial markets on the company and its financial results, and to give business operations time to adjust to a changing market environment.

Our most significant financial risks relate to liquidity, refinancing and interest rates. We manage our liquidity and refinancing risks by diversifying the maturity and financing sources of our loan portfolio, and by holding sufficient liquidity reserves in the form of committed credit facilities and other long-term financing commitments. We increase the reserves as the funding requirements grow. Our objective is to always keep the liquidity requirements covered by committed funding for the following 24 months.

Floating rate loans form an interest rate risk which we manage by balancing the share of fixed and floating rate debt either by issuing fixed rate loans or by interest rate hedges. Our objective is to maintain over 60 per cent of our debt portfolio fixed after interest hedging.

Our operations in St. Petersburg also contain a currency risk. To reduce this risk, SATO hedges the exposure relating to committed foreign currency cash flows with forward contracts. As the euro is the Group's reporting currency, the consolidation of foreign currency-denominated assets involves a translation risk. Possibilities of hedging translation risk are evaluated in accordance with our Treasury Policy.

Maturity profile of long term debt, MEUR


Key figures of financing	Target	2016	2015
Average loan maturity*, years	>5	5.0	5.7
Average interest fixing period*, years	3–5	4.4	3.8
Average interest rate, at end of period, %	-	2.5	2.5
Proportion of fixed rate debt*, %	>60	82.2	73.2

* including market based and interest subsidised portfolio, excluding ARAVA loans

INVESTOR DIALOGUE

INVESTOR DIALOGUE WITH AN INTERNATIONAL DIMENSION

SATO's investor meetings were attended by Finnish and international, mainly European, investors interested in our business operations. In our lively discussions, investors wanted to hear more about SATO's operating environment, strategy, capital structure and housing portfolio. A few examples of questions made by investors are presented below.

TRENDS

Please comment on the trends supporting demand for rented homes in Finland.

Urbanisation is expected to intensify in Finland and the portion of small households is as high as 80 per cent in Helsinki. Increasing immigration and internal migration are adding to the pressure to increase the number of rental apartments, particularly in the Helsinki Metropolitan Area. According to these trends the demand for rental homes, especially small ones, is likely to increase in the coming years.

FINANCING

Why is SATO looking for a higher credit rating, and what will it do to reach it?

By improving the current Moody's Baa3 credit rating, we will secure the flexibility, high availability and competitive price of financing, also in the future. To improve the credit rating, we will continue to increase the proportion of unencumbered assets and to reduce the amount of loans in relation to the balance sheet total, and we will maintain a high interest margin ratio.

PROPERTY DEVELOPMENT

LOOKING TO THE FUTURE

By means of planning development, we can create conditions for the housing construction of the future. Development projects are long-term processes that engage a large group of authorities, partners, people living in the area and other stakeholders. The aim is to prepare a shared vision of the construction of the area and work together to fulfill that vision.

A major obstacle in Finland is that jobs are created in cities but people do not move for them due to a shortage in low-cost living options. In the long term, only a balance in demand and supply can rein in an increase in living costs. To this end, there must be sufficient land available in growth centres.

SATO's strengths are its own land and plot reserves, and its extensive experience in property development, with which we can continue to increase the range of apartments available. During the reporting year, we acquired new plots for the construction of approximately 270 apartments

and made preliminary property agreements for the construction of more than 700 apartments.

Plot reserves	2016	2015
Plot reserves, MEUR	62.0	57.5
Plots purchased, MEUR	13.5	13.2
Total permitted building volume in the plot reserve, floor-m ²	460,472	286,595
Owned plots transferred to production or sold, MEUR	22.4	23.6

NEW RESIDENTIAL AREAS

The positive decisions on the extension of the metro line and the construction of the Raide-Jokeri line in the Helsinki Metropolitan Area will improve the reachability of many currently distant areas and in this way increase the attraction of these areas.

The local plan of Vermonniitty, located south of the Leppävaara centre in Espoo and the future Raide-Jokeri line, became legally valid during the reporting year. Vermonniitty is a new residential area for roughly 4,500 people, and SATO will produce more than 400 apartments in the area. Our first building of 117 apartments is already under construction, and it is estimated to be completed in autumn 2018.

We are working closely with the City of Espoo and different construction companies close to future Länsimetro stations. Several hundred new SATO RentHomes will be built in Niittykumpu, Soukka and Finnoo during the next ten years.

COMPLEMENTARY PLANNING STRENGTHENS EXISTING PLANS

Complementary planning supports not only the objectives of a denser urban structure written in the master plans of cities, but also SATO's objectives to offer new apartments close to comprehensive public transportation routes and various services. **Complementary construction** offers one way to increase the number of affordable apartments. In addition to the production of new buildings, complementary construction allows people already living in the area to move into a new apartment in their familiar neighbourhood.

SATO has pending complementary planning projects in the Helsinki Metropolitan Area to produce a total of 2,000 apartments, and we are also launching projects in Tampere and Turku. During the reporting year, a planning project reached legal validity in Martinlaakso, Vantaa. We will demolish 2 buildings that have reached the end of their life cycle and, together with 2 other companies, build nearly 400 new apartments in their place and on the adjacent plot.

SATO has signed a preliminary agreement with the VR Group on the development and purchase of the VR's block located in Oulunkylä next to the current railway station and the future Raide-Jokeri station once the local planning process has been completed. SATO and VR will develop the area in close cooperation with the City of Helsinki. Their aim is to build a green and modern residential area for 800 people. The intention is to hold a design competition to support the development of the area.

SATO is also working in close cooperation with the City of Helsinki to find a form of implementation for one of the last unbuilt plots in Herttoniemenranta. We held a design competition to find a design which inspires residents and is of an architecturally high quality for the plots located at a walking distance from the metro station and for the parks situated between the plots. The invitational was won by Arkkitechdit Soini ja Horto Oy with their proposal "Kutteri."

CONSTRUCTION AND RENOVATIONS

HIGH-QUALITY IN THE SPIRIT OF THE TIMES

As cities and their populations grow, housing needs also become more varied. It is easiest to respond to new housing requests when designing new apartments and planning repairs. At the same time, we can improve the energy consumption of buildings.

SATO builds its SATO RentHomes or acquires new apartments from contractors. When we decide to build new buildings, we assess which apartments are suitable for rental activities and which will be sold off as owner-occupied homes.

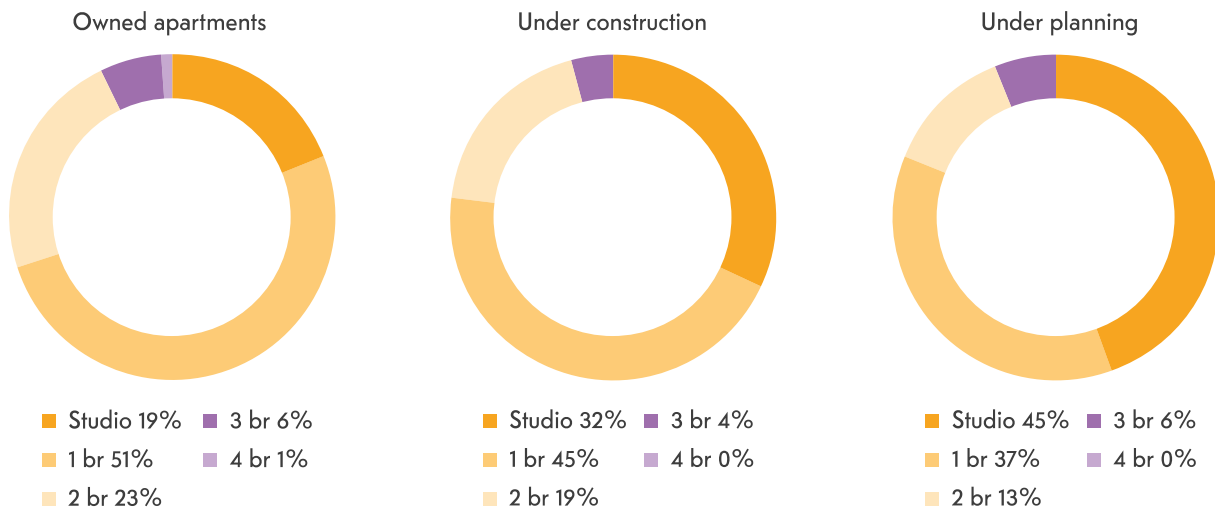
OWN PRODUCTION OF RENTAL APARTMENTS OFFERS BENEFITS

By steering the design of SATO RentHomes, we can utilise our decades of knowledge of the apartment types our customers want to live in, and of the maintenance of the value and usability of apartments over time. We provide

architects and engineers with guidelines that indicate our objectives and the support of our interior designers.

In the cities where SATO operates, there is mainly demand for smaller apartments. The building materials we use are durable and easy to care for. Factors that support living comfort improve attractiveness. These include glazed balconies, pleasant materials, colours matching the spirit of the building and functional apartments.

SATO's rental apartments by apartment type, 31 Dec 2016



At the end of the year, over 1,200 rental apartments were under construction for SATO in Finland and during the financial year, a total of roughly 650 rental apartments were completed for the Group in Finland.

During the reporting year, the construction of the first SATO StudioHomes was launched in Martinlaakso, Vantaa, beside the SATO-owned block of rental apartments. The functionality and comfort of the surroundings of the existing building

will improve simultaneously. A total of 68 StudioHomes, large enjoyable shared facilities and a communal service model will be completed in autumn 2017. This concept of reasonably priced rental apartments has raised interest among customers and attracted a lot of positive attention in the media.

MAINTENANCE AND QUALITY IMPROVEMENTS THROUGH REPAIRS

SATO renovates its rental apartments and properties according to lifecycle principles and to improve comfort of living. During the reporting year, we invested a total of roughly EUR 45 million in the repair of apartments and properties, of which repair investments accounted for EUR 24 million.

The start-up of renovations and new production was subsidised by a total of roughly EUR 1 million. Some renovations are so extensive technically that it is impossible to live at home during the repairs. During the

reporting year, there were 470 such apartments with 920 residents. We provided the residents with the opportunity to find a new home from the range of rental apartments offered by SATO.

Energy efficiency investments EUR 1.3 million.

ENERGY EFFICIENCY

In its agreement signed with the European Investment Bank, SATO is committed to the construction of new nearly zero-energy buildings and repairs to improve the energy efficiency of the Group's current rental apartments during the next few years. The value of the investments covered by the agreement totals EUR 300 million.

To help the planning of repairs that improve energy efficiency, we have developed an indicator which measures the energy efficiency of each property.

New production	2016	2015
Total completed in Finland, pcs	685	714
Rental apartments	628	561
Owner-occupied apartments	57	153
Total under construction on 31 December, pcs	1,270	1,280
Rental apartments	1,232	1,204
Owner-occupied apartments	38	76
Unsold owner-occupied apartments on 31 December, pcs	27	107
Completed	27	52
Under construction	0	55
Repairs	2016	2015
Apartment repairs, MEUR	21.3	21.1
Repair investments, MEUR	24.0	36.2
Received subsidies, MEUR	0.9	0.8

HOUSING DEVELOPMENT

DIVERSE HOUSING SOLUTIONS

Through urbanisation, cities will be more compact and home to more people. People with different cultural backgrounds and values will move in to urban centres. As trends are changing cities and people, housing must also be able to change. We want to do our part to support the vitality of cities and the wellbeing of people by enriching the range of apartments.

The objective of our strategic development programme aimed at innovating diverse housing solutions is to create new housing options, with which we can better take account of individual needs.


76 YEARS OF HOUSING DEVELOPMENT

We have been engaged in the development of cities, as well as housing, throughout our history, and SATO has built more than 220,000 apartments in Finland. This figure comprises nearly 10 per cent of Finland's entire housing stock. We have produced and acquired SATO RentHomes since the 1990s and, now, their volume covers approximately 3 per cent of all rental apartments in Finland.

One out of every ten apartments in Finland are built by SATO.

We have launched new forms of housing in the markets for each need of society. Our most recent concepts are the furnished SATO HotelHome for temporary housing, and the compact SATO StudioHome and the SATO IdealHome for affordable housing.

RESHAPING THE CONCEPT OF HOUSING

When it comes to the development of housing solutions, our focus is on solutions that are affordable. Within the current framework of regulation on the construction of apartments and taxes imposed on housing, it is challenging, but not impossible, to reduce living costs. When it comes to innovating affordable solutions, *we do not make compromises over quality – we handle the space solutions in a whole new way.* 

A NEW TYPE OF COMMUNAL LIVING

SATO StudioHome is a new housing solution enabling communal living. We are able to offer affordable apartments by reducing the volume of private space and increasing that of shared space. This concept was developed together with young upper secondary school students during a Safari camp and with the innovation team representing SATO's personnel. We started to plan communal services at our pilot site together with future residents before the building is completed in autumn 2017.

MODULAR APARTMENT SOLUTIONS

We have developed the **SATO IdealHome concept** which is based on modular solutions. The first pilot site to use the concept is under planning in Vantaa. We will apply the experience obtained from the pilot site to the further design of modular apartments.

COMPLEMENTARY CONSTRUCTION

Complementary construction offers means to promote urbanisation and modernise existing residential areas. New apartments allow residents to update their level of housing in a familiar area. *Complementary construction produces savings for society as new apartments are built in an already existing municipal structure.* 

EXTENSIVE COOPERATION

When developing new concepts and services, we examine trends, engage our personnel to create ideas and plans, and work with our customers and students. We seek

suitable partners at an early stage to ensure win-win situations. During the preparation phase, we present our concepts to the authorities and decision-makers in order to obtain the opinions of all parties concerned in order to create good housing solutions.

Housing development

SATO 1940–2016

ESTABLISHED TO SPEED UP POST-WAR RECONSTRUCTION



LAUNCHER OF LOCAL CONSTRUCTION

PRODUCER OF OWNER-OCCUPIED HOUSING

DEVELOPER OF NEW HOUSING SOLUTIONS

- Right-of-occupancy apartments
- Part-ownership apartments
- Senior apartments, including home care and treatment services
- SATO StudioHome
- SATO IdealHome
- SATO HotelHome



LAUNCHING PROFESSIONAL HOUSING INVESTMENT ACTIVITIES IN FINLAND AND ST. PETERSBURG



DEVELOPER OF CUSTOMER EMPOWERMENT

- Resident forum
- Customer panel
- Feedback channels



DEVELOPER OF A COMPREHENSIVE INTERNET SERVICE

- For tenants
- For home dreamers
- For home seekers
- For stakeholders



ACTIVE BUILDER OF A PARTNERSHIP NETWORK

MATERIALITY ANALYSIS

OUR SUSTAINABILITY PROGRAMME IS BUILT ON MATERIALITY

Our sustainability is guided by SATO's strategy, sustainability policy and themes which we have evaluated to be material on the basis of discussions with our stakeholders.

Urbanisation increases the need for rental apartments in growth centres. Through our range of apartments, we want to be an enabler of urbanisation with a positive impact on the development of society and business life. We support the wellbeing of our customers by offering safe living. SATO homes have approximately 49,500 residents. Their good living is ensured not only by our personnel, but also by a significant number of partners.

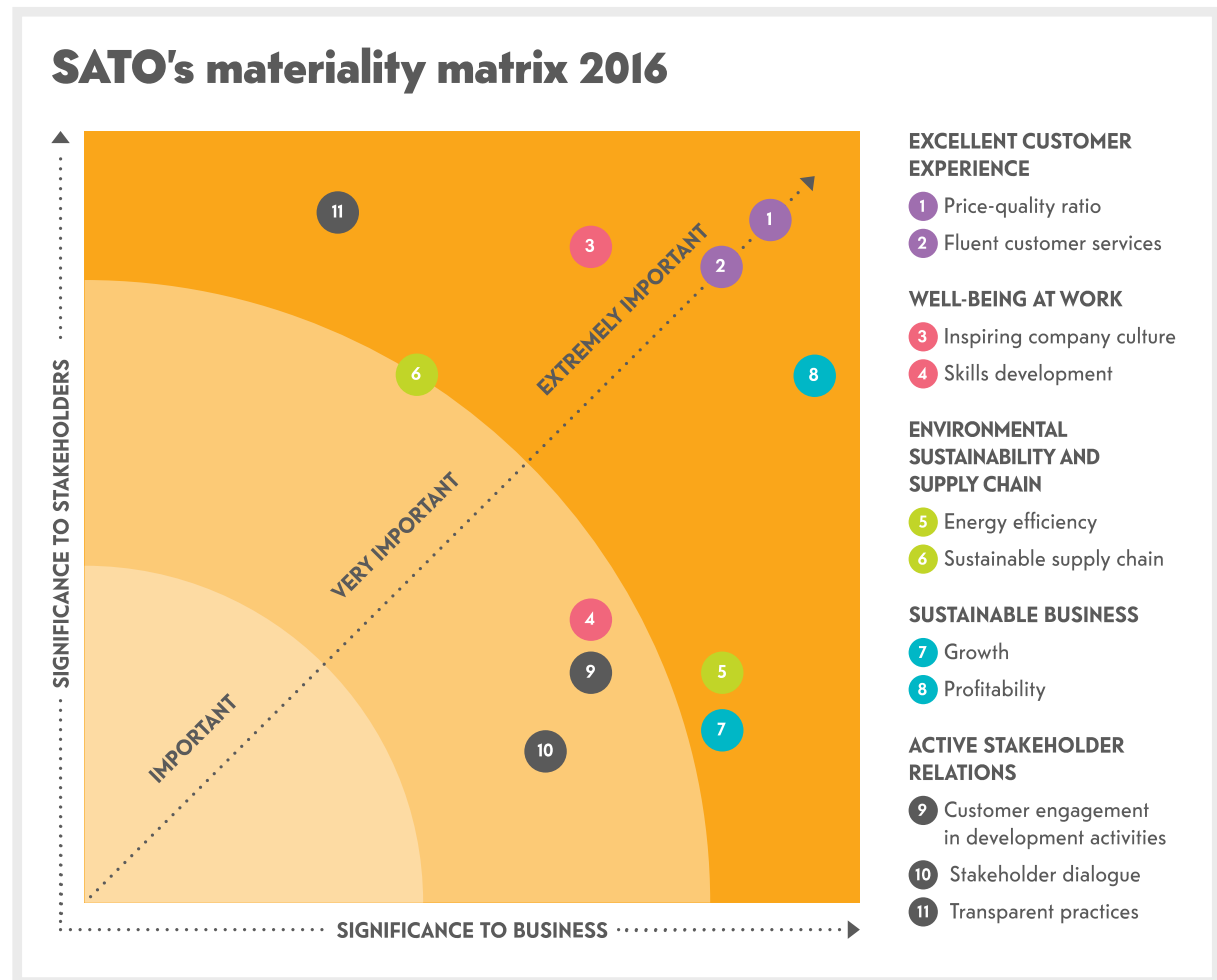
KEY ISSUES IDENTIFIED

To identify the impact of our operations and its significance, we are engaged in an open dialogue with our stakeholders. In 2015, we discussed extensively with our stakeholders on the Internet to identify material issues related to our business operations for each stakeholder. The objective of this sustainability report is to openly provide our

stakeholders with information about our operations to produce value for them in the short-, medium- and long-term.

MATERIALITY MATRIX

Representatives of different stakeholders raised issues that should be associated with sustainability in our operations. The dialogue was implemented as an online think tank, with more than 600 participants from all major stakeholder groups. Members of SATO's management evaluated the themes raised in the dialogue on the basis of their business impact. As a result, the 5 main themes shown in the figure below and 11 material aspects were identified to form the basis of SATO's responsibility.



REPORT DEFINITIONS

The content of the 2016 sustainability report was defined on the basis of the materiality analysis results and the requirements of GRI G4 reporting guidelines. The 11 material aspects identified on the basis of the materiality analysis

are included in this report. The impact of the material aspects on stakeholders have been described in the sections **Customers**, **Personnel**, **Partnerships**, **Environment** and **Finances**. The material aspects and their boundaries can be found from the GRI section under **Material aspects and boundaries**.

SATO'S SUSTAINABILITY

SATO HAS A SOCIAL LICENCE

Sustainable and profitable business produces value for our stakeholders. Rental apartments and new investments in growth centres enable sustainable urbanisation and growth in business life. We promote good housing for individuals and develop sustainability improving preconditions in real estate associations and development projects, and offer our expertise to the use of decision-makers in society.

SATO HOMES OFFER SAFETY AND SECURITY

SATO is a reliable and professional long-term lessor. Our broad range of rental apartments serves our customers in their changing situations and enables life-long housing solutions. Our aim is to continuously improve the SATO customer experience and develop our operations. We monitor the level of customer experience in service quality in different situations and aim to engage our customers in cooperation to improve the enjoyment of our residents. With regard to rental relationships, we comply with the Good rental practice guideline prepared in cooperation between Finnish Tenants, the Finnish Landlord Association, the Finnish Real Estate Federation and RAKLI, the Finnish Association of Building Owners and Construction Clients.

MEANINGFUL WORK

Competent employees committed to common goals play an important part in our ability to reach our objectives.

Meaningful work, combined with an open and inspiring corporate culture and wellbeing at work, are directly reflected in the customer experience, and vice versa. 

We monitor our employee satisfaction through a personnel satisfaction survey and performance appraisals.

WORK FOR THE SUPPLY CHAIN

SATO's business model is based on a large network of suppliers. The employment impact of our network is approximately 3,260 person work years. During the reporting year, we developed the evaluation of our employment impact to cover all investments, maintenance and upkeep services, as well as other purchased services. In addition to the direct employment impact, the evaluation focused on other indirect impacts. For example, the indirect impacts of construction and renovations on the construction industry and building services were evaluated in addition to the direct impact of construction sites. See [Sustainability concepts and key figures](#) for more information about the evaluation of employment impact.

During the reporting year, we started to audit the quality of major suppliers and construction sites in order to verify the quality of customer service and deliveries.

SATO's employment impact over 3,400 person work years.

Direct and indirect employment impact / person work years

Investments in construction and renovations	2,400
Maintenance and upkeep services	720
Other purchased services	140
SATO's personnel	170
Total	3,430

RESPECTING THE ENVIRONMENT

Investments in new buildings are usually made close to good transportation routes to reduce the environmental load during the use of these buildings. We are continuously monitoring energy consumption in our properties in order to identify any possibilities to reduce consumption and to launch necessary measures.

TRANSPARENT REPORTING

We want to be a competitive and sustainable investment object to investors. We communicate and report our operations transparently in accordance with international accounting standards and the corporate governance of listed Finnish companies, and prepare our sustainability reports in accordance with the GRI framework. In 2016, we took part for the second time in the Global Real Estate Sustainability Benchmark (GRESB) which evaluates the sustainability of operations in the real estate industry. We received

four out of five stars and renewed the best possible rating, i.e. Green Star.

FOR THE GOOD OF SOCIETY

We took part in the development of housing and the real estate industry in various associations. SATO is represented in the Board of Directors, the executive group of housing and many committees of RAKLI. SATO is also represented in the Boards of Directors of Suomen Asuntoliitto ry (Finnish Housing Association) and Asuntoreformiyhdistys ry (Finnish Housing Reform Association). Being a member of the Helsinki region chamber of commerce and being represented in its various bodies, SATO is identifying the needs of business life in the Helsinki metropolitan area for housing and is involved in the improvement of construction preconditions for new rental apartments.

Together with cities, partners and other stakeholders, we are developing vital new residential areas.

CUSTOMERS

A HOUSING PARTNER

SATO aims to provide good housing for people living in cities. We offer a broad range of apartments: for permanent and temporary needs, in city centres and suburbs, new and old, large and small. The next SATO homes are available for customers who are undergoing changes in their lives.

We are providing homes to approximately 49,500 people who we take care of every day, together with our cooperation network. To understand the needs

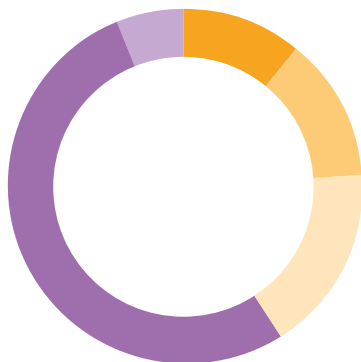
SUSTAINABILITY OBJECTIVES AND ACTIONS

Sustainability objectives and their fulfilment presents a summary of our sustainability objectives and actions, and their connection to the UN Sustainable Development Goals. Next year, we will focus on developing customer services and affordable housing concepts, offering more preventive occupational healthcare, monitoring the quality of our supply chain and increasing transparency by developing communications and reporting.

In addition to our environmental objectives, we are committed to the goals of the climate partnership with the City of Helsinki and the energy efficiency agreement in the real estate industry.

of our customers, we analyse trends and what our customers value in order to develop our services and to expand our service range accordingly.

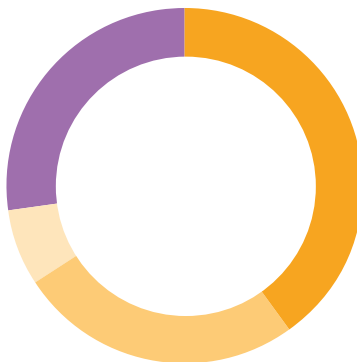
Age distribution of SATO's customers,
31 Dec 2016



- Babies and small children 11%
- Schoolchildren 13%
- Young adults 17%
- Employees 53%
- Pensioners 6%

Total approx. 49,500 residents

SATO's resident structure, 31 Dec 2016



- One adult 40%
- Two adults 26%
- Three or more adults 7%
- Family with children 27%

Total approx. 49,500 residents

A RELIABLE LESSOR

The significance of homes to people's quality of life and to society at large requires sustainable and reliable operations. We openly communicate our operating principles. We are a long-term lessor that invests in housing development. Our **Code of Conduct** defines the actions of our company and our personnel. When it comes to the rental relationship, we follow good rental practices and respect the privacy of our customers.

We use personal data and information about payment behaviour covered by privacy protection in our customer accounts, and therefore, we take extra care in handling all information. We have appointed individuals who handle customer data in accordance with the purpose of use indicated beforehand. Furthermore, we have internal guidelines on data privacy. During the reporting year, SATO received no complaints regarding the handling of customer data, and there was no misuse of customer information.

COOPERATION WITH CUSTOMERS

To improve the engagement of our customers, we promote interaction and impact between SATO and its tenants in a systematic way. We communicate openly and speak boldly, also about difficult matters, in order to improve the customer experience.

In addition to our general interaction channels, we hold customer meetings in each building, but also regionally and nationally. One active resident is recognised as the Customer of the Year. In 2016, this recognition went to a long-term customer from Tampere.

In the resident forum, which meets regularly several times a year, we planned communication practices and service improvements together with our residents. **In spring 2017, we will launch a resident panel consisting of our residents in order to create and test new development ideas.**  We also actively collect feedback through customer satisfaction surveys, and use their results to improve our operations. We renewed our customer feedback practices so that we are more quickly able to address our residents' concerns.

We have also worked with our residents in terms of advertising, having highlighted our residents' stories. The campaign has raised much attention.

SUPPORT TO GET STARTED

A rental apartment is usually the first stop when undergoing major changes in life, for example, when a young person becomes independent or when moving from one location to another, or when moving to Finland from another country. Our aim is to develop operating models, with which we can help customers who are facing a new situation to find a home in their new environment and feel part of their new community.

HELP IN DIFFICULT SITUATIONS

Our residents may face situations they may not be able to handle on their own. To help our residents

facing temporary difficulties, we have recruited a customer service employee who focuses on these types of situations.

Life cycle of customership



FINDING A HOME

- FindAHome – digital service
- information about SATO
- information about homes
- information about customer benefits



RENTAL ACTIVITIES

- fulfilling housing needs
- additional information about the home and its environment, contact people and housing
- open house
- preparation of documents
- moving assistance at new sites
- digital services
- renovation/DIY renovation kit



OCCUPANCY PERIOD

- information service
- social services (customer events, joint activities in buildings)
- participation possibilities (feedback, resident meetings, resident forum)
- digital services
- customer benefits
- renovation/DIY renovation kit
- property and apartment care and maintenance
- fault management



MOVING OUT

- home swap service
- information and instructions
- feedback query
- digital services

PERSONNEL

ENGAGED PERSONNEL AS A STRENGTH

SATO aims to produce value for its customers through an entire new service culture. This culture is built with the help of good management and personnel engagement. Dedication comes from straightforward objectives, meaningful work, the strength of the working community and a sense of pride for a job well done.

We at SATO believe in our readiness and in the ability of our colleagues to exceed all expectations, and we are committed to maintaining a high level of quality in everything we do.

UNDERSTANDABLE OBJECTIVES

During the reporting year, all employees were engaged in revising SATO's strategy. Strategic themes were prepared in different teams and, during the SATO summer event, the entire personnel worked these themes into future concepts, some of which will be included in our strategic development programmes. By working together, we wanted to gather the expertise of every individual as part of our strategic work and have everyone engaged in our common goals. Once SATO's strategy had been approved, its various aspects were discussed at events held for supervisors and at a full personnel meeting.

Different units discuss the importance of the strategy on their functions and tasks. Unit-specific and personal goals are

derived from strategic objectives. The goals and their fulfilment are reviewed in performance appraisals held regularly and at least twice a year. According to survey results, SATO employees are more aware of the company's goals and values than the reference norm.

MEANINGFUL WORK

Personnel surveys show that SATO employees consider their work to be meaningful. SATO employees are happy with their tools and the support their employer shows towards professional learning. Furthermore, SATO employees see that their work is useful and important for the company. There is a significant difference compared with reference companies. These results place the company in a good position to build a whole new service culture.

Gender distribution, 31 Dec 2016



- Men 31%
- Women 69%

STRENGTH FROM THE WORKING COMMUNITY

In recent years, SATO has offered more opportunities to its personnel to be engaged and take initiative. SATO employees present current topics in monthly morning coffee sessions and personnel training sessions held twice a year. All employees work on strategic themes at the company's SATO summer event, and units and different inter-unit teams prepare action plans. During the reporting year, we opened a new initiative portal, through which our employees can better follow the progression of their innovation proposals. Our aim is to improve engagement opportunities even further by preparing changes beforehand in closer cooperation with the personnel.

The personnel survey's response rate was 96%.

The personnel and employer representatives meet regularly to discuss matters related to occupational safety. During the reporting year, the occupational safety committee convened 3 times. The Tarmo group, consisting of representatives selected by the management and personnel, convened 5 times. The Tarmo group focuses extensively on themes related to wellbeing at work and raised by the personnel. 7 per cent of the personnel working in Finland took part in the activities of the occupational safety committee and the Tarmo group.

PRIDE OVER OUR WORK AND SATO

SATO encourages its employees to learn and grow in their work. In 2016, SATO's employees took part in roughly five training days on average. Common training themes were related to new tools which can especially be used in remote working and for sustainability. We offered one day of sustainability training. On average, our employees spent roughly two days per person on external training. SATO supports learning at work by offering opportunities to switch jobs inside the company. During the reporting year, seven employees switched jobs within the company.

To be proud of their work, SATO employees expect to receive regular feedback. Because these expectations were not met in full, we will increase performance appraisal guidelines and supervisory training.

5 training days per person.

WE GAVE JOBS TO YOUNG PEOPLE

SATO also continued its long summer tradition by recruiting young people of 16 to 18 years of age living in SATO homes to perform gardening and other outdoor tasks. We offered these jobs in areas in order to engage young people in the maintenance of their neighbourhood. In total, SATO employed 23 summer employees during the reporting year.

DEVELOPMENT WILL CONTINUE IN 2017

We will develop capabilities for engaging our personnel by targeting our development activities toward the

most significant factors: commitment, management and organisational performance at personal work level, team cooperation level and the entire company level.

PARTNERSHIPS

STRENGTH FROM A NETWORK

Traditionally, the role of the owner has been limited to offering the apartment and providing maintenance-related services. SATO has decided to revolutionise this tradition and provide its customers with housing which includes more than these. For this, we need varied cooperation with suppliers of products and services.

We select suppliers that are able to produce value and good customer experiences to our customers.

SUPPLIER SELECTIONS

We make sure that each supplier has a sufficient capacity and capability to achieve quality and schedule goals, with the right kind of service attitude. Sustainable operating methods in terms of the working environment, safety and the environment are key factors. To prevent the grey economy, we only accept companies registered in the tilaajavastuu.fi (reliable partner) service as our service providers. When we select suppliers through bidding processes, we evaluate offers on the basis of our goals and the specific service and/or product. We also analyse the level of supervision, reporting and delivery of potential suppliers. The number and schedule of evaluations are affected by the size and duration of the delivery.

In autumn 2016, we started to audit our contractual suppliers to comprehensively evaluate their processes and current state. On the basis of these audits, we prepare score cards for suppliers, including a description of the current state and any proposals for improvements. During the reporting year, we audited 50 suppliers, and we will increase this figure in 2017.

We started to audit our contractual suppliers.

PROPERTY MAINTENANCE

The purpose of property maintenance services, such as building management, maintenance and cleaning, is to build and maintain comfort in our buildings and properties. SATO has ordered these tasks from specialised service providers. Over the past two years, the building management of SATO's residential buildings has been centralised to a single service provider, and property maintenance has been assigned to many different providers.

Together with our building management partner, we have developed a management model with indicators to monitor customer service, energy use and cost efficiency. Indicators that best measure the level of operations and offer the most encouragement have been entered in building management and maintenance agreements. Under SATO's guidance, our long-term cooperation has been developed to better respond to the needs of our residents. However, there is still room for improvement in our service processes.

Our strategy was updated during the reporting year to focus on the continuous improvement of the customer experience. Because the building manager has a significant impact on this experience, we have decided to shift building management activities to our personnel during spring 2017. Our aim is to improve customer satisfaction through a whole new service attitude.

We have decided to bring back building management to be operated in-house.

NEW AND RENOVATED APARTMENTS

SATO's new and renovated apartments need to be able to respond to the quality concepts of our customers, and be sustainable and easy to maintain. As part of the quality assurance process of new apartments, SATO's worksites adopted internal audits during the reporting year to standardise the level of quality, regardless of the contractor, and to identify any defects and to take corrective action. This procedure supplements worksite supervision.

We will audit the quality of apartment repairs using spot checks. The repairs to be audited have been ordered from SATO's contractual contractors. We will prepare

six-month summary reports on all spot checks, and their results will have an impact on fees paid to contractors.

Internal worksite auditing supplements supervisory activities.

SERVICES THAT ENRICH LIVING

We will introduce products and services that make everyday life easier along our with apartment and property maintenance services, and we will improve social living for our residents. We will establish a service network, consisting of members of our current network, new service providers and residents.

ENVIRONMENT

AMBITIOUS GOALS AND RECOGNITIONS

Energy consumption during living, the construction of apartments and building materials cause the highest environmental load in our business operations. We reduce housing-related emissions by improving our energy efficiency, reducing the consumption of water and by improving waste handling and recycling options in our buildings. In this way, we can also reduce our maintenance costs.

Our residents play a significant role in achieving our objectives. We provide our residents with information and guidance regarding eco-friendly living and support the opportunities of our residents to have

an impact through waste management solutions, for example. We allocate our investments close to public transportation routes.

Objectives of the environmental programme 2020

Specific consumption	Target	Reference year
Emissions	-20%	2013
Heat	-23%	2009
Water	-20%	2009
Electricity	+/- 0	2014

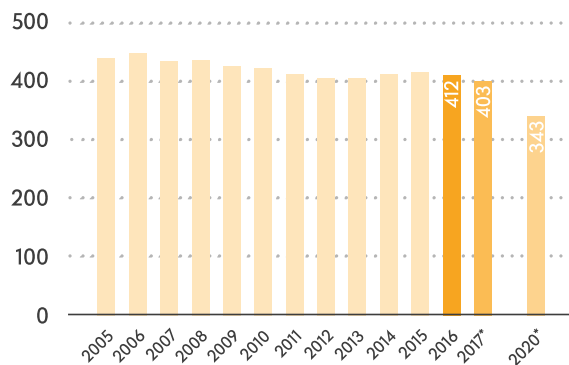
ENERGY SAVINGS

We developed the energy management processes for our residential buildings by having building management and maintenance work more closely together. In addition, we started to use wind power in our buildings from the beginning of the year.

We mainly allocated our energy efficiency investments

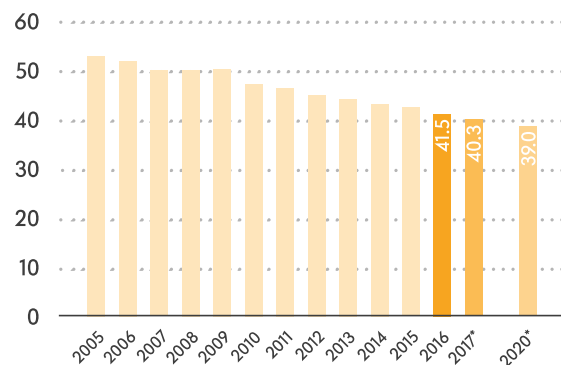
to water-saving fixtures and building automation systems. These investments and other energy efficiency measures bring in future annual cost savings of EUR 260,000. The average repayment period of energy efficiency investments is two years. Energy investments will be allocated more closely on the basis of an impact assessment, and we will develop processes to monitor our activities.

Water consumption, l/m³/year



*SATO's target

Standardised heating consumption, kWh/m³/year



*SATO's target

Figures are adjusted for weather

We encouraged our residents to reduce their water consumption by holding a building-specific competition, and the total water savings in the participating buildings were about 1 per cent lower than in 2015.

During the reporting year, specific heat consumption was reduced by 3.3 per cent, specific electricity consumption by 1.0 per cent and specific water consumption by 1.4, per cent compared to 2015. Specific emissions rose by 3.6 per cent compared to 2015. The objective of new investments regarding public transportation connections was mainly fulfilled.

SATO started to use wind power in its buildings.

WE ENCOURAGE OUR CUSTOMERS TO RECYCLE THEIR WASTE

We want to encourage our residents to recycle their waste effectively, for which purpose we require information about waste volumes. We will continue to determine accurate waste volumes because we were unable to find reliable calculation methods during the reporting year. In order to increase the volume of recycled waste, we arranged containers for recycled waste outside our residential buildings similarly to previous years. A total of 85 tonnes of recycled waste were placed in these containers.

WE RAISED THE ENERGY EFFICIENCY REQUIREMENT FOR NEW BUILDINGS

Future legislation governing the energy efficiency of residential buildings sets a zero energy level for new buildings, corresponding with energy efficiency figure 128. When it comes to our buildings, we want to achieve an even lower level, and we have set energy efficiency figure 116 as our target for new buildings. We are also committed to this energy efficiency level in our **financing agreement signed with the European Investment Bank**. We will set this target for contractors of new buildings.

During the reporting year, we had experimental buildings under construction, in which we are monitoring the impact of new solutions for reducing energy consumption and emissions. A wooden multi-storey building is under construction in Honkasuo, Helsinki, in which we will examine the impact of air source heating. This building will have a small carbon footprint, and it will be very energy-efficient. It will use renewable energy by producing part of the electricity required using solar panels. According to energy calculations, the solutions of the Honkasuo building fulfill VTT's passive house requirements. Our second residential building with geothermal heating was completed in Soukka, Espoo. Part of the electricity used in the building is produced using solar panels. Solar energy will also be piloted in the residential building to be built in Perkkää, Espoo.

NEW ENVIRONMENTAL COMMITMENTS AND RECOGNITIONS

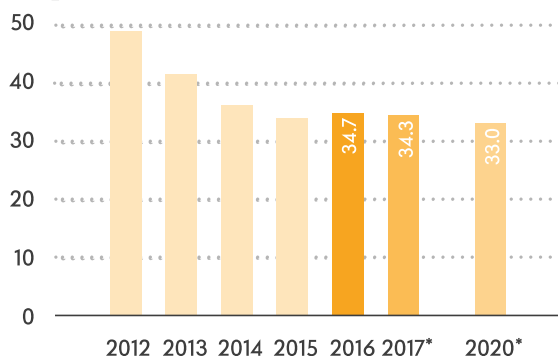
Statutory energy certificates have been prepared for all SATO properties. We have also developed a separate energy efficiency rating for our residential buildings, taking into account the energy efficiency and costs of each building. Using this rating, we are able to calculate an energy figure for each building which forms the basis of action planning.

During the reporting year, we became committed to the objectives of the new energy efficiency agreement for the real estate sector to reduce the total consumption of heat and power by 10.5 per cent from the level of 2014 by 2025.

We took part in the international Global Real Estate Sustainability Benchmark (GRESB) for the second time, and again reached the highest rating, i.e. the Green Star level. We received special recognition for the comprehensiveness of our energy monitoring, and the setting and monitoring of objectives.

SATO received the Green Star rating for the second time.

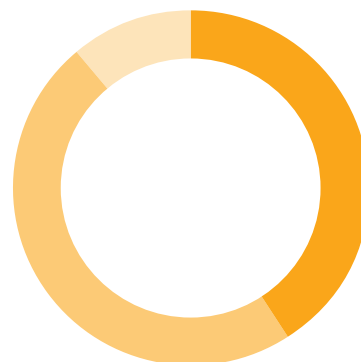
Greenhouse gas emission intensity of buildings, kg CO₂-e per m²/year



*SATO's target

The district heating emission factor has changed regressively since 2014

Waste distribution based on processing method 2016



- To recycling 41%
- To energy 48%
- To landfill 11%

FINANCES

GOOD FINANCIAL STATUS ENSURES CONTINUITY


We take care of the financial sustainability of our operations and bear responsibility for our financial impact on our stakeholders and society.

For SATO, financial responsibility means maintaining a good financial standing, as well as the effective use of resources, and the stable and long-term production of financial benefits for different stakeholders. Our operations produce financial benefits and wellbeing for our shareholders, personnel, material and service suppliers, and their employees and customers, as well as different municipalities, and the state.

GROWTH THROUGH INVESTMENTS

Financial growth is fuelled by investments. Investments produce work, and the income obtained from this work is used to buy products and services or to make new investments. We support the ability of business life to grow by offering rental apartments in the largest growth centres. During the reporting year, SATO's investments in rental apartments stood at roughly EUR 600 million.

Cash flow 2016, M€

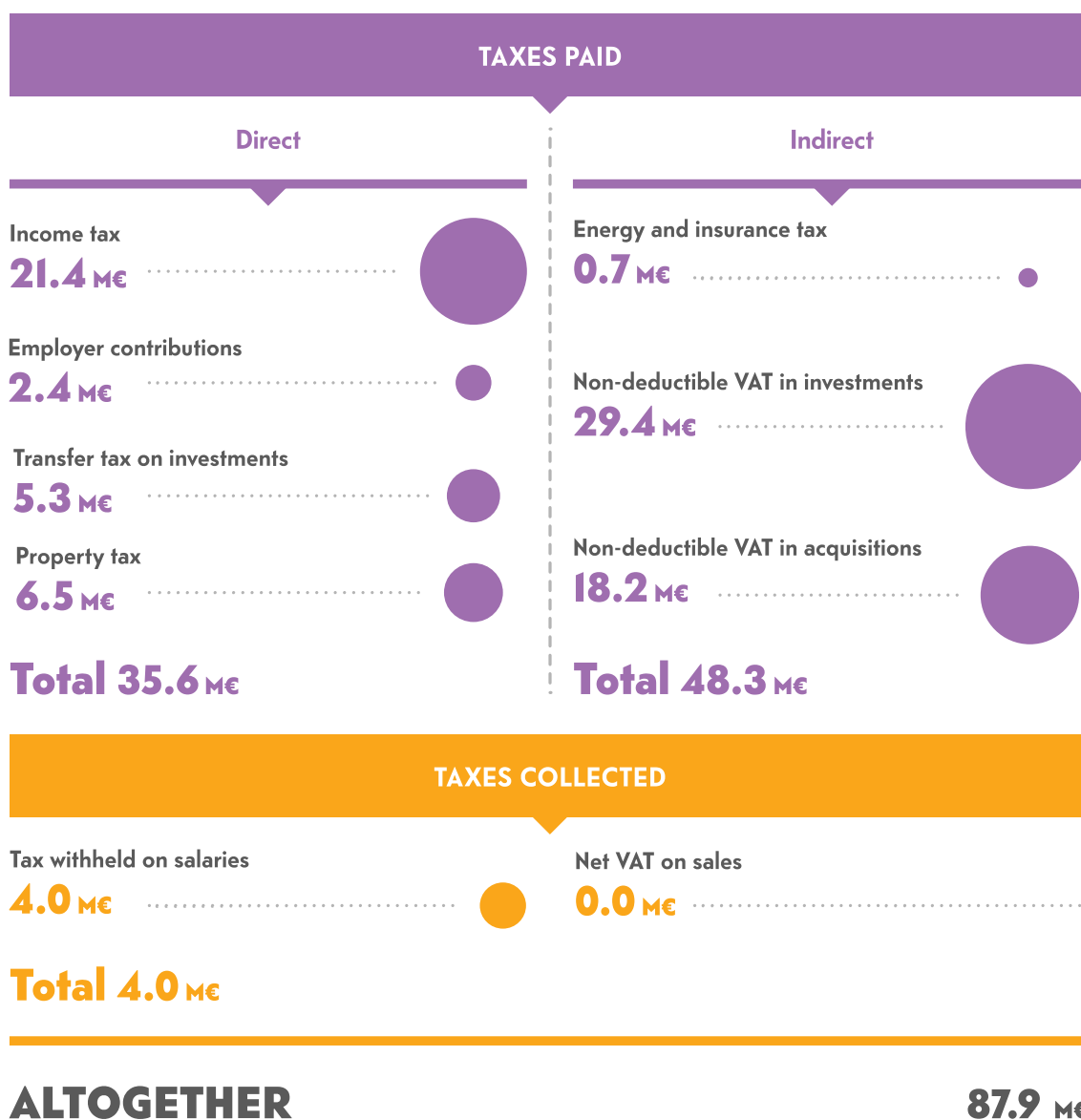
CUSTOMERS		FINANCIERS		PUBLIC SECTOR			
Net sales 317.1		Loans withdrawn 387.8		Subsidies for construction			
Divestments 52.1		Proceeds from equity issue 98.7		and repair 0.9			
							
SUPPLIERS		PUBLIC SECTOR		FINANCIERS		PERSONNEL	
Purchases of service and materials 110.2		Direct tax 28.0		Net interest and other financial items 42.5		Salaries, benefits and pension expenses 10.8	
Investments 298.2		Indirect tax 48.3		Loan repayments 332.8			
		Plot rents and land use payments 2.5		Dividend paid 25.4			

COMBATING THE GREY ECONOMY

To support our management, we have prepared guidelines for our personnel and partners regarding procurement processes and the prevention of the grey economy. We require that our service suppliers are registered in the tilaajavastuu.fi portal in order to ensure that they have properly fulfilled their financial obligations.

Everyone working at SATO's construction sites must have a photo ID with a tax number.

SATO's tax footprint 2016



TAKING CARE OF OUR HOUSING ASSETS

Our apartment stock forms a significant part of Finland's national assets. We repair our apartments in accordance with the lifecycle principle in order to maintain or increase their operational and financial value.

EUR 45 million in apartment and building repairs.

TRANSPARENT AND AWARDED COMMUNICATIONS

SATO considers it important to communicate transparent and up-to-date information about its operations and

finances to its stakeholders. During the reporting year, we revised our [disclosure policy](#). All bulletins concerning SATO's operations are now released simultaneously via the publication system of Nasdaq Helsinki Ltd and to principal media and the Irish Stock Exchange and on the company's website at www.sato.fi.

Once a year, we release a consolidated annual report and sustainability report, in which we offer comprehensive information about our business operations, value creation processes, sustainability and finances. During the reporting year, ProCom, the Finnish Association of Communication Professionals, recognised SATO's annual report as the best report issued by unlisted companies, as also recognised in 2010 and 2012.

SUSTAINABLE OPERATING PRINCIPLES

SUSTAINABLE OPERATING PRINCIPLES

Our operating principles are based on legislation and our values and guidelines. We comply with approved international accounting standards and the corporate governance of listed Finnish companies in general reporting, and the GRI framework and our own guidelines and principles in sustainability reporting. The most important of these include the Code of Conduct, SATO's values, sustainability policy, environmental programme, guidelines for preventing the grey economy, procurement, financing, risk management and disclosure policies, HR management principles and stakeholder policy.

In 2016, SATO prepared its new Code of Conduct together with its personnel. Through the new Code of Conduct, SATO revised its guidelines, for example, on reasonable hospitality

and decided to adopt the Whistleblowing channel for its stakeholders and personnel. The new Code of Conduct entered into force on 1 January 2017.

Key guidelines and principles of SATO's corporate responsibility have been described in the table below. These are applied to all material aspects related to sustainability and to monitoring the functionality of the supply chain. In 2017, the objective is to develop and standardise the sustainability management principles using the new SATO sustainability manual.

Vision, mission, strategy, objectives

Key sustainability aspects at SATO	Operating principles/policies	Management methods	Strategic objective
Price-to-quality ratio	Investment criteria, planning instructions, service principles, customer promises	At home, In society	Constantly improving Net Promoter Score among our tenants, profitability
Smooth services for customers	Customer promises, service principles, principles of partnership control, good renting practice	At home, In society, Customers	Constantly improving Net Promoter Score among our tenants
Inspiring corporate culture	HR management principles, Code of Conduct, sustainability policy	Personnel, Partners	Committed personnel
Competence development	HR management principles	Personnel, Partners	Committed personnel

Energy efficiency	Environmental programme, planning instructions, sustainability policy	Environment	Energy efficiency, profitability
Sustainable supply chain	Procurement policy, Code of Conduct, guidelines for preventing the grey economy, guidelines for preventing money laundering, related party guidelines, stakeholder policy, agreement on cooperation, sustainability policy	Partners	Constantly improving Net Promoter Score among our tenants, profitability
Growth and profitability	Investment criteria, financing policy, risk management principles, sustainability policy	Economy, Risk management	Profitability
Engagement of customers in operational development	Stakeholder policy, sustainability policy	Customers	Constantly improving Net Promoter Score among our tenants
Stakeholder dialogue	Stakeholder policy, HR management principles, partnership control principles, sustainability policy	Stakeholders, Personnel, Customers, Partners, At home	Constantly improving Net Promoter Score among our tenants
Transparent methods	Code of Conduct, disclosure policies, good corporate governance, related party guidelines	Corporate responsibility at SATO, Policies, Value creation	Constantly improving Net Promoter Score among our tenants, profitability

RISK MANAGEMENT

PREVENTING RISKS

The purpose of risk management is to advance the fulfilment of SATO's strategic and business objectives. Furthermore, the task of risk management is to evaluate any threats and opportunities appearing in business operations in relation to the objectives set, secure operational continuity, produce information to support decision-making processes in business operations, and increase the awareness of the organisation of possibilities and uncertainties in the operating environment.

We identify any risks that may prevent key objectives from being fulfilled annually during strategic and operational planning processes. In order to ensure that strategic and operational risks are handled comprehensively, key SATO employees take part in the risk identification process.

OPERATING MODEL

We have set responsibilities for the evaluation and monitoring of the realisation of recognised risks. When required, risk management measures will be initiated to prevent

the realisation of risks or to enhance the monitoring of a certain area. Management can also be strengthened by preparing operating models for various risk situations.

On a Group level, changes in situations and the sufficiency of management are evaluated on a quarterly basis, while persons responsible for each risk area perform continuous evaluations.

RISK MANAGEMENT SYSTEM

Risk evaluations and risk management

Key guidelines

- Decision-making model and authorisations
- Control model for procurement (cooperation with suppliers, selection of suppliers, criteria for suppliers, selection of partners)
- Insurance management system, evaluation and responsibilities

Internal control system

Process management model

- Ownership of key processes, monitoring and development model, and indicators

Financial and operational reporting

- Balance between preventive and monitoring indicators

MANAGEMENT OF KEY RISKS

Risk	Description of risk	Control measures
Regulatory risk	A risk that the activities of the authorities, political guidelines or legal amendments weaken the development of cities and SATO's operating conditions.	<ul style="list-style-type: none"> • Continuous contact with authorities • Impact on housing policies • Active monitoring of motions to change laws
Impact of a long-term recession on the development of prices and demand for apartments	A risk that a lower trend than the basic scenario applied by SATO to evaluate the economic situation is realised. The risk is a clear decrease in market demand resulting decrease in the value of SATO's apartments.	<ul style="list-style-type: none"> • Sufficient financial reserves and liquidity buffers • Development of the housing portfolio, investments (procurement and repairs) and divestments • Sensitivity analyses • Allocation of new investments/micro-location strategy

Reputation risk	A risk that SATO's reputation/image is damaged, reducing business operations, or that irresponsible activities in the real estate business ruin the reputation of the industry. A risk that a significant industrial operator faces financial difficulties that are also reflected in the value of housing assets of other operators.	<ul style="list-style-type: none"> • Securing compliance with the Code of Conduct and other internal guidelines • Internal audits • Guidelines on crisis communications
Risks associated with partnerships	A risk that a major partner faces financial difficulties or other problems, causing significant damage to SATO's business operations.	<ul style="list-style-type: none"> • Thorough and close monitoring of the financial situation of partners • Regular communication with managers of partners • Back-up plans in the case of partners facing difficulties
Cyber threats	A risk that an external party attacks SATO's data systems and/or data network with the purpose of causing disruption and endangering SATO's operations. A risk that, as a result of an attack, SATO's customer information ends up in wrong hands and/or it is misused.	<ul style="list-style-type: none"> • Building strong firewalls • Continuity and recovery plans for data management • Information security audits • Information security training
Significant difficulties in the availability and price of financing	A risk that current sources of financing are unable to respond to SATO's financing needs in the medium term. Key risks include difficulties in the availability and price of bank financing due to changes in the market environment, and a decrease in demand in the Nordic bond market.	<ul style="list-style-type: none"> • Diversified financing • Sufficient reserves • IG credit rating

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT

The governance of SATO Corporation (hereinafter "SATO" or "the Company") is based on Finnish legislation and SATO's articles of association. The Company also complies with the Corporate Governance Code 2015, issued by the Finnish Securities Market Association. The Corporate Governance Code is available on the website of the Finnish Securities Market Association cgfinland.fi.

SATO's shares are not publicly listed. SATO has issued corporate bonds, which are listed on the Finnish or Irish stock exchanges, and the Company complies with their rules and regulations for listed bonds as well as the Securities Markets Act and the regulations of supervisory authorities. SATO's home exchange is the Nasdaq Helsinki.

SATO draws up its consolidated financial statements and interim reports in accordance with international, IFRS reporting standards approved in EU. The report of the Company's Board of Directors and the parent company's financial statements have been drawn up in accordance with Finnish accounting legislation. An independent external appraiser gives a statement about the values of SATO's housing portfolio and building land inventory and the appropriateness of the methods used to assess them.

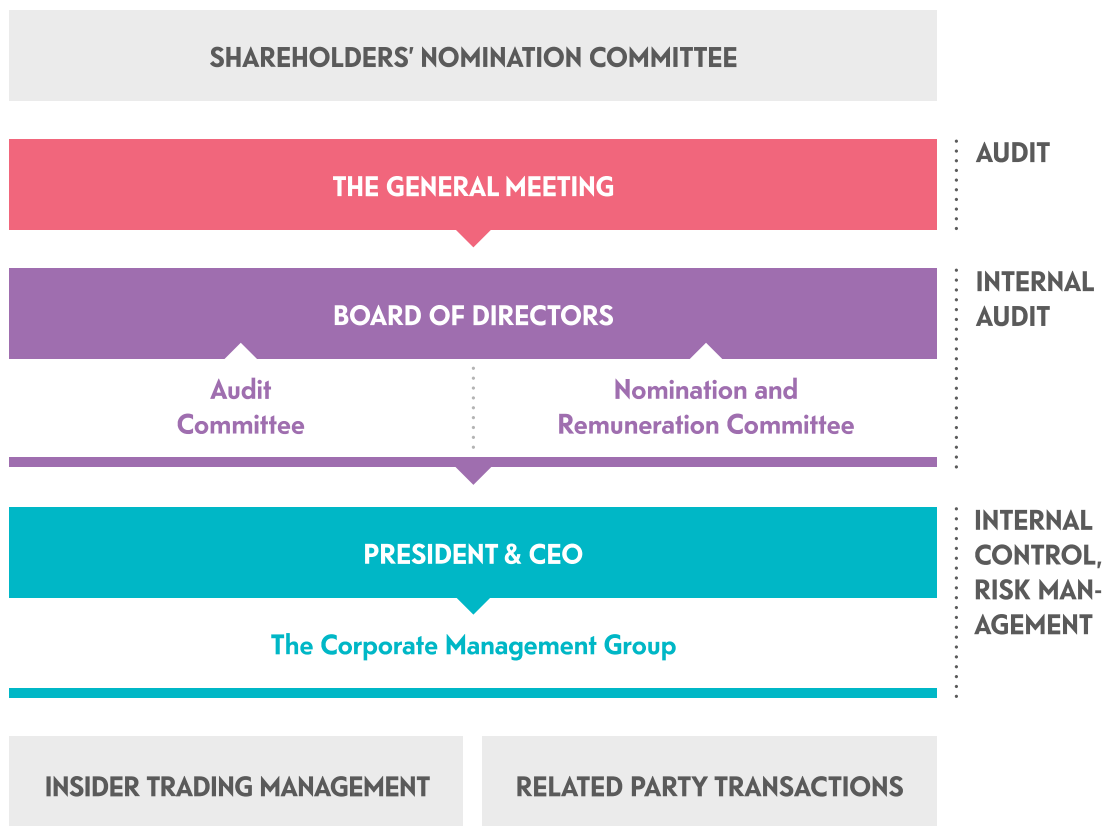
This report is being published separately from the annual report of the Board of Directors.

GOVERNING BODIES

GOVERNING BODIES

The authority and governance of the Company are divided among the annual general meeting, the Board of Directors, and the President and CEO. The President and CEO implements the operative business with the help of the Corporate Management Group. Internal audit subordinate to the Board of Directors is responsible for internal auditing and auditors are responsible for external auditing.

Corporate Governance



THE GENERAL MEETING

The general meeting of the shareholders is SATO's supreme decision-making body. The annual general meeting is to be held once a year within six months of the end of the financial year. An extraordinary general meeting is held when it is necessary according to the consideration of the Board of Directors or the Finnish Companies Act.

The annual general meeting decides on the matters due to it under the Finnish Companies Act and the articles of association. These include the adoption of the Company's financial statements and consolidated financial statements, the use of profit indicated on the balance sheet, discharging the members of the Board of Directors and the President and CEO from liability, electing the members and Chair of the Board of Directors and an auditor, and determining the remuneration to be payable to them. The meeting may also handle other matters to be dealt with at a general meeting in accordance with the Finnish Companies Act, such as share issues, acquisition of the Company's own shares

and changes to the articles of association. The meeting also deals with matters which a shareholder has requested to be dealt with at a general meeting in accordance with the Finnish Companies Act.

SATO has a single series of shares. Each share confers entitlement to one vote at a general meeting. Entitlement to attend the general meeting is held by a shareholder who has been entered in the register of shareholders maintained by Euroclear Finland eight working days before the general meeting. The Finnish Companies Act also contains regulations concerning nominee-registered shareholders.

In order to ensure dialogue between shareholders and Company bodies and shareholders' entitlement to ask questions, the President and CEO, Chair of the Board of Directors and the Board members must attend the general meeting. Persons proposed as Board members must be present at a general meeting deciding on their election.

The Company's annual general meeting was held on 3 March 2016. A total of 14 shareholders attended the meeting,

representing 95.7 per cent of the Company's shares and votes. The minutes of the annual general meeting can be found on the Company's [website](#).

SHAREHOLDERS' NOMINATION COMMITTEE

On 3 March 2015, the annual general meeting decided to establish a shareholders' Nomination Committee and approved its rules of procedure. The Committee's task is to prepare proposals concerning the Board's composition and the remuneration of its members to the annual general meeting. The committee's rules of procedure can be found on the Company's [website](#).

The shareholders' Nomination Committee includes representatives of SATO's four largest shareholders, which had been entered in the book-entry system on 1 October and which accept the position. The Chair of the Company's Board of Directors serves as an expert member of the Committee. The Committee elects one of its members to serve as Chair.

The Committee's term of office begins in October each year, when the largest shareholders have named their representatives, and ends at the closing of the next annual general meeting. A shareholder shall name as a member of the Committee a person independent of the Company.

The composition of the Committee is determined based on ownership on 1 October and includes Erik Selin (Balder), Hans Spikker (APG), Hanna Hiidenpalo (Elo) and Matti Harjuniemi (Finnish Construction Trade Union). The composition of the Nomination Committee responsible for preparing the 2016 general meeting included Erik Selin (Balder), Andrea Attisani (APG), Hanna Hiidenpalo (Elo) and Reima Rytsölä (Varma). Chair of the Board of Directors, Esa Lager, also participated in the work of the committee.

BOARD OF DIRECTORS

The general meeting elects between five and nine members of the Board of Directors and one member of the Board of Directors to serve as Chair of the Board. The Board of Directors elects one of its members to serve as Deputy Chair. The term in office of the members of the Board of Directors lasts until the closing of the annual general meeting following the one at which they were elected. The Board of Directors assesses the independence of its members and declares which of the members of the Board of Directors are considered independent of the Company, and which independent of the significant shareholders.

The Board members elected in the annual general meeting on 3 March 2016

Chair

Erik Selin
Managing Director, Fastighets Ab Balder
b. 1967, degree in business economics
- no shareholdings
- no shareholdings in controlled corporations

Members

Andrea Attisani
Snr Portfolio Manager, APG Asset Management B.V.
b. 1971, degree in business economics
- no shareholdings
- no shareholdings in controlled corporations

Marcus Hansson
CFO, Fastighets AB Balder
b. 1974, degree in business economics
- no shareholdings
- no shareholdings in controlled corporations

Jukka Hienonen
professional board member
s. 1961, M.Sc. (Econ.)
- no shareholdings
- no shareholdings in controlled corporations

Esa Lager
professional board member
b. 1959, LL.M., M.Sc.(Econ.)
- no shareholdings
- no shareholdings in controlled corporations

Tarja Pääkkönen
professional board member
b. 1962, D.Sc. (Corporate strategies), M.Sc. (Construction)
- no shareholdings
- no shareholdings in controlled corporations

Timo Stenius
Director, Unlisted investments (real estate, infrastructure, private equity and private debt), Elo Mutual Pension Insurance Company
b. 1956, M.Sc. (Constr. Eng.)
- no shareholdings
- no shareholdings in controlled corporations

Until the general meeting held on 3 March 2016, Chief Investment Officer Ilkka Tomperi, D.Econ. (b. 1975) was a member of the Company's Board of Directors. On 11 July 2016, Andrea Attisani has announced his resignation from his position on the Board of Directors.

The Board of Directors elected Jukka Hienonen as its Deputy Chair.

All Board members are independent of the Company, and Jukka Hienonen, Esa Lager and Tarja Pääkkönen are also independent of the major shareholders.

The Company's Board of Directors is responsible for the proper organisation of the Company's governance and its operations. It is the duty of the Board of Directors to promote the interests of the Company and all its shareholders.

In 2016, the Board of Directors convened on 13 meetings. An average of 96.5 per cent of the members of the Board of Directors attended the Board meetings. Members of the Board of Directors participated in the meetings as follows: Erik Selin 12/13, Andrea Attisani 8/8, Marcus Hansson 10/10, Jukka Hienonen 11/13, Esa Lager 13/13, Tarja Pääkkönen 13/13, Timo Stenius 13/13 and Ilkka Tomperi 3/3.

SATO's Board of Directors has confirmed the rules of procedure applied to the duties, meeting procedures and decision-making practices of the Board of Directors. These rules of procedure are explained on the Company's [website](#). In addition to matters for decision, the Board of Directors receives up-to-date information on the Company's operations, economy and risks at its meetings.

In 2016, the Board of Directors convened on 13 meetings.

In addition to the duties specified by the Companies Act, the Board of Directors decides on matters which, taking into account the extent and size of the Group's operations, have considerable importance for the Group's business. The duties of the Board of Directors include the following:

1. confirmation of the Group's business strategy and monitoring its implementation
2. confirming and monitoring the annual budget and the business plan
3. dealing with the financial statements and report of the Company's Board of Directors as well as the interim reports
4. confirming the Company's dividend policy
5. supervision of risk management and internal control as well as supervising the effectiveness of the internal audit.

The Board of Directors also appoints the Company's President and CEO and his/her deputy, and the members of the Corporate Management Group, and determines the terms of their employment and of their posts.

The Board of Directors performs an annual, internal self-assessment of its activities and its working methods. The purpose of the self-assessment is to verify how the Board's activities have been performed during the year and to serve as a basis for assessing the Board's method of operating.

Diversity of the Board of Directors

Purpose of the diversity of the Board of Directors

The diversity of the Board of Directors supports the Company's business and its development. Diversity strengthens the work of the Board of Directors by emphasising the views of people of different ages, different educational backgrounds and different experience concerning the Company's development and the steering of its operations. Diversity increases open discussion and strengthens the decision-making of the Board members.

Taking diversity into account in the election of Board members

The shareholders' Nomination Committee prepares a proposal for the annual general meeting concerning the number of Board members, the persons to be elected as members and Chair, and the remuneration to be paid to Board members. The Nomination Committee must take the requirement for diversity into account when preparing its proposal for the general meeting. In this preparation, the committee must evaluate the requirements set for the competence of Board members in any given situation in the Company, and must also evaluate what sufficient diversity in the Board of Directors is, taking into account, among other things, the experience of the Board members, their knowledge of SATO's business, their education and their distribution of age and gender. A member of the Board of Directors must have sufficient education to support SATO's operations and the achievement of its objectives, competence and the possibility to spend sufficient time on Board work, taking into account the Company's present and planned needs. There must be a sufficient number of Board members. Board members must have different skills, which support the implementation of the Company's current strategic targets.

The majority of the Board of Directors must be independent of the Company. At least two Board members who are independent of the Company must also be independent of significant shareholders in the Company.

Realising diversity in SATO

The requirement for diversity has been implemented in the composition of SATO's Board of Directors. Each member of Sato's Board either has a Finnish higher education degree or a degree in business economics taken somewhere other than Finland. Of the members, two have a degree in the field of technology, three in business or economics and one of the members is both a Master of Laws and a Master of Economics. The Chair of the Board is the main shareholder and CEO of a property investment company quoted on the Stockholm Stock Exchange and operating in many countries. Several of the Board members have experience of management functions in significant Finnish companies, and most of the members have experience of companies operating internationally. Both genders are represented on the Board of Directors and the span of ages ranges from 42 to 60. The term of office of the Board members has lasted two years on average.

Both genders are represented on the Board of Directors and the span of ages ranges from 42 to 60.

The committees of the Board of Directors

At the organisational meeting held annually after the annual general meeting, the Board of Directors appoints an Audit Committee and a Nomination and Remuneration Committee. The Audit Committee and the Nomination and Remuneration Committee comprise three to five members elected by the Board of Directors, one of whom serves as Chair.

The Board of Directors has confirmed the rules of procedure for the committees. The committees have no independent decision-making authority. Their mission is to prepare matters for decision by the Board of Directors and the annual general meeting and they report constantly on their actions to the Board of Directors. The rules of procedure can be seen on the Group's website.

Until 3 March 2016, serving on the Audit Committee were Ilkka Tomperi as Chair and members Tarja Pääkkönen and Timo Stenius. Since 3 March 2016, Marcus Hansson has served as Chair with members being Esa Lager and Timo Stenius. All members have been independent of the Company. Ilkka Tomperi, Tarja Pääkkönen, Esa Lager and Timo Stenius are also independent of the significant shareholders.

Serving on the Nomination and Remuneration Committee in 2016 were Chair Erik Selin and members Andrea Attisani (until 11 July 2016), Jukka Hienonen and Tarja Pääkkönen. All the members are independent of the Company and Esa Lager and Jukka Hienonen are also independent of the major shareholders.

The Audit Committee convened three times and the Nomination and Remuneration Committee convened twice during the 2016 financial year. The members of both committees participated in all committee meetings.

President and CEO

The President and CEO is responsible for managing the Group's business operations, their planning, and the attainment of its goals. He/she is responsible for preparing matters for the Board of Director's attention and for executing the decisions of the Board. The President and CEO is responsible for the ongoing management of the Company in accordance with the rules and regulations supplied by the Board of Directors. The President and CEO serves as Chair of the Corporate Management Group.

The Board of Directors appoints and discharges the Company's President and CEO and his/her deputy.

SATO's President and CEO is Saku Sipola (b. 1968), M.Sc. (Tech.) and his deputy is Tuula Entelä (b. 1955), LL.M., B.Sc. (Econ.) (until the expiry of her employment 31 December 2016).

The Corporate Management Group

The Corporate Management Team assists the President and CEO in the planning and management of operations and decision-making. The Corporate Management Team deals with all key issues for the management of the Group, such as matters related to the strategy, budgeting, investments, business planning, and financial reporting. The Corporate Management Team's duties include the implementation of the decisions of the Board of Directors under the leadership of the President and CEO. The Corporate Management Team has no authority under law or the articles of association; it serves as a body to assist the President and CEO.

The Corporate Management Group in 2016

Saku Sipola President and CEO, Chair of the Management Group
b. 1968, M.Sc. (Tech.)
- no shareholdings
- no shareholdings in controlled corporations

Antti Aarnio Vice President, Investments (since 17 February 2016)
b. 1972, M.Sc. (Tech.)
- no shareholdings
- no shareholdings in controlled corporations

Monica Aro Director, Marketing and Communications (until 28 November 2016)
Vice President, Development (since 28 November 2016)
b. 1954, B.Sc. (Econ.), LL.M., MBA
- shareholding 44 000 shares
- no shareholdings in controlled corporations

Antti Asteljoki Vice President, Rental Housing Business (since 16 May 2016)
b. 1974, M.Sc. (Econ.)
- no shareholdings
- no shareholdings in controlled corporations

Miia Eloranta Director, Marketing and Communications (since 28 November 2016)
b. 1973, M.Pol.Sc.
- no shareholdings
- no shareholdings in controlled corporations

Tuula Entelä Vice President, Business Development (until 28 November 2016)
Member of the Corporate Management Group (until 31 December 2016)
Deputy to President and CEO
b. 1955, LL.M., B.Sc. (Econ.)
- shareholding 179,000 shares
- no shareholdings in controlled corporations

Markku Honkasalo CFO (since 1 December 2016)
b. 1964, LL.M., eMBA
- no shareholdings
- no shareholdings in controlled corporations

M.Sc. (Tech.) Pasi Suutari (b. 1969) has conducted as Vice President, Regional Operations, Construction and Renovations until 16 February 2016 and M.Sc. (Econ.) Esa Neuvonen (b. 1967) as CFO until 6 November 2016.

The Corporate Management Group convenes once a week. The Corporate Management Group convened 45 times in 2016.

INTERNAL CONTROL

DESCRIPTION OF THE PROCEDURES FOR INTERNAL CONTROL AND THE MAIN FEATURES OF RISK MANAGEMENT SYSTEMS

INTERNAL CONTROL

The aim of internal control is to help to verify the efficiency, productiveness and reliability of the Group's operations, and to confirm the compliance of operations with the law and other regulations. The Group's internal control systems serve to verify that the financial reports issued by the Company give essentially correct information on the financial standing of the Group. The Group has determined for the key spheres of its operations Group-wide principles which form the basis for internal control.

Responsibility for the arrangement of internal control is held by the Board of Directors and by the President and CEO. Each member of the Board of Directors is sent a monthly report on the Group's financial situation and operating environment. The Audit Committee of the Board of Directors oversees the effectiveness of internal control and the accuracy of the financial reporting. Responsibility for the performance of internal control is held by the operational organisation of the entire Group, in such a way that each Group employee is responsible to his or her supervisor at all times for the supervision of his or her sphere of responsibility.

Responsibility for the arrangement of internal control is held by the Board of Directors and by the President and CEO.

The content of the reporting process and compliance with regulations are the responsibility of the Group's financial

administration. The Group's financial reporting process complies with the Group's operational guidelines and process descriptions as well as control measures for ensuring the quality of reporting. The controls on the reporting process have been specified on the basis of a control risk assessment matrix for the process. The types of controls are, for example, system controls, specifications, or audits or actions carried out by management or another party. Responsible parties have been allocated for controls which are in charge of the implementation and effectiveness of the controls.

The interpretation and application of accounting standards has been consolidated in the hands of the Group's financial administration, which maintains operating guidelines on financial reporting, process descriptions, calculation manuals and control mechanism descriptions, and which attends to the associated in-house communications. The Group's financial administration also oversees compliance with these instructions and procedures. The monitoring of the budgeting and reporting processes is based on the Group's reporting principles, for which the definition and centralised maintenance is the responsibility of the Group's financial administration. The principles are applied uniformly throughout the Group and a standardised Group reporting system is in use.

Risk management

SATO's risk management is based on the systematic risk assessment embodied in the strategic and annual planning process. Risk assessment also covers the risks of the financial reporting process. Business risks are categorised as strategic and operative risks as well as financing and market risks. The controls on the financial reporting process are specified on the basis of a separate survey of reporting process risks.

Responsibility for the arrangement of risk management is held by the Company's Board of Directors and the CEO. The internal audit and internal control support the Board of Directors in performing its duty of supervision. The mission of the Audit Committee elected by the Board of Directors from among its membership is to assess the adequacy and appropriateness of risk management processes and risk management. The Audit Committee reports to the Board of Directors, which supervises the risk management.

Internal audit

Internal audit supports the Board of Directors in performing its duty of supervision.

The internal audit assesses, independently and systematically, the functionality, efficiency and appropriateness of the Group's management and governance systems, as well as the business processes and risk management. In its reports, the internal audit makes recommendations for the improvement of systems and processes.

The duties of the internal audit were carried by Ernst & Young Oy. A review of the internal audit is sent once or twice a year to the Audit Committee and management. The internal audit reports are sent not only to the executive management but also to the Chairs of the Board of Directors and Audit Committee. The Audit Committee deals with the annual plan for internal auditing and the Board of Directors approves them. The subjects for auditing are selected in accordance with the Group's strategic goals, estimated risks and priorities.

Audit

The annual general meeting elects a single auditor for the Company, which must be an auditing firm approved by the Central Chamber of Commerce. The auditor's term in office is the financial year and their duties end at the closing of the annual general meeting following the one at which they were elected.

The auditor for the financial year 1 January to 31 December 2016 was KPMG Oy Ab with Lasse Holopainen, M.Sc. (Econ.), APA as the auditor in charge. The audit checks the accounts, financial statements and administration of the Company and Group.

In 2016, the auditor was paid auditing fees of EUR 139 588. The auditor was also paid EUR 169 424 for other services (including all companies belonging to the same group or chain).

Related party transactions

A key employee included in the management of SATO Corporation is obligated to report in writing to

the person in charge of related party issues any related party business that involves the key employee in question, their close family member or corporation in which said employee or their close family member hold authority or have prominent influence.

The report must be submitted for approval before completing the related party transaction. In the case of major transactions, the Board of Directors will make a decision on whether to accept the reported related party transaction. In the case of transactions that are part of SATO's regular business, or minor transactions valued less than EUR 10,000, the decision can be made by the Chair of the Board, the President and CEO or the CFO. Regulations concerning recusal due to the likelihood of bias are observed in decision making.

The closeness of the related party relations and the size of the transaction are taken into account, as well as any exceptions from market conditions, whether the transaction is part of SATO Group's daily business, whether there are financial grounds for the transaction and whether it is acceptable from the viewpoint of SATO Group.

Insider trading management

SATO's rules concerning insider trading are based on the Market Abuse Regulation, the Finnish Securities Markets Act and they comply with the standards of the Financial Supervisory Authority and the guidelines of the Finnish and Irish stock exchanges where these apply to a party issuing listed bonds. The insider guidelines include, among other things, guidelines concerning SATO's financial instruments. SATO does not keep a list of insiders. A project-specific list of insiders is based on a decision by the President and CEO or, if he/she is recused, the CFO. Insider information is in particular information that concerns the ability of SATO and the SATO Group to fulfil their commitments in respect of bond issues.

REMUNERATION STATEMENT

REMUNERATION STATEMENT

2016

MEMBERS OF THE COMPANY'S BOARD OF DIRECTORS

Decision-making order

Remuneration paid to the members of the Board of Directors of SATO Corporation (hereinafter "SATO") is resolved by the company's shareholders at the Annual General Meeting. The proposal for the remuneration is prepared, together with a proposal for the election of board members, by the Shareholders' Nomination Committee. The Nomination Committee consists of representatives of SATO's four largest shareholders registered in the book-entry system on 1 October, which shareholders have approved the assignment.

SATO's Annual General Meeting held on 3 March 2016 resolved that the following annual remuneration be paid for the term starting at the close of the AGM and ending

at the close of the 2017 AGM:

- Chair of the Board of Directors: EUR 36,000
- Deputy chair of the Board of Directors: EUR 22,000
- Other members of the Board of Directors: EUR 18,000 each

In addition, the AGM resolved that a meeting fee of EUR 500 per meeting be paid to the chair, deputy chair and members of the Board of Directors for meetings of the Board of Directors and its committees. These fees correspond to fees paid to members of the Board of Directors during the previous term.

Fees paid to members of the Board of Directors in 2016

The following fees were paid to members of SATO's Board of Directors during the financial period of 1 January–31 December 2016:

Erik Selin, chairman of the Board of Directors	EUR 39,900
Jukka Hienonen, deputy chairman of the Board of Directors	EUR 29,000
Andrea Attisani (member until 11 July 2016)	EUR 16,000
Marcus Hansson (member as of 3 March 2016)	EUR 19,900
Esa Lager	EUR 28,600
Tarja Pääkkönen	EUR 26,500
Timo Stenius	EUR 26,000
Total	EUR 185,900

During the financial period, no shares or share-based rights were issued to members of the Board of Directors as fees.

CEO AND OTHER MANAGERS OF THE GROUP

Decision-making order

On the basis of proposals presented by the Nomination and Remuneration Committee, SATO's Board of Directors makes resolution on the terms and conditions of the term of office and employment of SATO's CEO and members of the Group's management team, and their salaries, the bases of their annual bonus schemes and long-term incentive schemes, as well as the amount of bonuses paid based on the schemes, in addition to the payment method and date.

Individuals employed by the Group do not receive any separate compensation for acting as a member of the Board of Directors or as CEOs in the subsidiaries of the Group.

The CEO's employment contract

A written employment contract has been signed between SATO and its CEO Saku Sipola, according to which the CEO receives a monthly salary divided into a monetary component and customary fringe benefits. The CEO is within the scope of the annual bonus and long-term incentive schemes in accordance with SATO's policies valid at the time, following the terms and conditions defined by SATO's Board of Directors.

The period of notice for the CEO is six months if the employment contract is terminated by SATO. If SATO terminates the CEO's employment contract, the CEO will receive compensation corresponding to a 12-month salary in addition to the regular salary paid during the period of notice.

REMUNERATION SCHEMES

Long-term incentives

The objective of long-term incentive schemes is to combine the targets of shareholders and key individuals to increase the company's value, improve the Group's competitiveness and ensure long-term financial success.

In 2016, SATO used the following long-term incentive schemes:

a. Schemes applicable to 2014–2016 and 2015–2017

On the basis of these schemes, key individuals within the scope of these schemes receive bonuses on the basis of criteria related to the development of the company's value fulfilled during the earnings period. These schemes covered a total of 18 key individuals.

b. Scheme applicable to 2016–2018

On the basis of this scheme, key individuals within the scope of the scheme receive bonuses, the amount of which is based on the development of the company's value and another objective which supports business improvement. This scheme covers a total of 17 key individuals.

SATO's Board of Directors decides who falls within the scope of each scheme, the maximum bonus to be paid, and the values which form the basis of the bonuses, as well as the amount of bonuses to be paid annually.

Short-term incentives

Members of the Group's management team and separately appointed key individuals of the Group are within the scope of an annual bonus scheme. In 2016, the objectives defined for the Group's management team were related to the Group's profit and one objective which supports business improvement. The objectives set for key individuals were related to the successful performance of their tasks. The Board of Directors annually approves the bases of bonuses, the individuals within the scope of bonus schemes and the payment of bonuses.

SALARIES AND FEES PAID TO THE CEO AND MEMBERS OF THE GROUP'S MANAGEMENT TEAM IN 2016

In 2016, CEO Saku Sipola received EUR 303,978 in salary, of which monetary wages accounted for EUR 288,950 and fringe benefits made up EUR 15,028. The CEO started in his position on 16 November 2015, which is why he received no bonus for 2015 in 2016.

In 2016, Erkkä Valkila, who acted as the CEO of SATO until 15 November 2015, received EUR 110,527 in bonuses for 2015 and EUR 86,720 in bonuses paid on the basis of previous long-term incentive schemes.

In 2016, other members of the Group's management team received EUR 1,286,508 in bonuses and fringe benefits, EUR 211,380 in bonuses based on long-term incentive schemes, and EUR 179,782 in bonuses based on the annual bonus scheme. In addition to the CEO, the Group's management team consisted of a total of eight individuals in 2016.

BOARD OF DIRECTORS

BOARD OF DIRECTORS

The general meeting elects between five and nine members of the Board of Directors and one member of the Board of Directors to serve as Chair of the Board. The Board of Directors elects one of its members to serve as Deputy Chair.



ERIK SELIN

born 1967, Business school economist, CEO and Board Member, Fastighets AB Balder, Board member since 2015, Chairman of the Board since 2016, independent of the company, not independent of the main shareholders

Primary working experience

Fastighets AB Balder: CEO and Board Member since 2005,
Owner of several companies in real estate business

Main positions of trust

Skandrenting AB: Chairman of the Board of Directors,
Collector AB: member of the Board of Directors,
Collector Bank AB: member of the Board of Directors,
Västsvenska Handelskammaren: member of the Board of Directors,
Hexatronic Scandinavia AB: member of the Board of Directors



JUKKA HIENONEN

born 1961, M.Sc.(Econ.), Board member and Deputy Chairman of the Board since 2015, independent of the company and its main shareholders

Primary working experience

SRV Plc: President and CEO 2010–2014,
Finnair Plc: President and CEO 2006–2010,
Stockmann plc: Executive Vice President 2001–2005, Director, International Affairs 1995–2000,
Timberjack Oy: Marketing Director 1991–1995

Main positions of trust

Paroc Group: Chairman of the Board of Directors,
Juuri Partners Oy: Chairman of the Board of Directors,
Stockmann Oyj Abp: Chairman of the Board of Directors,
Central Chamber of Commerce: member of the Board of Directors



MARCUS HANSSON

born 1974, M.Sc.(Econ.), CFO, Fastighets AB Balder,
Board member since 2016, independent of the company, not independent of the main
shareholders

Primary working experience

Fastighets AB Balder: CFO since 2007

Main positions of trust

Member of the Board in several Balder companies in Sweden and Denmark,
Husvården AB: member of the Board of Directors



ESA LAGER

born 1959, LL.M., M.Sc.(Econ.),
Board member since 2014, Deputy Chairman of the Board 2014–2015, Chairman of the
Board 2015–2016, independent of the company and its main shareholders

Primary working experience

Outokumpu Oyj: deputy to the CEO 2011–2013, Executive Vice President - Chief
Financial Officer 2005–2013, Executive Vice President of Finance and Administration
2001–2004, Corporate Treasurer 1995–2000, Assistant Treasurer 1991–1994, Kansallis
Banking Group: Manager at the Head Office/London Branch 1984–1990

Main positions of trust

Olvi Oyj: Chairman of the Board of Directors,
Ilkka-Yhtymä Oyj: Deputy Chairman of the Board of Directors,
Alma Media Corporation: member of the Board of Directors,
Finnish Industry Investment Ltd: Chairman of the Board of Directors,
Terrafame Oy: member of the Board of Directors,
Fennovoima Oy: deputy member of the Board of Directors



TARJA PÄÄKKÖNEN

born 1962, Ph.D (Corp.Strategies), M.Sc. (Const. & Architecture), Executive Partner and Chairman of Brand Compass Group, Boardman Ltd, Board member since 2013, independent of the company and its main shareholders

Primary working experience

Boardman Ltd: Executive Partner and Chairman of Brand Compass Group 2010–, Itella Corporation: Senior Vice President, Corporate Sales and Marketing and member of Executive Board 2005–2010, Nokia Corporation: Member of the Management Board of Nokia Mobile Phones and several global Senior Vice President positions in Europe, the USA and Asia 1994–2004, Mecrator Oy (PwC): Management Consultant 1992–1994, Kienbaum KmbH, Germany: Management Consultant 1990–1992

Main positions of trust

Panostaja Oyj: member of the Board of Directors,
Fira Oyj: member of the Board of Directors,
Helsinki University Group: member of the Board of Directors and member of Remuneration Committee,
Qentinel Oy: member of the Board of Directors,
Spinverse Oy: member of the Board of Directors,
Mobile software company Sunduka Oy and Cardu Oy: member of the Board of Directors,
Gapps Oy: member of the Board of Directors,
“CTO of the Year”: member of the jury,
Member of the Marketing Executives’ Group and the Directors’ Institute of Finland



TIMO STENIUS

born 1956, M.Sc. (Constr. Eng.), Director, Unlisted investments of Elo Mutual Pension Insurance Company, Board member since 2015, independent of the company, not independent of the main shareholders

Primary working experience

In his current post, he is responsible for Elo Mutual Pension Insurance Company's unlisted investments worth EUR 4.7 billion. Since 1990, he has been involved in property investment and development, first in a listed company and later, since 2001, as the director responsible for a pension insurance company's property and infrastructure investments, corporate financing and non-listed equity investments. In addition, in 1982–1988 he was involved in project export tasks targeted at the Soviet Union in Finn-Stroi Oy.

Main positions of trust

KTI: Chairman of the Board of Directors,
Tyvene Oy: Chairman of the Board of Directors,
Amplus Holding Ltd: Deputy Chairman of the Board of Directors,
Rakennuspalvelu V. Stenius Oy: member of the Board of Directors

THE CORPORATE MANAGEMENT GROUP

THE CORPORATE MANAGEMENT GROUP

The Corporate Management Group deals with all key issues for the management of the Group, such as matters related to the strategy, budgeting, investments, business planning, and financial reporting. The Corporate Management Group's duties include the implementation of the decisions of the Board of Directors under the leadership of the President and CEO. The Corporate Management Group convenes once a week.



SAKU SIPOLA

born 1968, M.Sc.(Tech.), President and CEO, has worked for SATO since 2015

Primary working experience

Pohjolan Design-Talo Oy: CEO 2011–2015, Rautaruukki Oyj: Executive Vice President, Marketing, Technology and Supply Chain Management, Finland 2010–2011, Rautaruukki Oyj, Ruukki Construction: Division President, Finland 2005–2010, YIT Construction Ltd: Business group director, Business premises, southern Finland, 2001–2005, Marketing team director, Property development, leasing and sales 2000–2001, YIT Group: various tasks 1995–2000

Main positions of trust

Member of the Board for several SATO Group companies, Pohjolan Design-Talo Oy: member of the Board of Directors, The Finnish Housing Fair: member of the Board of Directors, Helsinki Region Chamber of Commerce: member of Delegation, RAKLI ry: deputy member of the Board of Directors

Shareholding in SATO

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ANTTI AARNIO

born 1972, M.Sc. (Tech.), Vice President/Investments, has worked for SATO since 2000

Primary working experience

SATO Group: Director, Investments and divestments, Helsinki Region and St. Petersburg 2010–2016, Nordic Real Estate Partners Oy: Housing investments and investment management / Managing Director of Minun Koti associations 2007–2009, SATO Group, Housing investments: Unit Director, SATO Asunnot 2006–2007, Real estate manager 2004–2006, Building manager 2003–2004, Project engineer 2002–2003, Administrative building manager 2000–2001

Main positions of trust

Member of the Board for several SATO Group companies, Helsinki Region Chamber of Commerce: Regional and housing committee, member, RAKLI: Investment and financing committee, member

Shareholding in SATO

-



MONICA ARO

born 1954, B.Sc.(Econ.),LL.M., MBA, Vice President/Development, has worked for SATO since 1990

Primary working experience

SATO Group: Director, Customer Relationships and Communications 2011–2016, Director, Marketing and Communications 2003–2011, Director, Marketing 2002–2003, Director in Property Investment 1998–2002, Project Manager in Housing Development and Construction 1998, Construction Client Agent 1990–1997

Main positions of trust

-

Shareholding in SATO

44,000 shares



ANTTI ASTELJOKI

born 1974, M.Sc.(Econ.), Vice President/Rental Housing Business, has worked for SATO since 2016

Primary working experience

Huoneistokeskus Oy: CEO 2012–2016, RTK-Palvelu Oy: Area Director and Commercial Director 2009–2012, Kiinteistömaailma Oy: Area Director, Deputy Managing Director 2007–2009, Lassila & Tikanoja Oyj: Sales Director, Property Services 2004–2007, Telia Product Oy: Area Director 1999–2003, Sales Manager 1998–1999, Sales Representative 1997–1998

Main positions of trust

Member of the Board for several SATO Group companies

Shareholding in SATO

-



MIIA ELORANTA

born 1973, M.Soc.Sc., Director of Marketing and Communications, has worked for SATO since 2016

Primary working experience

ISS Palvelut Oy: Director of Communications and Marketing 2013–2016, The Bioenergy Association of Finland: Director of Communications 2012–2013, Soprano Oyj: Head of Communications and Marketing Agency 2008–2012; Head of Business Unit at Soprano Communications and Marketing Agency 2007–2008; Senior Consultant 2005–2007, Communications Consultant 2003–2005, The Finnish Fair Corporation: Communications Officer 2000–2003, Ministry for Foreign Affairs: Desk Officer for Namibia and Botswana 1999–2000, University of Turku: Education planner at the EU Education Programme for Journalists 1998–1999

Main positions of trust

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Shareholding in SATO

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TUULA ENTELÄ

born 1955, B.Sc.(Econ.), LL.M., Senior Advisor, Deputy to President and CEO, has worked for SATO since 1981, retired on 1 January 2017

Primary working experience

SATO Group: Vice President, Housing Business and Investments 1994–2016, Polar Group: Administrative Director of Real Estate Division 1992–1994, SATO Group: Director, Housing Development and Construction 1989–1992, SOK, Corporation: Real Estate Legal Counsel 1988–1989, SATO Group: Construction Client Agent 1981–1988

Main positions of trust

Helsingin Osuuskauppa Elanto: Deputy Chairman of the Board, Helsinki Deaconess Institute: member of the Board of Directors, The Finnish Housing Association: Deputy Chairman of the Board, RAKLI ry: Chairman of the Management Group of the Housing division

Shareholding in SATO

179,000 shares



MARKKU HONKASALO

born 1964, LL.M., Trainee at bench, eMBA, Chief Financial Officer, has worked for SATO since 2016

Primary working experience

Componenta Corporation: CFO 2015–2016, Valmet Corporation: CFO 2013–2015, Rautaruukki Oyj: CFO 2009–2013, Myllykoski Corporation: Director, Administration, Legal & HR 2003–2008, Different positions in the banking sectors 1989–2003

Main positions of trust

Member of the Board for several SATO Group companies, Componenta Dökümcülük Ticaret ve Sanayi A.S. Componenta: member of the Board of Directors

Shareholding in SATO

-

REPORT OF THE BOARD OF DIRECTORS

1 JANUARY–31 DECEMBER 2016

Operating environment

The Finnish economy has turned to moderate growth. In the near future, growth is expected to be close to one per cent. This growth is mainly based on private consumption and building investments. The outlook for exports seems brighter than in previous years, even though it remains weak due to the slow recovery of global economy. The Finnish competitiveness pact is expected to improve competitiveness with prices, but its impact on economic development will take effect after some delay. The public economy is estimated to remain clearly in the deficit.

Private consumption is expected to grow more slowly than in the year before because there has been no significant increase in income levels and the rate of inflation is estimated to increase. The employment rate continues to improve, but due to the mismatch in vacancies and the available workforce, the rate of unemployment is decreasing slowly.

Interest rates have started to go up in the USA where economic growth has strengthened. In the eurozone and Finland, interest rates are expected to remain low as a result of the financial policy of the European Central Bank and slow general growth. Low interest rates have a positive impact on SATO's results by reducing financing costs.

The success of urbanisation is essential for the competitiveness and growth of Finland. Recently, residential construction has been active and this good pace of construction should continue in growth centres in order to reach a good balance between supply and demand. In 2016, investments were made actively in apartments, with roughly 40 per cent of all major property transactions being housing portfolio deals. For example, real estate funds accounted for one third of all new residential buildings. As the supply of apartments has increased, competition over customers has intensified. SATO's competitive edge is boosted by improving customer service and introducing new services and housing concepts to enrich our broad range of apartments.

In the light of estimates, the market in year 2016

was better than the previous two years in terms of apartment sales. This growth has mostly been affected by the accelerated sales of new apartments. The positive development of apartment prices in SATO's operating areas has increased the fair value of the largest portfolio, evaluated according to the sales comparison method.

Strategy

In the autumn, the Board of Directors adopted the Group'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 cities 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 build a functional partnership network in order to offer diverse housing for different needs and services that produce benefits for our customers. We will allocate our growth investments to the Helsinki Metropolitan Area, Tampere, and Turku, i.e. to areas that show the highest demand for apartments and steady increase in value in the long-term.

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 per cent. In addition, our strategic objective is a constantly improving Net Promoter Score (NPS) among our tenants.

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

Net sales, profit and financial position

SATO is engaged in investment activities where profit comes from rental income, sales profits and changes in the fair value of apartments. At the end of the year, capital invested in business operations stood at EUR 3,195.6 (2,669.5) million. When evaluating business profitability, the key indicator is return on investment, which was 9.1 (7.6) per cent.

During the reporting year, the Group's net sales decreased by 1.7 per cent year-on-year and totalled EUR 318.0 (323.4) million. The change in net sales is caused by the previously announced discontinuation of owner-occupied house production. Of the net sales, rental income accounted for EUR 262.7 (249.4) million. The increased number of apartments and focus on small apartments in growing cities improved rental income by 5.4 (2.5) per cent.

Operating profit, including the change in fair value of EUR 124.3 (62.4) million, increased by 36.0 per cent to EUR 267.2 (196.5) million. The change in value is based on the shift of focus to growing cities and to smaller apartments in accordance with our strategy. The operating profit without the change in the fair value was EUR 143.0 (134.0) million, mainly due to an increase in the apartment stock.

Profit before taxes increased by 37.6 per cent to EUR 219.4 (159.4) million. The improvement was mainly based on the positive change in the value of apartments and the increase in the value of the Russian rouble. Earnings per share was EUR 3.22 (2.49). Cash flow from operations (free cash flow after taxes excluding change in fair value) amounted to EUR 86.2 (78.1) million. The improvement in cash flow was affected by low interest rates and good cost management. In 2016, net financing costs totalled EUR 47.8 (37.0) million, comprising 15 per cent of the Group's net sales.

The change in the fair value of apartments included in the profit was EUR 124.3 (62.4) million. This change was affected positively by the development of apartment prices and the expiry of restrictions applicable to certain properties, the revision of yield demands for specific properties on the basis of guidance issued by an external valuation agency, and the increase in the value of the Russian rouble. The agency changed yields according to the changed market situation, which increased the value of apartments.

Further information about **the determination of fair value** is in note 13 to the financial statements.

On 31 December 2016, the consolidated balance sheet total stood at EUR 3,562.2 (2,979.7) million. Equity was EUR 1,252.6 (993.2) million. Equity per share was EUR 22.12 (19.53).

The Group's equity ratio was 35.2 (33.3) per cent,

which exceeds the new target level of 35 per cent. Through its two share issues completed in June, SATO Corporation strengthened its shareholders' equity by a total of EUR 112.9 million.

In 2016, the return on equity exceeded the target of 12 per cent and was 15.6 (13.5) per cent.

Financing

The Group and the parent company have enjoyed a good financial position throughout the financial period. At the end of the year, the Group had EUR 18.3 (60.7) million in cash and cash equivalents.

Interest-bearing liabilities at the end of the financial period totalled EUR 1,943.0 (1,676.2) million, of which loans subject to market terms accounted for EUR 1,446.2 (1,356.5) million.

The loan itemisation is in Note 27 to the Financial Statements.

EUR 381.6 million of new long-term financing was withdrawn during the review period. The solvency ratio was 54.3 (55.3) per cent at the end of the reporting period. The target is a solvency ratio of less than 70 per cent.

SATO's objective is to shift towards an unsecured financing structure, and also to ensure as broad and flexible a financing base as possible and to improve the availability of financing to support the growth of the company. During the reporting year, SATO increased the proportion of financing without real securities to 38.8 per cent of all loans. The proportion of unencumbered assets was 53.1 per cent at the end of the year. In March, we issued a five-year bond of EUR 300 million with a fixed annual rate of 2.375 per cent. In June, SATO signed an agreement on syndicated credit facilities of EUR 400 million to refinance the Group's existing credit facilities. In November, SATO and the European Investment Bank (EIB) signed an agreement on a long-term loan of EUR 150 million. The objective of EIB and SATO is to construct new buildings of nearly zero energy and to carry out repairs that improve the energy efficiency of the Group's current apartments over the next few years. In December, SATO and Aktia Bank plc signed an agreement on a long-term loan without real securities of EUR 50 million.

To stabilise its financing costs and to improve the availability of financing, SATO set a stronger Investment Grade credit rating (currently Moody's Baa3) as its new strategic goal. At the end of the reporting year, the average loan interest rate was 2.5 (2.5) per cent. In accordance with the Group's financing policy, the aim is to ensure that at least 60 per cent of all loans are fixed-rate loans. On the balance sheet date, the proportion was 82.2 (73.2) per cent.

In 2016, net financing costs totalled EUR 47.8 (37.0) million. The average maturity of loans with market terms was 4.9 (5.1) years.

During the financial period, the calculated impact of changes in the market value of interest hedges on equity was EUR -3.4 (2.9) million.

Group structure

SATO Corporation is the parent company of SATO Group. At the end of the reporting year, the parent company had a total of 21 (19) subsidiaries engaged in business operations.

Housing assets and fair value

On 31 December 2016, SATO owned a total of 25,344 (23,551) apartments. The number of apartments increased by 1,793 during the year. A total of 2,679 (476) apartments were purchased and 702 (708) new apartments were completed, totalling 3,381 (1,184) apartments. The total number of divested apartments and shared ownership apartments redeemed by the owner occupants was 1,588.

At the end of the reporting year, the fair value of apartments was EUR 3,383.2 (2,752.9) million and the change in fair value, including the rental apartments acquired and divested during the year, was EUR 630.3 (224.9) million. In addition to investments and divestments, the change in value was affected by the development of market prices and rental income, changes in the exchange rate of the Russian rouble, changes in yield values on the basis of guidance issued by an external valuation agency, as well as the expiry of restrictions applicable to certain sites.

Of the value of apartments, the commuting area of the Helsinki Metropolitan Area accounted for roughly 79 per cent, Tampere and Turku made up roughly 13 per cent, and Oulu and Jyväskylä roughly 4 per cent. Apartments in St. Petersburg represent roughly 4 per cent of the total value.

Development of housing assets

We develop our housing assets through investments and divestments and through repair activities.

Investment activities create preconditions for growth and modernise the apartment stock. Investments are allocated to the Helsinki Metropolitan Area, Tampere and Turku.

During the reporting year, investments in apartments totalled EUR 572.6 (250.5) million, i.e. nearly double compared to net sales. New apartments accounted for EUR 153.5 (136.7) million, roughly 26.8 per cent of all investments. At the end of the financial year, binding purchase agreements in Finland totalled EUR 121.2 (148.8) million.

During the reporting year, a total of 3,307 (1,037) apartments were acquired in Finland, of which 628 (561) in new buildings. A total of 1,232 (1,204) apartments were under construction in Finland at the end of the year.

The most significant investments were the acquisition of all shares in SVK Yhtymä Oy through a directed issue, as result of which 1,255 apartments were transferred to SATO, and the acquisition of 1,015 apartments from Suomen Laatuasunnot Oy. In December, SATO acquired Patrizia Immobilien KAG Greater Helsinki Oy which has a total of 113 apartments in Helsinki, Espoo and Vantaa.

In total, 1,267 (1,743) apartments with a total value of EUR 67.7 (95.9) million were divested in Finland. The most significant divestment was the sale of 294 apartments to KAS Group in December. The divested apartments are mainly located outside SATO's primary operating area.

In Finland, EUR 45.2 (57.3) million was spent on improving the quality of apartments, including the repair and major renovations of properties.

Property development

Property development offers the basis of and continuity for investments. Our plot reserves create a competitive edge by allowing the development of apartments best matching the future demand.

At the end of the reporting year, the book value of owned plot reserves totalled EUR 62.0 (57.5) million. The value of new plots acquired during the year stood at EUR 13.5 (13.2) million. In addition, we signed preliminary agreements on permitted building rights of 45,000 gross floor square metres to be developed for the construction of more than 700 apartments. The book value of the plot reserves divested during the year or used for producing apartments was EUR 22.4 (23.6) million.

We had ongoing zoning projects in Oulunkylä, Haaga, Patola and Puistola in Helsinki, and in Soukka, Finnöö and Karakallio in Espoo. Of the zoning projects in progress, approximately 120,000 gross floor square metres of permitted building rights are planned for complementary construction on the company's own plots, for approximately 2,000 apartments. Local plans were completed for complementary construction on the company's own plots, totalling approximately 50,500 gross floor square metres of permitted building rights. Complementary construction serves to produce various benefits for people already living in the area, future residents, service providers and society. The permanence of services improves, municipalities do not need to invest in public utility services, and furthermore the image of the area is enhanced.

When we decide to build new buildings, we assess which apartments are suitable for rental activities and which will be sold off as owner-occupied homes. During the financial year, a total of 628 (561) rental apartments and 57 (153) apartments for sale were completed for the Group in Finland.

At the end of the year, 27 (52) completed and 0 (55) owner-occupied apartments under construction remained unsold at a total purchase value of EUR 16.1 (48.7) million.

Rental activities

Effective rental activities provide home seekers with quick access to an apartment. Rental services are mainly offered by SATO's rental offices. SATO's electronic channels makes finding a home easy for customers.

SATO's economic occupancy rate in Finland was 95.6 (96.4) per cent on average. The occupancy rate improved during every quarter, rising from 94.8 per cent in the first quarter to 96.3 per cent in the fourth quarter. The average tenant turnover rate was 40.5 (41.1) per cent, of which residents changing from one SATO apartment to another accounted for 7.9 (8.5) per cent. The tenant turnover was increased and the occupancy rate decreased by the increased supply of apartments in SATO's operating areas. To increase customer loyalty, we will renew our service which our customers can use to change apartment.

The average rent of SATO's apartments in Finland was EUR 16.47 (16.39) per m² per month at the end of the year.

Net rental income from apartments was at the same level as 2015 at EUR 166.2 (151.8) million, corresponding with our current guidance. Net rental income rate was 5.6 (6.0) per cent. Our apartment stock which has been modernised through investments, the moderate development of maintenance fees and the development of rental activities and customer service, contributed to the increase of our net rental income.

Business operations in St. Petersburg

The housing market of St. Petersburg is of the same size as the Finnish housing market. The expansion of investment activities to St. Petersburg from 2007 has increased the opportunities for SATO's growth. Russia is limited to a maximum of 10 per cent of the Group's housing assets.

At the end of the reporting period, the fair value of housing assets in St. Petersburg totalled EUR 128.6 (106.1) million, i.e. 3.8 per cent of all housing assets held by SATO. The change in value amounted to EUR 19.8 (-5.4) million caused by the change in the currency exchange rate. The total value of binding purchase agreements was EUR 0.0 (2.4) million at the end of the year. There were a total of 534 (460) completed apartments and none (74) under construction in St. Petersburg at the end of the year. For the time being, SATO will refrain from making new investment decisions in Russia.

During the reporting year, the average occupancy rate of our apartments in St. Petersburg was 82.2 (82.7) per cent.

The occupancy rate of our existing apartments improved as the year progressed, while it remained below the previous year's level due to the completion of 74 apartments in the middle of the year.

The estimated inflation rate in Russia was 5.8 (12.9) per cent. SATO's rouble-denominated rents changed by -0.7 (3.3) per cent. As a result of the increased value of the rouble, euro-denominated rents increased, being EUR 15.33 (12.54) per m² per month at the end of the year.

Customer accounts

The requirement level of customers has increased and their expectations have differentiated in terms of the quality of the apartment and service. We want to develop our operations and our range of products and services to continuously improve the customer experience. We measure the development of the customer experience using the net promoting score NPS, and our objective is to continuously increase this value. The NPS measured by the method used in 2016 improved by two percentage points.

At the end of the year, we launched three **strategic development programmes** to strengthen our customer satisfaction and permanence. To implement these programmes, we will strengthen our customer resources by recruiting 30 new SATO employees in spring 2017.

Development activities

Development activities were focused on strategy development, the development of digital services and IT systems and the planning of new concepts. A total of EUR 0.9 (1.2) million were spent on development, comprising 0.3 per cent of net sales.

SATO's new mission is to revolutionise housing – to offer more than just walls. We will start this change through three strategic programmes. The objective of the "Customer first" programme is to build a new service culture. Through the "OmaSATO" development programme, we will create new digital services, with a service aimed to make it easier to find a new apartment will be opened in the spring of 2017. The objective of the third programme is to launch new housing options in the market.

Corporate responsibility

Sustainable development is a megatrend which affects people's values and behaviour. For companies, sustainable operating methods have grown in significance, and SATO has continuously revised and changed the guidelines and principles to be followed in its operations. SATO's **Code of Conduct**, **Corporate Governance Statement** and **Sustainability policy** are available at sato.fi.

During the reporting year, SATO participated for the second time in the Global Real Estate Sustainability Benchmark (GRESB) assessment and was again rated in the best category, the Green Star. 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.

In 2016, SATO prepared its new Code of Conduct together with its personnel. Through the new Code of Conduct, SATO revised its guidelines, for example, on reasonable hospitality and decided to adopt the Whistleblowing channel for its stakeholders and personnel. The new Code of Conduct entered into force on 1 January 2017.

Environmental impact

Curbing energy consumption is a key issue in the prevention of adverse environmental impacts caused by housing. In October, SATO signed the energy efficiency agreement in the real estate industry for 2017–2025. SATO has also been party to preceding energy saving agreements of rental apartment associations, starting from the very first agreement signed in 2002. In addition, SATO is a committed climate partner of the City of Helsinki.

In the new energy efficiency agreement, SATO is committed to reducing the total energy volume of building heat and electricity by 10.5 per cent from the level of 2014 by the end of 2025. These tighter objectives encourage us to continue as a pioneer of sustainability.

During the reporting period, the specific heat consumption decreased by 3.3 per cent and that of electricity decreased by 1.0 per cent from the 2015 level. The specific water consumption decreased by 1.4 per cent.

The objective of the financing agreement signed by EIB and SATO in November is to construct new buildings of nearly zero energy and to carry out repairs that improve the energy efficiency of the Group's current apartments over the next few years.

During the reporting year, the specific emissions from SATO's apartments were 34.7 (33.5) carbon dioxide equivalent kilograms per square metre. The goal is to achieve a 20 per cent reduction in greenhouse gas emissions by 2020 when compared to the 2013 level.

The Group's environmental programme is available at sato.fi/environmentalprogramme.

Events after the review period

In its meeting held on February 1, SATO Corporation's

Board of Directors has updated the financial targets to the group. The updated financial targets are:

- equity ratio over 35 per cent (previous target over 30 per cent)
- solvency ratio below 70 per cent
- interest cover ratio over 1.8x
- unencumbered assets ratio 60 per cent or more (previous approximately 50 per cent by the end of 2020)

Risk management

Risk management at SATO is based on good governance guidelines as well as on the systematic risk assessment included in the strategy and annual planning process. When required, risk management measures will be initiated for preventing the materialisation of risks or for enhancing the monitoring of a certain area. Internal audits are targeted in line with the risk assessments made in the strategy and annual planning process.

SATO's reporting practice was amended from 1 January 2014 so that the change in the value of apartments will be shown in the income statement. Consequently, the development of apartment price levels – as well as currency fluctuations regarding the assets in St. Petersburg – may cause fluctuations in profit.

The most significant risks in the sales and rental of apartments are related to economic cycles and fluctuations in demand.

The positive development of the value of housing assets and the rental capacity of apartments are secured by focusing on growth centres. The quality of the Group's housing assets is developed by engaging in systematic repair activities. Changes in the energy efficiency and environmental requirements may increase the repair costs of SATO's investment apartments.

In Russia, SATO only operates in St. Petersburg. The St. Petersburg operations carry both a risk related to the operating environment and a currency risk. The known currency-denominated instalments related to the procurement of sites are hedged in compliance with the Group's financial policy. The proportion of St. Petersburg from the Group's entire housing investments is limited to 10 per cent. About four per cent of SATO's housing assets are located in St. Petersburg. For the time being, SATO will refrain from making new investment decisions in Russia.

In order to secure the continuity of services purchased from partners, procurement activities are distributed between several service producers.

In accordance with the Group's financing policy,

the aim is to ensure that at least 60 per cent of all loans are fixed-rate loans. The Group has set an equity ratio target of at least 35 per cent.

The Group's asset, interruption and liability risks are covered by appropriate insurance policies.

Further information about risk management is available at sato.fi/riskmanagement.

Pending legal actions

SATO has no official procedures, legal actions or arbitration proceedings pending that would have significant impact on the company's financial standing or profitability, and SATO is not aware of any threat of such proceedings.

Shares

On 31 December 2016, the share capital of SATO Corporation was EUR 4,442,192.00 and there were 56,783,067 shares. The company has one series of shares. The shares are included in the book-entry securities system maintained by Euroclear Finland Oy.

SATO Corporation holds 160,000 treasury shares. That is equivalent to 0.3 per cent of all shares.

On 31 December 2016, the Board members, CEO and Deputy to the CEO of SATO Corporation owned a total of 179,000 shares in the company.

Personnel

At the end of 2016, the Group had 175 (170) employees. There were 160 (160) permanent employees and 15 (10) employees with a fixed-term contract of employment. During the year, the Group had an average of 170 (172) employees.

To improve the employment of young people, SATO took part in the Vastuullinen kesäduuni (Responsible summer job) campaign and offered summer jobs to 25 young people.

Shareholders' Nomination Committee

The Shareholders' Nomination Committee consists of representatives of SATO's four largest shareholders registered in the book-entry system on October 1, and who accept the task. Its members are Erik Selin (Balder), Hans Spikker (APG), Hanna Hiidenpalo (Elo) and Matti Harjuniemi (Finnish Construction Trade Union).

Members of the Nomination Committee in charge of preparations for the 2016 Annual General Meeting were Erik Selin (Balder), Andrea Attisani (APG), Hanna Hiidenpalo (Elo) and Reima Rytsölä (Varma).

Board of Directors, CEO and auditors

Up to the Annual General Meeting held on 3 March 2016, the Board of Directors of SATO comprised Esa Lager as chairman, Jukka Hienonen as deputy chairman, and Andrea Attisani, Esa Lager, Tarja Pääkkönen, Timo Stenius and Ilkka Tomperi as ordinary members.

The AGM held on 3 March 2016 confirmed that the Board of Directors consists of seven members.

The AGM selected Erik Selin as the chairman of the Board. Andrea Attisani, Jukka Hienonen, Esa Lager, Tarja Pääkkönen and Timo Stenius were selected to continue as members of the Board of Directors. Markus Hansson was elected as a new member. Andrea Attisani stepped down from the Board of Directors of SATO Corporation in July.

The Board of Directors convened 13 times during 2016. The Board of Directors is supported by two committees consisting of members of the Board: the Nomination and Remuneration Committee and the Audit Committee.

Saku Sipola, M.Sc. (Tech.), has acted as the CEO and Tuula Entelä, LL.M, M.Sc. (Econ.), as the deputy CEO.

KPMG Oy Ab, authorised public accountants, have been the company's auditors, with Lasse Holopainen, APA, acting as the auditor in charge.

Members of the corporate management group

On 31 December 2016, members of the management group were CEO Saku Sipola, Antti Aarnio (vice president, investments, starting from 17 February 2016), Monica Aro (director of customer relationships and communication until 28 November 2016, vice president of development, starting from 28 November 2016), Antti Asteljoki (vice president, apartments, starting from 16 May 2016), Miia Eloranta (director of customer relationships and communication, starting from 28 November 2016), Tuula Entelä (vice president, business development, until 28 November 2016, member of the Group's management team, until 31 December 2016), and Markku Honkasalo (CFO, starting from 1 December 2016).

Other members of the management group were Pasi Suutari, who acted as vice president in charge of regional activities, new buildings and renovations until 16 February 2016, and Esa Neuvonen, who acted as CFO until 6 November 2016.

Outlook

In the operating environment, SATO's business activities are mainly affected by consumer confidence, the development of purchasing power, the rent and price development for apartments, general competition and interest rates.

The Finnish economy is expected to continue slow growth, and general confidence is estimated to be higher than on average. Interest rates are expected to remain low in 2017, which will have a positive impact on SATO's financing costs.

Increases in urbanisation and immigration provide good long-term conditions for continued investments in Finland. Net immigration is expected to be the highest form of population increase in SATO's operating areas. The volume of housing construction should remain at a level which, in the long term, balances the ratio between supply and demand. This requires sufficient plot reserves and the dissolution of regulation on construction, as well as an operating environment which offers encouragement to own rental apartments.

SATO's net rental income is expected to remain at the 2016 level. Rent increases are expected to be moderate.

Some 80 per cent of SATO's housing assets are located in the Helsinki Metropolitan Area, where price development is expected to be more positive than in the rest of Finland.

The Russian economy is expected to develop slowly.

Proposal of the Board of Directors regarding disposal of profit

On 31 December 2016, the parent company's distributable assets amounted to EUR 239,829,144.49 of which the net profit for the financial period was EUR 52,631,635.21. The number of company's outstanding shares entitling to dividends for 2016 is 56,623,067.

According to our dividend policy, annual dividends paid will account for at most 40 per cent of our operational cash flow, depending on the market situation, investment level, the development of our equity ratio and our solvency ratio.

The Board of Directors proposes to the AGM that no dividend will be paid for the reporting year 2016 (0.50 per share in 2015), and that EUR 52,631,635.21 be transferred to retained earnings.

No material changes have taken place in the company's financial position after the end of the financial period.

SIGNATURES TO THE REPORT OF THE BOARD OF DIRECTORS AND THE FINANCIAL STATEMENTS

Helsinki, 1 February 2017

Erik Selin

Jukka Hienonen

Esa Lager

Marcus Hansson

Tarja Pääkkönen

Timo Stenius

Saku Sipola
CEO

AUDITOR'S NOTE

An auditors' report has today been issued for the audit carried out.

Helsinki, 1 February 2017

KPMG OY AB
Lasse Holopainen APA

CONSOLIDATED INCOME STATEMENT, IFRS

MEUR	note	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Rental income		262.7	249.4
Sales income, new production		40.2	72.7
Sales income, land stock		14.6	0.7
Sales income, other		0.5	0.6
Net sales		318.0	323.4
Property maintenance expenses		-93.2	-95.1
Ground rents		-2.5	-2.4
New production expenses		-34.3	-66.5
Carrying value, land stock sold		-13.9	-0.4
Operating expenses		-143.9	-164.5
Net operating income		174.1	158.9
Proceeds from disposal of investment properties	4	67.3	95.5
Carrying value of investment properties sold	4 13	-66.5	-87.0
Fair value change of investment properties	13	124.3	62.4
Sales and marketing expenses		-8.8	-8.7
Administrative expenses	6 7 8 9	-21.2	-21.3
Other operating income	5	0.7	2.0
Other expenses	5	-2.6	-5.5
Operating profit		267.2	196.5
Financial income		0.6	0.9
Financial expenses		-48.4	-37.9
	10	-47.8	-37.0
Profit before tax		219.4	159.4
Income tax expenses	11	-44.8	-32.5
Profit for the period		174.7	127.0
Profit for the period attributable to			
Equity holder of the parent		174.8	126.8
Non-controlling interests		-0.2	0.1
		174.7	127.0

Earnings per share attributable to equity holders of the parent	12		
Basic, EUR		3.22	2.49
Diluted, EUR		3.22	2.49
Average number of shares, million		54.3	50.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

MEUR	note	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Other comprehensive income			
Remeasurement of defined benefit liability, net of tax		-0.1	0.1
Related tax		0.0	0.0
Items that will never be reclassified to income statement	25	-0.1	0.1
Cash flow hedges		-3.5	6.9
Translation differences		0.1	-0.1
Related tax		0.7	-1.4
Items that may be reclassified subsequently to income statement		-2.7	5.5
Other comprehensive income, net of tax		-2.8	5.6
Total comprehensive income		171.9	132.5
Comprehensive income attributable to			
Equity holders of the parent		172.1	132.4
Non-controlling interest		-0.2	0.1
		171.9	132.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

MEUR	note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Investment property	13	3,383.2	2,752.9
Tangible assets	14	2.1	2.2
Intangible assets	9 15	1.6	1.8
Investments in associated companies	16	0.0	0.0
Available-for-sale financial assets	17 18	1.7	1.7
Non-current receivables	19 28	13.4	13.0
Deferred tax assets	20	16.1	15.5
Total		3,418.1	2,787.0
Current assets			
Inventories	21	103.0	111.8
Account and other receivables	22	18.0	13.9
Deferred tax assets		4.9	6.3
Cash and cash equivalents	17 23	18.3	60.7
Total		144.1	192.7
TOTAL ASSETS		3,562.2	2,979.7

SHAREHOLDERS' EQUITY AND LIABILITIES

Equity attributable to Equity holders of the parent

Share Capital		4.4	4.4
Fair value and other reserves		-37.9	-35.1
Reserve fund		43.7	43.7
Reserve for invested non-restricted equity		114.8	1.9
Retained earnings		1,127.6	978.1
Total	24	1,252.6	993.1

Non-controlling interests		0.0	0.1
TOTAL SHAREHOLDERS EQUITY		1,252.6	993.2
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	20	225.9	202.6
Provisions	29	3.0	5.2
Derivatives	17 28	54.4	47.8
Long-term non-interest bearing liabilities	25 26	0.8	0.8
Long-term interest bearing liabilities	17 27	1,794.4	1,488.8
Total		2,078.5	1,745.2
Current liabilities			
Accounts payable and other liabilities	30	69.9	47.9
Provisions	29	1.9	1.5
Deferred tax liabilities		10.8	4.3
Short-term interest bearing liabilities	17 27	148.5	187.4
Total		231.1	241.2
TOTAL LIABILITIES		2,309.6	1,986.5
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		3,562.2	2,979.7

CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

MEUR	note	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Cash flow from operating activities			
Profit for the period		174.7	127.0
Adjustments:			
Non-cash items included in the profit*	33	-122.5	-55.4
Profit and loss on sales of investment properties and fixed assets		-1.0	-8.6
Other adjustments		0.0	-2.5
Interest expenses and other financial expenses	10	48.4	38.3
Interest income	10	-0.6	-0.8
Dividend income		0.0	0.0
Income taxes	11	44.8	32.5
Cash flow before change in net working capital		143.7	128.8
Change in net working capital:			
Changes in accounts receivable and other receivables		-1.4	-1.1
Change in inventories		7.0	76.7
Change in accounts payable and other liabilities*		12.1	-20.2
Interest paid		-43.0	-40.9
Interest received		0.5	0.9
Taxes paid		-13.8	-21.0
Net cash flow from operating activities		105.2	124.8
Cash flow from investing activities			
Disposals of subsidiaries, net of disposed cash		0.0	0.3
Acquisitions of investment properties		-327.0	-250.4
Acquisitions of tangible and intangible assets		-0.9	-1.3
Repayments of loans receivable		0.9	2.2
Payments of granted loans		-1.9	-3.2
Disposals of investment property		52.1	59.1
Net cash flow from investing activities		-276.8	-193.3
Cash flow from financing activities			
Repayments (-) / withdrawals (+) of current loans		6.1	1.1
Withdrawals of non-current loans		381.6	483.7
Repayments of non-current loans		-332.9	-355.5
Payments received from the issue of shares		98.7	0.0
Repayment of capital and dividends paid	24	-25.4	-31.5
Net cash flow from financing activities		128.1	97.7

Change in cash and cash equivalents	-43.6	29.2
Cash and cash equivalents at the beginning of period	60.7	31.8
Effect of exchange rate fluctuations on cash held	0.4	-0.1
Cash M&A	0.9	-0.3
Cash and cash equivalents at the end of period	18.3	60.7

* SATO has reclassified the adjustment for change in current provisions (EUR 0.4 million in 2016 and EUR 1.5 million in 2015) from change in accounts payable and other liabilities to non-cash items included in the profit.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

MEUR	Attributable to owners of the parent					Total	Non-controlling interests	2015 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					0.1	0.1		0.1
Cash flow hedges, net of tax		5.5				5.5		5.5
Translation differences					-0.1	-0.1		-0.1
Profit for the period					126.8	126.8	0.1	127.0
Total comprehensive income	0.0	5.5	0.0	0.0	126.9	132.4	0.1	132.5
Transactions with shareholders:								
Issue of shares						0.0		0.0
Dividend					-10.2	-10.2	0.0	-10.2
Capital repayment				-21.3		-21.3	0.0	-21.3
Transaction with shareholders, total	0.0	0.0	0.0	-21.3	-10.2	-31.5	0.0	-31.5
Other adjustments					0.0	0.0	-0.1	-0.1
Total of equity movements	0.0	5.5	0.0	-21.3	116.7	100.9	0.1	101.0
Shareholders' equity 31 Dec 2015	4.4	-35.1	43.7	1.9	978.1	993.1	0.1	993.2

MEUR	Attributable to owners of the parent						Non-controlling interests	2016 Total equity
	Share capital	Fair value and other reserves	Reserve fund	Reserve for invested non-restricted equity	Retained earnings	Total		
Shareholders' equity 1 Jan 2016	4.4	-35.1	43.7	1.9	978.1	993.1	0.1	993.2
Comprehensive income:								
Remeasurements of defined benefit liability					-0.1	-0.1		-0.1
Cash flow hedges, net of tax		-2.8				-2.8		-2.8
Translation differences					0.1	0.1		0.1
Profit for the period					174.8	174.8	-0.2	174.7
Total comprehensive income	0.0	-2.8	0.0	0.0	174.8	172.1	-0.2	171.9
Transactions 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
Transaction with shareholders, total	0.0	0.0	0.0	112.9	-25.4	87.5	0.0	87.5
Other adjustments	0.0			0.0	0.0	0.0	0.0	0.0
Total of equity movements	0.0	-2.8	0.0	112.9	149.4	259.5	-0.2	259.4
Shareholders' equity 31 Dec 2016	4.4	-37.9	43.7	114.8	1,127.6	1,252.6	0.0	1,252.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

1. Accounting principles

Basis of presentation

SATO Corporation 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").

The Board of Directors has approved the 2016 financial statements on 1 February 2017. A copy of the company's consolidated financial statements may be obtained from the abovementioned address.

SATO provides housing solutions and its operations primarily consist of investment in housing properties. The focus of the Group's operations is in the largest growth centres, and approximately 80 per cent of its investment property is located in the Helsinki region. The rest of the operations are located in Tampere, Turku, Oulu, Jyväskylä and St. Petersburg.

SATO's housing investments include both privately financed and state-subsidised housing assets. In respect of the latter SATO's business is affected by special features of non-profit activities, which are the result of restrictions set on the company's business for state-subsidised housing construction. The non-profit restrictions affect owner organisations through, inter alia, restrictions on distribution of the profit, divestment and risk-taking as well as through the prohibition of lending and providing collateral. Housing is also affected by property-specific, fixed-term restrictions, which apply to matters such as the use and handover of apartments, the selection of the residents, and the setting of rent. In respect of non-profit activities, SATO's supervisory authorities are the Housing Fund of Finland (ARA), the State Treasury and the Ministry of the Environment, as well as local authorities in matters concerning the selection of residents.

The main risks in selling and leasing homes consist of interest rates and changes in the housing demand.

General principles

SATO's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union observing the standards and interpretations effective on 31 December 2016. The notes to the financial statements are also in compliance with the Finnish accounting principles

and corporate legislation.

The information in the financial statements is stated in millions of euros. 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 IFRS financial statements requires judgement by the management in applying the accounting principles and making certain estimates and assumptions that are subject to uncertainty.

In Note 2, information is given on key areas where management judgements or uncertainty factors in estimates and assumptions may cause the most significant effects on the figures presented.

Principles of consolidation

The consolidated financial statements are a consolidation of the financial statements of the parent company and the subsidiaries. Subsidiaries are companies over which the parent company has control. Control over a subsidiary is presumed to exist when the investor is exposed, or has rights to, variable returns from its involvement with the investee.

Acquired subsidiaries are included in the consolidated financial statements from the date of acquisitions until the control ends. Acquired companies are included in the financial statements using the acquisition cost method. The net assets of the acquired company at the acquisition date are booked at the fair value of the land areas and buildings. Acquisitions of real property are generally treated as acquisitions of asset items.

All intra-group transactions, internal receivables and payables, in addition to profit on internal transactions and the distribution of profit between Group companies are eliminated as part of the consolidation process.

Mutual property companies and housing companies are treated as joint operations, which are consolidated by the proportionate consolidation method prescribed by the IFRS 11 Joint Arrangements standard. The proportionate method is applied to all such asset items irrespective of the Group's holdings. The joint arrangements, in which the parties have joint control, are consolidated in SATO's consolidated financial statements in accordance with IFRS 11, i.e., by the equity method.

In SATO, the housing companies that own so-called shared ownership apartments are treated as structured entities. These are not included in the consolidated

financial statements insofar as the companies are considered to be arrangements outside of SATO's operations, the purpose of which is to act on behalf of the people who have invested in shared ownership apartments. Those involved in the ownership arrangements are entitled to purchase the apartment for themselves after an agreed period and thus to benefit from any rise in the apartment's value. SATO handles the governance and building management of the shared ownership properties.

Transactions denominated in foreign currencies

The financial statements of the Group entities are based on their primary functional currencies of the economic environment where the companies are operating. The presentation currency of the financial statements is the euro, which is also the functional currency of the parent company.

Transactions in foreign currencies are translated in the functional currency using the exchange rate of the date of transactions. At the end of the accounting period all open balances of assets and liabilities denominated in foreign currencies are translated into euros at the closing date exchange rate.

Receivables and liabilities denominated in a foreign currency are translated using period-end exchange rates. Foreign exchange gains and losses related to the primary business are treated as adjustments to income or expenses. Investment-related foreign exchange gains and losses are treated as adjustments to investments. Financial foreign exchange gains and losses are reported under financial income and expenses. Foreign exchange gains and losses from translation of other assets and liabilities are reported in income statement. Unrealised gains and losses related to cash flow hedges are reported in other comprehensive income.

The statements of income of foreign subsidiaries, whose functional currency is not the euro, are translated into euros based on the average exchange rate of the accounting period. Items in the statement of financial position, with the exception of income for the accounting period, are translated into euros at the closing-date exchange rate. Exchange rate differences arising from investments in subsidiaries with non-euro currency, as well as the exchange rate differences resulting from translating income and expenses at the average rates and assets and liabilities at the closing rate, are recorded in translation differences under equity. Respective changes during the period are presented in other comprehensive income.

Translation differences from acquisition cost eliminations and post-acquisition profits and losses of foreign operations outside the euro area are recognised in the statement of comprehensive income. The cumulative translation differences related to foreign operations are reclassified from equity to statement of income upon the disposal of the foreign operation.

Investment Property

As defined in the IAS 40 *Investment Property* standard, investment properties are properties of which the Group retains possession in order to obtain rental income or appreciation in value and which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business. In SATO, the housing companies that own so-called shared ownership apartments are treated as structured entities and thus not classified as investment property under IAS 40.

At initial recognition, investment properties are booked at acquisition value, which includes transaction costs. Subsequently, 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 of an investment property represents the price that would be received for the property in an orderly transaction, taking place in the local (principal) market at the reporting date, considering the condition and location of the property.

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.

Investment properties under development, plus those subject to ARAVA legislation or legislation concerning interest-subsidised properties, are booked at the original acquisition cost, including the transaction costs. Later they are valued at the original acquisition cost less accumulated depreciation and impairments.

An investment property is derecognised from the balance sheet when it is handed over or when the investment property is permanently removed from use and no future economic use can be expected from the handover. The profits and losses from divestments or removals from use of investment properties are presented on separate lines in the profit and loss account.

The fair values of investment properties are based on the following:

- The sales comparison method is used in properties of which apartments can be sold individually without restrictions;
- the properties which can only be sold as entire property and to a restricted group of buyers are valued using the income value method; and
- the fair values of properties under construction, interest-subsidised (short term) properties and ARAVA properties are estimated to be same as acquisition cost.

The market value as at the date of the valuation is based on the average of the actual sales prices of comparable housings from the preceding 24 months.

Tangible assets

Tangible assets are valued at the original acquisition cost less accumulated depreciation and impairments. They are depreciated with the straight-line method over their estimated economic lives, which are as follows:

Machinery and equipment 5–10 years

Other tangible assets 3–6 years

The economic life and residual value of assets are reassessed at each year-end. Changes in the future economic benefits found in the assessment are taken into account by adjusting the economic life and residual value of the assets. Profits and losses arising from sales and divestments of tangible assets are booked in the profit and loss account and presented as other income and expenses of business operations.

Intangible assets

An intangible asset is recognised in the balance sheet only if its acquisition cost can be determined reliably and it is likely that an expected economic benefit will accrue to the company from it.

An intangible asset is valued at the original acquisition cost less depreciation and any impairment. Intangible assets consist largely of computer software, which is subjected to straight-line depreciation over 3–6 years.

Impairment

At the end of each reporting period it is assessed whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount from the asset item is estimated. An asset is impaired if the carrying value exceeds the recoverable amount. An impairment loss is recognised in profit or loss.

When an impairment loss is booked, the economic life of the asset item subject to depreciation is reassessed. The impairment loss booked against the asset item is cancelled if there is an increase in the value of the assessment used to determine the recoverable amount from the asset item.

However, the increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

Inventories

Inventories are valued at acquisition cost or expected net realisable value if lower. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories are comprised of the following items:

- Homes under construction, comprised of the portion of projects in progress booked at the balance sheet,
- completed homes and commercial premises intended for sale but unsold at the date of closing of the books,
- land areas and land area companies, which include the acquisition costs of unstated properties, and
- other inventories, which are mostly comprised of projects being planned.

Financial instruments

SATO's financial assets and liabilities are classified in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* into the following categories: financial assets and liabilities at fair value through profit and loss, financial assets available for sale, loan and other receivables, financial liabilities at amortised cost, and effective cash flow hedges, measured at fair value through other comprehensive income. The instruments are classified at the time of the initial recognition and on the basis of the purpose of the instrument. Sales and purchases of financial instruments other than those associated with derivatives are booked on the clearance date. All derivatives are booked on the balance sheet on the trade date.

Financial assets and liabilities at fair value through profit and loss

The category includes derivative instruments for which hedge accounting in accordance with IAS 39 is not applied and are hence classified in trading portfolio. These instruments are valued at fair value and profits and losses arising from changes in the fair value, both realised and unrealised, are recognised in the income statement for the period.

Loan and other receivables

Loan and other receivables are nonderivative assets, for which the payments are fixed or can be determined. On the balance sheet, they are included in the accounts receivable and other receivables, in either current or non-current assets, according to their terms. Loans and other receivables are valued at amortised acquisition cost less any impairment. The Group books an impairment loss against accounts

receivable when there are reasonable indications on the date of closing the books that the receivable will not be collected in full.

Financial assets available for sale

Financial assets available for sale are mostly stocks and shares. Investments in listed securities are valued in the financial statements at the buying prices quoted in an active market on the period closing date. Unlisted shares, the fair value of which cannot be determined reliably, are valued at the original acquisition cost or probable value if lower. Unrealised changes in the value of financial assets available for sale are booked in the other comprehensive income, with allowance for the deferred tax. Accumulated changes in fair value are not booked from the value adjustment fund to the profit and loss account until the investment is sold or its value has declined to such an extent that an impairment loss is to be booked against the investment.

An entity shall recognise an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. An impairment loss on equity investments classified as available for sale is not cancelled through the profit and loss account.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash in hand, bank accounts and liquid investments with maturities of three months or less at the date of initial recognition. Any negative balances of bank accounts with an overdraft facility are included in current liabilities. The cash and cash equivalents of non-profit companies are kept separate from those of companies not subject to non-profit restrictions.

Financial liabilities at amortised cost

Financial liabilities are initially recognized at fair value of the proceeds less transaction expenses. Later interest-bearing liabilities are valued at amortised cost using the effective interest method. Financial liabilities are included in non-current and current liabilities and they may be interest-bearing or non-interest-bearing. Interest is accrued in the income statement for the accounting period by the effective interest method.

Derivatives and hedge accounting

All derivatives are originally booked at fair value at the trade date, and are subsequently measured at fair value. The accounting treatment of profits and losses depends on the intended use of the derivatives. The Group documents the designation of hedging instruments to hedged items and makes its assessment as to whether the derivatives used for hedging are highly effective in negating

the changes in the cash flows of the hedged items. The effectiveness is reviewed both when starting the hedging and after the event. The fair value of derivatives is calculated by discounting the contractual cash flows. The fair value of interest-rate options is calculated by using the market prices at the balance sheet date and option valuation models.

The Group treats derivatives either as cash flow hedges for floating-rate loans or as derivatives for which hedge accounting under IAS 39 is not applied. Changes in value of derivatives subject to hedge accounting are booked in other comprehensive income. Gains and losses are transferred to the interest expenses in the income statement at the same time as the interest expenses on the hedged item. Any ineffective part of a hedging relationship is booked immediately in financial expenses. Changes in value of derivatives for which hedge accounting is not applied are booked in the financial items in income statement.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and the payment obligation is probable and the amount can be reliably estimated. The provision for refund claims includes guarantees related to new construction business and the 10-year warranty period after the completion of the work. The provision for refund claims is measured based on previous claims and assessments of previous experience. Other provisions recognised can include reorganisation reserves, litigation claim provisions and onerous contracts. A provision for onerous contracts is recognised when the unavoidable costs of meeting the obligations exceed the benefits received from the contract.

Principles of income recognition

Principles of income recognition for sales of new homes

Income from sales of newly built homes is recognised in compliance with the IAS 18 Revenue standard and the related IFRIC 15 Agreements for the Construction of Real Estate interpretation at the moment when the risks and benefits of the property have been transferred to the buyer. In respect of the homes sold during construction, the risks and benefits are deemed to be transferred on the completion date of the property, whereas for completed homes, they are transferred on the sale date.

Income from services

Income from services, such as client commissioning, is recognised when the service has been performed.

Lease agreements (SATO as lessor)

Rental income from investment properties is recognised in the profit and loss account in equal instalments over the lease period. When acting as a lessor, SATO has no agreements classified as financial leasing agreements.

Lease agreements (SATO as lessee)

Lease agreements in which SATO is the lessee are classified as financial lease agreements and they are booked as assets and debts if the risks and benefits have been transferred. Lease classification is made at the inception of the lease. At the commencement of the lease term, a finance lease is recognised on the balance sheet as an asset and liability at fair value or at the present value of the minimum lease payments, if lower. A tangible asset is depreciated during the economic retention of the asset in question or during the duration of the lease agreement. The rent to be paid is divided into the interest posted to the profit and loss account and the instalment on the financial debt.

Lease agreements are classified as other lease agreements if the characteristic risks and benefits of ownership have not been transferred to a material extent. Rents to be paid on the basis of other lease agreements are booked as an expense in the profit and loss account in equal instalments over the lease period.

Borrowing costs

Borrowing costs are capitalised as part of an asset's acquisition cost when they are due to the acquisition, construction or manufacture of an asset item which is directly derived from fulfilling the terms. An asset item fulfilling terms is one for which the completion for the intended purpose or for sale will inevitably require a considerable amount of time. Other borrowing costs are posted as an expense for the financial year in which they have occurred. Transaction costs directly due to the taking of loans, which can be attributed to a particular loan, are included in the original matched acquisition cost of the loan and matched as an interest expense using the effective interest rate method.

Public grants

Public grants, for example for lifts, are booked as decreases in the book value of tangible assets. Received grants therefore reduce the depreciation applied to the asset during its economic life. For SATO, the main form of public support is state-supported interest-subsidised loans and Housing Fund of Finland loans, in which state-backed projects receive a low-interest loan with the support of the state. The real interest on these loans is lower than the interest expenses would be on market-based loans. The interest advantage obtained through public support is therefore netted into interest expenses

in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* and is not shown as a separate item in the interest income.

Pension arrangements

SATO's pension arrangements are classified as both defined-contribution and, for some sections of the personnel, defined-benefit arrangements. Contributions to defined-contribution pension arrangements are booked as an expense in the profit and loss account for the period in which the payment was made. The Group has no legal or actual obligation to make further payments if the recipient of the payments is unable to perform the payment of these pension benefits.

Arrangements other than defined-contribution ones are treated as defined-benefit pension arrangements. At SATO, these include the supplementary pension arrangements for the management. Obligations arising from defined-benefit pension arrangements are calculated with a method based on the predicted unit of privilege.

The current value of pension obligations, based on actuarial calculations, is posted to the balance sheet after deduction of the fair value of the assets pertaining to the pension arrangements at their current value. Pension expenditure is posted to the profit and loss account as an expense over the period of employment of the individuals.

Income taxes

Income taxes include the taxes based on the taxable profit for the financial year, adjustments to previous years' taxes, and changes in deferred taxes. Deferred tax credits and liabilities are calculated from the differences between the taxation values of assets and debts and their book values according to IFRS. The tax rate set by the date of closing the books is used to determine the deferred taxes. The largest temporary differences arise from investment properties measured at fair value through profit and loss and from financial instruments measured at fair value through hedge reserve in other comprehensive income. A deferred tax credit is booked up to the amount at which it is likely that there will be taxable income in the future against which the temporary difference can be used.

Net operating income

Net operating income is the net sum formed when the net sales are reduced by operating expenses, i.e., property maintenance expenses, ground rents, new production expenses and the carrying value of land stock sold. Exchange gains and losses are included in net operating income when they arise from items related to ordinary business operations. Exchange gains and losses associated with financing are booked in financial income and expenses.

Operating profit

Operating profit is the net sum formed when the profits from divestments of investment properties, the share of the profit of joint ventures and associated companies, and other income from business operations and fair value changes are added to turnover, and the use of materials and services, personnel expenses, depreciation and impairments, losses from divestments of investment properties and other expenses of business operations are deducted. Exchange gains and losses are included in operating profit when they arise from items related to ordinary business operations. Exchange gains and losses associated with financing are booked in financial income and expenses.

New and amended standards applied in financial year ended

SATO has applied as from 1 January 2016 the following new and amended standards that have come into effect.

- *Annual Improvements to IFRSs* (2012-2014 cycle) (effective for financial years beginning on or after 1 January 2016): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The cycle contains amendments to four standards. Their impacts vary standard by standard but are not significant.
- *Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2016). The amendments clarify the guidance in IAS 1 in relation to applying the materiality concept, disaggregating line items on the balance sheet and in the statement of profit or loss, presenting subtotals and to the structure and accounting policies in the financial statement. The amendments have had a minor impact on presentation in SATO's consolidated financial statements.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation* (effective for financial years beginning on or after 1 January 2016): The amendments state that revenue-based methods of depreciation cannot be used for property, plant and equipment and may only be used in limited circumstances to amortise intangible assets if revenue and the consumption of the economic benefits of the intangible assets are highly correlated. The amendments have had no impact on SATO's consolidated financial statements.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture - Bearer Plants*

(effective for financial years beginning on or after 1 January 2016): These amendments allow biological assets that meet the definition of a bearer plant to be measured at cost instead of fair value. However the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41. These amendments have had no impact on SATO's consolidated financial statements.

- Amendments to IAS 27 *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective for financial years beginning on or after 1 January 2016): The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments will not have an impact on SATO's consolidated financial statements.
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception** (effective for financial years beginning on or after 1 January 2016): The amendments to IFRS 10, IFRS 12 and IAS 28 clarify the requirements for preparing consolidated financial statements when there are investment entities within the group. The amendments also provide relief for non-investment entities for equity accounting of investment entities. The amendments have had no impact on SATO's consolidated financial statements.
- Amendments to IFRS 11 *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (effective for financial years beginning on or after 1 January 2016): The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments have had no impact on SATO's consolidated financial statements.

Adoption of new and amended standards and interpretations applicable in future financial years

SATO has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

* = not yet endorsed for use by the European Union as of 31 December 2016.

- IFRS 15 *Revenue from Contracts with Customers* (effective for financial years beginning on or

after 1 January 2018): The new standard replaces current IAS 18 and IAS 11 standards and related interpretations. In IFRS 15 a five-step model is applied to determine when to recognise revenue, and at which amount. Revenue is recognised when (or as) a company transfers control of goods or services to a customer either over time or at a point in time. The standard also introduces extensive new disclosure requirements. SATO has assessed the effects of the implementation of IFRS 15 on the consolidated financial statements with respect to the main revenue streams of the Group. The most significant revenue items in the scope of the new standard are revenues from the sale of new homes, as well as income from the sale of investment property and land. SATO will apply the new standard from 1 January 2018 with full retrospective application. Based on the Group's assessment, the implementation of the standard will not have a material impact on the consolidated financial statements as to the revenue recognition of the mentioned revenue items. The standard will have an impact on the disclosures in SATO's consolidated financial statements.

Amendments to IFRS 15 - *Clarifications to IFRS 15 Revenue from Contracts with Customers** (effective for financial years beginning on or after 1 January 2018). The amendments include clarifications and further examples on how to apply certain aspects of the five-step recognition model. The impact assessment of the clarifications has been included in the IFRS 15 impact assessment described above.

IFRS 9 *Financial Instruments** (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The impact of IFRS 9 on SATO's consolidated financial statements has been assessed by the management. The implementation of the new standard is not expected to have material impact on the classification or measurement of financial instruments in the consolidated financial statements, including hedge accounting. SATO will apply the new standard from 1 January 2018.

IFRS 16 *Leases** (effective for financial years beginning on or after 1 January 2019): The new standard replaces the current IAS 17 standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as right-of-use assets and lease liabilities. The accounting model is

similar to current finance lease accounting according to IAS 17. There are two exceptions available. These relate to either short term contracts in which the lease term is 12 months or less, or to low value items, i.e., assets of value USD 5 000 or less. The lessor accounting remains mostly similar to current IAS 17 accounting. The Group has commenced the preliminary impact assessment of the standard. It is assessed that the new standard will have an impact on the SATO's consolidated financial statements as it concerns the Group as a lessor.

- Amendments to IAS 7 *Statement of Cash Flows - Disclosure Initiative** (effective for financial years beginning on or after 1 January 2017). The changes were made to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments have an impact on the disclosures in SATO's consolidated financial statements.
- Amendments to IAS 12 *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses** (effective for financial years beginning on or after 1 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments have no impact on SATO's consolidated financial statements.
- Amendments to IFRS 2 *Share-based payments - Clarification and Measurement of Share-based Payment Transactions** (effective for financial years beginning on or after 1 January 2018). The amendments clarify the accounting for certain types of arrangements. Three accounting areas are covered: measurement of cash-settled share-based payments; classification of share-based payments settled net of tax withholdings; and accounting for a modification of a share-based payment from cash-settled to equity-settled. The amendments have no impact on SATO's consolidated financial statements.
- Amendments to IFRS 4 *Insurance Contracts - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts** (effective for financial years beginning on or after 1 January 2018). The amendments respond to industry concerns about the impact of differing effective dates by allowing two optional solutions to alleviate temporary accounting mismatches and volatility. The amendments have no impact on SATO's consolidated financial statements.
- Amendments to IFRS 10 *Consolidated Financial Statements and IAS 28*

*Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** (the effective date has been postponed indefinitely). The amendments clarify the requirements in dealing

with the sale or contribution of assets between an investor and its associate or joint venture. The amendments have no impact on SATO's consolidated financial statements.

2. Management judgements and key estimates and assumptions underlying the consolidated financial statements

When the financial statements are prepared, making of judgements, estimates and assumptions is required in certain matters, affecting the amounts of assets, liabilities and conditional liabilities on the consolidated statements of financial position as well as the amount of income and expenses in the income statement. The judgements, estimates and assumptions that have the most significant effects on preparation of the financial statements, are presented in the following.

Management judgements

In the process of applying the Group's accounting principles, management has made the following judgements, which have a significant effect on the amounts recognised in the consolidated financial statements.

- Classification of acquisitions. The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group considers whether the acquisition represents a business as defined in IFRS 3 *Business combinations*, i.e. whether an integrated set of activities and processes is acquired in addition to the property. When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.
- Classification of properties. The Group determines whether a property is classified as investment property or inventory property. Investment property comprises land and buildings (primarily housing units) that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business. Inventory property comprises property that is held for sale in the ordinary course of business. Principally, this includes land plots and residential property that the Group develops and intends to sell before or on completion of construction.

Key estimates and assumptions

Estimates and assumptions underlying the financial statements are based on the management's historical experience, the best available information about the events at the reporting date, and other factors, such as expectations concerning the future that are considered reasonable under current circumstances. Due to the uncertainty involved, actual amounts may differ significantly from the estimates used in the financial statements. The changes in estimates, assumptions and the factors affecting them are followed in the Group by using both internal and external sources of information.

Revisions of accounting estimates are recorded for the period in which the estimate is revised if the change in the estimate only affects that period. If the change in the estimate affects both the period in which it is made and subsequent periods, the effect arising from the change in the estimate is correspondingly recorded in current and subsequent periods.

The key estimates and assumptions, which are considered to involve a significant risk of causing a material adjustment in future periods, are described below.

- The amount of provisions booked on property development projects requires estimates of the obligations arising from the projects. The amounts recorded as provisions are based on management's assessment of the specific risks in each project. Key considerations in the management's assessment include technical, contractual and legal aspects related to the project, as well as the Group's prior experience on similar projects.
- The fair value of investment property is determined using recognised valuation techniques and the principles of IFRS 13 *Fair Value Measurement*. Due to the fact that market prices for properties are not observable on a quoted market, the fair value measurement for investment property is performed using indirect valuation techniques that require the use of several assumptions by the Group management. The significant methods and assumptions used by the Group in estimating the fair value of investment property are set out in Note 13.

3. Segment information

SATO has one operating segment. Significant operational decisions at SATO are made by the Board of Directors, which reviews the operating results and profitability as a single operating segment.

The Group operates in two geographic regions, Finland and Russia.

SATO does not have any single external customers that would account for 10% or more of SATO's revenues.

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Assets by geographical regions		
Finland	3,425.4	2,867.1
Russia	136.8	112.6
Total	3,562.2	2,979.7

4. Result on disposal of investment properties

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Profit and loss on sales of investment properties		
Profit on sales	3.7	15.3
Loss on sales	-3.0	-6.7
Total	0.7	8.6

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Sold investment properties		
Proceeds from disposal of investment properties	67.3	95.5
Carrying value of investment properties sold	-66.5	-87.0
Total	0.7	8.6

Proceeds from the disposal of investment properties include the disposal price received net of disposal costs. The carrying value of disposed-of assets includes the fair value recognised on the prior period statement of financial position and any capitalised expenses for the period.

Specification of significant investments and disposals are presented in note 13.

5. Other operating income and expenses

MEUR	note	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Other operating income			
Other income		0.7	2.0
Share of result of associated companies		0.0	0.0
Total		0.7	2.0

MEUR		1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Other operating expenses			
Credit losses and uncertain receivables/ other expenses		2.6	1.0
Litigation provision	29	0.0	4.4
Total		2.6	5.5

6. Personnel expenses

MEUR	note	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Personnel expenses			
Salaries and wages		10.9	11.0
Defined contribution pension plans		1.9	2.0
Defined benefit pension plans	25	0.0	0.1
Other personnel expenses		0.3	0.3
Total		13.2	13.3

Management employee benefits are presented in note 35. Related Party Transactions. Average number of personnel during the period has been 170 (172).

7. Auditors fee

MEUR		1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Auditors fees			
Audit		0.1	0.1
Tax consultancy		0.0	0.0
Other services		0.2	0.1
Total		0.3	0.3

SATOs Auditor is KPMG Oy Ab, Authorised Public Accountants.

The audit fees include fees relating to audits of SATO, its subsidiaries and the consolidated financial statements of the Group. In addition, the audit fees include assurance and other services related to audit.

8. Depreciation, amortizations and impairment charges

MEUR	note	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Depreciation by asset class:			
Tangible assets	14	0.4	0.5
Intangible assets	15	0.8	0.7
Total		1.1	1.2

No impairment charges have been recognised.

9. Research and development

Research and development expenses during 2016 were EUR 0.7 (0.6) million and capitalised development costs were EUR 0.2 (0.6) million.

10. Financial income and expenses

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Financial income		
Interest income on loans receivable and cash and cash equivalents	0.5	0.7
Dividend income on available-for-sale investments	0.0	0.0
Foreign exchange gain	0.1	0.1
Total	0.6	0.9

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Financial expenses		
Interest expense on financial liabilities measured at amortised cost	-31.5	-24.5
Interest expense on effective cash flow hedges	-12.5	-11.3
Interest expense on non-hedge accounted derivatives	0.0	-0.4
Change in fair value, non-hedge accounted derivatives	0.0	0.4
Other financial expenses	-4.4	-2.1
Total	-48.4	-37.9
Financial income and expenses, net	-47.8	-37.0

11. Income taxes

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Income taxes recognised in income statement		
Current tax from accounting period	20.7	17.0
Current tax from previous period	0.7	0.4
Deferred taxes	23.4	15.0
Total	44.8	32.5

Reconciliation between the income tax expense recognised in income statement and tax expense calculated with domestic corporate tax rate (20%) of the parent company:

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Profit before taxes	219.4	159.4
Income tax calculated with domestic corporate tax rate of the parent	43.9	31.9
Non-deductible expenses	0.0	0.1
Tax-exempt income	0.0	0.0
Items to be recognised in income statement in future periods	0.0	0.0
Items that have been recognised in tax calculation in previous periods	0.0	-0.3
Tax from previous periods	0.7	0.4
Other items	0.2	0.3
Total adjustments	0.9	0.6
Income tax expense in income statement	44.8	32.5

12. Earnings per share

Undiluted earnings per share are calculated by dividing parent company profit attributable to equity holders with the weighted average number of shares outstanding. The total number of SATO's shares at 31 December 2016 was 56,783,067. At the end of the reporting period, SATO held 160,000 of its own shares.

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Profit attributable to equity holders of the parent	174.8	126.8
Weighted average of shares	54.3	50.8
Earnings per share (EUR)		
Basic	3.22	2.49
Diluted	3.22	2.49

13. Investment properties

MEUR	note	31 Dec 2016	31 Dec 2015
Fair value of investment properties at start of period		2,752.9	2,528.0
Acquisitions, new constructions		557.7	218.0
Other investments to properties		10.5	29.1
Disposals of investment properties	4	-66.5	-87.0
Capitalised borrowing costs	36	1.1	1.1
Reclassification from trading properties		3.2	1.3
Gains and losses from changes in fair value *		124.3	62.4
Fair value of investment properties end of period		3,383.2	2,752.9

*Gains and losses from changes in fair value includes foreign exchange gains (losses) of EUR 23.6 (-9.3) million.

Significant investments during the period:

In December, SATO acquired 113 apartments located in Espoo, Vantaa and Tampere from a fund managed by Patrizia. In April, SATO purchased 1015 homes that are mainly located in the Helsinki metropolitan area and Turku region, from Suomen Laatuasunnot Oy. In April, SATO also acquired the shares of SVK Yhtymä Oy, and the transaction resulted in the transfer of 1255 rental homes to SATO.

Significant disposals during the period:

In total, 1,267 (1,743) rental apartments were divested in Finland. The most significant divestment was the sale of 294 rental apartments to KAS Group in December. The divested apartments are mainly located outside SATO's primary operating area.

Valuation methods

SATO's investment properties mainly comprises of rental apartments that are located in the largest growth centres. Approximately 78 per cent of the housing property is located in the Helsinki region. Investment property value is taken care of 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.

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 quarterly issues 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 a 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 periodic change in fair value booked through profit and loss are reported to the Corporate Management Group and the 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 measures investment properties at fair value which are based on:

- Sales comparison
- Income value
- Acquisition cost

Sales comparison method

The sales comparison method is used in properties of which apartments can be sold individually without restrictions. The market value as at the date of the valuation is based on the average of the actual sales prices of comparable housings from the preceding 24 months. As a source for such comparable sales prices, the Company applies housing price data which, according to its view, represents the most comprehensive data source available. Currently, the Company uses HSP (Hintaseurantapalvelu) price tracking service maintained by CGI Suomi Oy as a source of such housing price data. The HSP price tracking service includes information on sales of apartments and real estates in Finland provided by real estate agents. Market value for each property is individually adjusted using rental house discount. Deduction is mainly based on the location, condition and image of the property. Properties located in St. Petersburg are valued by a third party expert (JLL).

Income value

The properties which can only be sold as entire property and to a restricted group of buyers are valued using the income value method. The income value is based on the area specific yield and assumption of the long-term rental use of the buildings. Long term renovation costs and interest subsidies are taken into account in income value method. In 2016, the yields used in estimation of the income value mainly varied in the range of 5 to 8 per cent.

Acquisition cost

The fair values of properties under construction, interest-subsidised (short term) properties and ARAVA properties are estimated to be same as the acquisition cost. At inception these properties are booked at the original acquisition cost, including the transaction costs. Later they are valued at the original acquisition price less accumulated depreciation and impairments.

MEUR	31 Dec 2016	31 Dec 2015
Investment property by valuation classes		
Sales comparison method	2,687.6	2,054.1
Income value	540.6	508.5
Acquisition method	155.1	190.3
Total	3,383.2	2,752.9

Sensitivity analysis of investment properties

MEUR	-10%		-5%		5%		10%	
	Change	Change %	Change	Change %	Change	Change %	Change	Change %
Properties measured at market values								
Change in market prices	-213.5	-0.1%	-106.8	0.0%	106.8	0.0%	213.5	0.1%
Properties measured at yield value								
Yield requirement	49.5	12.5%	23.4	5.9%	-21.2	-5.4%	-40.5	-10.2%
Lease income	-65.1	-16.5%	-32.6	-8.2%	32.6	8.2%	65.1	16.5%
Maintenance costs	20.6	5.2%	10.3	2.6%	-10.3	-2.6%	-20.6	-5.2%
Utilization rate	-65.1	-16.5%	-32.6	-8.2%	-	-	-	-

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.

14. Tangible assets

2016

MEUR	note	Machinery and equipment	Other tangible assets	2016 Total
Acquisition cost, 1 January		4.8	1.4	6.2
Additions		0.4	0.0	0.4
Disposals		-0.5	0.0	-0.5
Transfers between items		0.0	0.0	0.0
Acquisition cost, 31 December		4.6	1.4	6.0
Accumulated depreciation, 1 January		3.6	0.3	3.9
Disposals		-0.4	0.0	-0.4
Depreciation for the period	8	0.4	0.0	0.4
Transfers between items		0.0	0.0	0.0
Accumulated depreciation, 31 December		3.6	0.3	3.9
Carrying value, 1 January		1.1	1.1	2.2
Carrying value, 31 December		1.0	1.1	2.1

2015

MEUR	Machinery and equipment	Other tangible assets	2015 Total
Acquisition cost, 1 January	4.7	1.4	6.1
Additions	0.3	0.0	0.3
Disposals	-0.2	0.0	-0.2
Acquisition cost, 31 December	4.8	1.4	6.2
Accumulated depreciation, 1 January	3.4	0.3	3.7
Disposals	-0.2	0.0	-0.2
Depreciation for the period	0.5	0.0	0.5
Accumulated depreciation, 31 December	3.6	0.3	3.9
Carrying value, 1 January	1.3	1.1	2.4
Carrying value, 31 December	1.1	1.1	2.2

15. Intangible assets

2016

MEUR	note	Intangible rights	Other intangible assets	2016 Total
Acquisition cost, 1 January		0.3	5.4	5.7
Additions		0.0	0.5	0.5
Disposals		0.0	0.0	0.0
Transfers between items		0.0	0.1	0.1
Acquisition cost, 31 December		0.3	6.0	6.3

Accumulated depreciation, 1 January	0.3	3.6	3.9
Disposals	0.0	0.0	0.0
Depreciation for the period	8	0.0	0.8
Transfers between items	0.0	0.0	0.0
Accumulated depreciation, 31 December	0.3	4.4	4.7
Carrying value, 1 January	0.0	1.8	1.8
Carrying value, 31 December	0.0	1.6	1.6

2015

MEUR	Intangible rights	Other intangible assets	2015 Total
Acquisition cost, 1 January	0.3	4.2	4.5
Additions	0.0	1.0	1.0
Disposals	0.0	0.0	0.0
Transfers between items	0.0	0.2	0.2
Acquisition cost, 31 December	0.3	5.4	5.7
Accumulated depreciation, 1 January	0.3	3.0	3.3
Disposals	0.0	0.0	0.0
Depreciation for the period	0.0	0.7	0.7
Accumulated depreciation, 31 December	0.3	3.6	3.9
Carrying value, 1 January	0.0	1.3	1.3
Carrying value, 31 December	0.0	1.8	1.8

16. Interests in Other Entities

Group composition

SATO has 21 (19) subsidiaries that are individually material to the Group. Subsidiaries are entities over which SATO has control and they are consolidated to the Group. There are no material non-controlling interests in any of the Group's subsidiaries.

Mutual property companies and housing companies are treated as joint operations that are consolidated by the proportionate consolidation method. The relative proportionate method is applied to all such entities irrespective of the Group's share of ownership. None of these entities is individually material to the Group.

List of all entities owned by the group or the parent company is presented in note 38.

Significant restrictions

The non-profit subsidiaries are subject to regulatory restrictions limiting distribution of profit from those entities. More information on the restrictions are presented in note 24. Shareholders equity.

Structured entities

The housing companies in SATO that own so-called shared ownership apartments are treated as structured entities. These companies are considered to be external arrangements of SATO's operations and are not included in the consolidated financial statement. Their purpose is to act on behalf of the people who have invested in shared ownership apartments.

There is no significant risk associated to the group's interests in unconsolidated structured entities. More information on the shared ownership apartments is presented in accounting principles and note 34. Collateral, commitments and contingencies.

Immaterial associates and joint ventures

SATO did not have joint ventures or associates that are material to the group in 2016 or 2015.

17. Financial assets and liabilities by category

31 Dec 2016

Fair value hierarchy

MEUR	note	Fair value, other comprehensive income	Available -for-sale	Assets and liabilities at amortised cost	2016 Carrying amount total	Level 1	Level 2	Level 3
Non-current financial assets								
Other shares	18		1.7		1.7		1.7	
Loans receivable	19			12.9	12.9		12.9	
Derivative assets	19 28	0.5			0.5		0.5	
Total		0.5	1.7	12.9	15.1			
Current financial assets								
Accounts receivable	22			15.1	15.1		15.1	
Cash and cash equivalents	23			18.3	18.3		18.3	
Total		0.0	0.0	33.5	33.5			
Non-current financial liabilities								
Corporate bonds	27			844.6	844.6	868.0	24.0	
Other loans	27			949.8	949.8		952.6	
Derivative liabilities	28	54.4			54.4		54.4	
Total		54.4	0.0	1,794.4	1,848.9			

Current financial liabilities					
Loans	27			148.5	148.5
Derivative liabilities	28	1.1			1.1
Accounts payable	30			8.5	8.5
Total		1.1	0.0	157.0	158.1

31 Dec 2015

Fair value hierarchy

MEUR	note	Fair value, other comprehensive income	Available - for-sale	Assets and liabilities at amortised cost	2015 Carrying amount total	Level 1	Level 2	Level 3
Non-current financial assets								
Other shares	18		1.7		1.7		1.7	
Loans receivable	19			11.9	11.9		11.9	
Derivative assets	19 28	1.1			1.1		1.1	
Total		1.1	1.7	11.9	14.7			
Current financial assets								
Accounts receivable	22			10.5	10.5		10.5	
Cash and cash equivalents	23			60.7	60.7		60.7	
Total		0.0	0.0	71.2	71.2			
Non-current financial liabilities								
Corporate bonds	27			545.5	545.5	537.1	24.0	
Other loans	27			943.4	943.4		944.4	
Derivative liabilities	28	47.8			47.8		47.8	
Total		47.8	0.0	1,488.8	1,536.6			
Current financial liabilities								
Loans	27			187.4	187.4		187.4	
Derivative liabilities	28	0.9			0.9		0.9	
Accounts payable	30			6.8	6.8		6.8	
Total		0.9	0.0	194.2	195.1			

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

18. Available-for-sale financial assets

MEUR	31 Dec 2016	31 Dec 2015
Available-for-sale financial assets		
Other holdings	1.7	1.7
Total	1.7	1.7

SATO presents its available-for-sale financial assets categorised to quoted shares and other holdings. Unrealised valuation gains and losses from available-for-sale financial assets are recognised in other comprehensive income and in fair value reserve, after accounting for tax effects. Other holdings include shares in unlisted companies, and are valued at acquisition cost as their fair value cannot be reliably determined.

19. Non-current receivables

MEUR	note	31 Dec 2016	31 Dec 2015
Non-current receivables			
Derivatives	17 28	0.5	1.1
Loans receivable	17	12.9	11.9
Non-current receivables total		13.4	13.0

The receivables are mainly receivables from housing companies. They are valued at acquisition cost in the financial statements and their fair value is estimated to be equal to their carrying amount.

20. Changes in deferred tax assets and liabilities

MEUR	1 Jan 2016	Recognised through profit or loss	Transfers between items	Recognised through other comprehensive income	Subsidiaries acquired / sold	31 Dec 2016
Deferred tax assets						
Valuation of financial instruments at fair value	8.9	0.0		0.7		9.5
Periodisation and temporary differences	6.6	-0.1				6.5
Total	15.5	-0.2	0.0	0.7	0.0	16.1
Deferred tax liabilities						
Valuation of investment properties at fair value	138.1	24.3	-0.4		0.1	162.1
Valuation of financial instruments at fair value	0.8	0.0	0.4			1.2
Reclassification of housing provisions and depreciation differences	61.7	-1.1				60.6
Periodisation and temporary differences	0.0	0.0		0.0		0.0
Other items	2.0	0.0			0.0	2.0
Total	202.6	23.2	0.0	0.0	0.1	225.9

MEUR	1 Jan 2015	Recognised through profit or loss	Transfers between items	Recognised through other comprehensive income	Subsidiaries acquired / sold	31 Dec 2015
Deferred tax assets						
Valuation of financial instruments at fair value	10.3	-0.1		-1.4	0.0	8.9
Periodisation and temporary differences	6.9	-0.2				6.6
Total	17.2	-0.3		-1.4	0.0	15.5
Deferred tax liabilities						
Valuation of investment properties at fair value	122.6	15.5				138.1
Valuation of financial instruments at fair value	0.1	0.6		0.0		0.8
Reclassification of housing provisions and depreciation differences	60.7	1.1			-0.1	61.7
Periodisation and temporary differences	2.5	-2.4				0.0
Other items	2.0	0.0				2.0
Total	187.9	14.7	0.0	0.0	-0.1	202.6

21. Inventories

MEUR	31 Dec 2016	31 Dec 2015
Inventories		
Buildings under construction	10.3	9.3
Completed apartments and commercial space	22.2	33.5
Land areas	62.0	57.5
Other inventories	8.6	11.5
Total	103.0	111.8

The carrying value of inventories was written down by EUR 0.0 (1.7) million during the period.

22. Accounts receivable and other receivables

MEUR	note	31 Dec 2016	31 Dec 2015
Accounts receivable and other receivables			
Accounts receivable	17	15.1	10.5
Prepaid expenses and accrued income		1.9	3.4
Other receivables		0.9	0.0
Total		18.0	13.9

MEUR	31 Dec 2016	31 Dec 2015
Specification of prepaid expenses and accrued income		
Prepaid expenses and accrued income related to rental services	0.4	0.1
Prepaid expenses and accrued income related to new constructions	0.1	0.4
Prepayments	0.4	0.5
Purchase price receivable	0.0	1.8
Interest receivables	0.1	0.1
Other	0.9	0.5
Total	1.9	3.4

23. Cash and cash equivalents

MEUR	note	31 Dec 2016	31 Dec 2015
Cash and bank balances	17	18.3	60.7
Total		18.3	60.7

The cash assets of group companies subject to non-profit restrictions are kept separate from other companies' cash assets. At the reporting date, such restricted companies' cash assets totalled EUR 2.2 (46.5) million.

24. Shareholders equity

MEUR	31 Dec 2016	31 Dec 2015
The following dividend and repayment of capital were declared and paid by the company:		
Repayment of capital 0.00 (0.42) per share, EUR	0.0	-21.3
Dividends 0.50 (0.20) per share, EUR	-25.4	-10.2
Total	-25.4	-31.5

Description of items in shareholders' equity

Shares and share capital

The total number of SATO Corporation's shares as at 31 December 2016 was 56,783,067 and the number of own shares held was 160,000. On 3 March 2016, the Annual General Meeting authorised the Board of Directors to decide on one or more directed, payable share issues so that the combined total number of own shares held by SATO can be at a maximum of 3,000,000. The Board of Directors may use the directed share issue for acquisition of assets relating to the company's business operations or to finance or execute company acquisitions. The Board of Directors was authorised to decide on the other terms of the share issue. The authorisation remains in effect until 28 February 2017. Based on the authorisation, SATO's Board of Directors approved a directed share issue for the acquisition of all the shares in SVK Yhtymä Oy. Shareholders of SVK Yhtymä subscribed for a total of 728,763 shares in SATO at a subscription price of EUR 19.53 per share. The new shares subscribed for in the directed share issue were registered with the Finnish Trade Register in April 2016.

Furthermore, the Board of Directors was authorised by the Annual General Meeting on 3 March 2016 to decide on a share issue of a maximum of 5,200,000 new shares, with subscription rights to be given to shareholders in proportion to their existing shareholdings in the Company. The Board of Directors was authorised to decide on the other terms of the share issue. The authorisation remains in effect until 28 February 2017. Based on the authorisation, on 9 May 2016, the Board of Directors of SATO Corporation decided on a rights issue against payment, whereby a maximum of 5,084,184 new SATO Corporation shares were offered to shareholders at a subscription price of EUR 19.53 per share. A total of 5,052,462 shares were subscribed for in the rights issue and they were registered with the Finnish Trade Register in June 2016.

Reserve fund

The reserve fund includes the share premium fund.

Fair value reserves

Fair value reserves include change in fair value of financial instruments used in cash flow hedge accounting and fair valuation of available-for-sale financial assets.

Reserve for invested non-restricted equity

Reserve for invested non-restricted equity includes other equity investments and the subscription price of shares, to the extent that it is not recorded in share capital.

Dividends

After the balance sheet date 31 December 2016, the Board of Directors has proposed that no dividend for the current year shall be distributed (2015: dividend of EUR 0.50 per share).

Restrictions concerning SATO's shareholders equity

SATO's retained earnings at the end of period, EUR 1,127.6 (978.1) million, included distribution-restricted capital totalling EUR 206.6 (219.7) million attributable to subsidised, non-profit businesses. The figure includes the share of the change in the fair value reported in the income statement. Part of the group companies are under statutory, non-profit restrictions according to which the company is allowed to distribute only a regulated amount of capital.

Management of capital structure

The aim of SATO's management of capital structure is to support the growth targets and to secure the ability to pay dividend. Another aim is to ensure SATO's prospects of operating in the equity market. SATO's targeted equity ratio measured at fair value is at least 30%. At year-end, SATO's equity ratio measured at fair value was 35.2 (33.3) %. The Board of Directors reviews and assesses SATO's capital structure regularly.

Some of SATO's interest bearing financial agreements include covenants relating to capital structure and profitability. SATO complied with the capital structure and profitability covenants during the reporting period.

25. Employee benefits

MEUR	31 Dec 2016	31 Dec 2015
Recognised items in statement of financial position		
Defined benefit obligation	0.0	0.1
Fair value of plan assets	0.0	-0.1
Net benefit liability recognised in statement of financial position	0.0	0.0

SATO's employee benefit plan is an additional pension plan in insurance company fund, which is supplement to statutory pension. The employee benefit plan includes one person (2015: two persons) employed by the Group during the period. In the statement of financial position the item recognised as a liability is an undertaking given to the insured and plan assets include the cover paid by the insurance company. The benefit plan is funded by annual contributions based on actuarial calculations paid to the insurance company.

Pension is increased by the credit from insurance company and therefore SATO has no obligations after the insured person has retired. The amounts of plan assets are measured with the same discount rate as plan obligations, in which case the discount rate does not create a significant risk. Additionally, an increase in life expectancy does not create a significant risk due to the fact that the insurance company will be responsible for a major part of the effect of any increase in the life expectancy.

These arrangements are subject to local tax laws and other legislation.

Following tables show the changes in SATO's plan obligations and plan assets:

MEUR	2016	2015
Defined benefit obligation, 1 Jan	0.1	1.6
Current service cost	0.0	0.1
Plan amendments	0.0	-0.1
Net interest	0.0	0.0
Actuarial gains (-) / losses (+) on obligation	1.6	-0.3
Benefits paid	-1.8	-1.3
Defined benefit plan obligations, 31 Dec	0.0	0.1

Change of fair value of plan assets

MEUR	2016	2015
Fair value of plan assets, 1 Jan	0.1	1.2
Interest income	0.0	0.0
Actuarial gains (+) and losses (-)	1.5	-0.2
Benefits paid	-1.8	-1.3
Employee contributions	0.1	0.4
Fair value of plan assets, 31 Dec	0.0	0.1

Change in net defined benefit liability

MEUR	2016	2015
Net benefit liability recognised in statement of financial position, 1 Jan	0.0	0.5
Expenses recognised in income statement	0.0	0.1
Remeasurement	0.1	-0.1
Employee contributions	-0.1	-0.4
Net defined benefit liability, 31 Dec	0.0	0.0

Expenses recognised in income statement

MEUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Expenses recognised in income statement		
Service cost	0.0	0.1
Net interest expenses	0.0	0.0
Actuarial gains and losses	0.1	-0.1
Total Expenses recognised in income statement	0.1	-0.1
Expected contributions paid by the employer in 2017 (2016)	0.0	0.0

Classification of defined benefit plan assets is not available.

Assumptions used in calculation

Discount rate	1.20%	1.80%
Rate of salary increase	3.30%	3.50%
Duration of defined benefit obligation, years	0	12

26. Long-term non-interest bearing liabilities

MEUR	note	31 Dec 2016	31 Dec 2015
Non-current			
Accrued expenses related to new constructions		0.8	0.8
Net benefit liability	25	0.0	0.0
Total		0.8	0.8

27. Financial liabilities

MEUR	31 Dec 2016	31 Dec 2015
Non-current		
Corporate bonds	844.6	545.5
Bank loans	474.1	650.6
Interest-subsidised loans	408.1	208.1
State-subsidised ARAVA loans	67.7	84.7
Total	1,794.4	1,488.8

MEUR	31 Dec 2016	31 Dec 2015
Current		
Commercial Papers	109.9	103.7
Bank loans	17.6	56.8
Interest-subsidised loans	13.4	18.0
State-subsidised ARAVA loans	7.6	8.9
Total	148.5	187.4

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

During the reporting period, a total of EUR 381.6 (483.7) million of new long-term debt was drawn. On 31 December 2016 the average interest on the SATO debt portfolio was 2.5 (2.5) per cent.

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

28. Derivatives

Fair values of derivative instruments

MEUR	31 Dec 2016			31 Dec 2015		
	Positive	Negative	Net	Positive	Negative	Net
Non-current						
Interest rate swaps, cash flow hedge	0.5	-35.9	-35.4	1.1	-34.2	-33.1
Cross-currency and interest rate swaps, cash flow hedge	-	-18.5	-18.5	-	-13.6	-13.6
Non-current derivatives, total	0.5	-54.4	-53.9	1.1	-47.8	-46.7
Current						
Interest rate swaps, cash flow hedge	-	-1.1	-1.1	-	-0.1	-0.1
Foreign exchange forward contracts, cash flow hedge	-	-	-	-	-0.8	-0.8
Current derivatives, total	0.0	-1.1	-1.1	0.0	-0.9	-0.9
Derivatives, Total	0.5	-55.5	-55.0	1.1	-48.7	-47.6

MEUR	31 Dec 2016	31 Dec 2015
Nominal values of derivative instruments		
Interest rate swaps, cash flow hedge	661.3	499.6
Cross-currency and interest rate swaps, cash flow hedge	106.0	108.3
Foreign exchange forward contracts, cash flow hedge	-	1.6
Total	767.3	609.4

Change in fair value of designated interest rate hedges, booked to hedge reserve in other comprehensive income, totalled EUR -3.4 (2.9) million and that of foreign exchange hedges totalled EUR 0.6 (2.6) 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 1–10 years and forward contracts 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.

29. Provisions

MEUR	Provision for refund claim	Provision for litigation claim	Other provisions	Total
Total provision at the end of the period 31 December 2015	4.6	2.2	0.0	6.8
Increases	0.2	0.0	0.5	0.7
Provisions used	-0.5	-2.0	0.0	-2.5
Reversals	-0.1	0.0	0.0	-0.1
Total provision at the end of the period 31 December 2016	4.2	0.2	0.5	4.9

MEUR	31 Dec 2016	31 Dec 2015
Non-current provisions	3.0	5.2
Current provisions	1.9	1.5
Total	4.9	6.8

The provision for refund claim includes guarantees related to new construction business and the 10-year warranty period after the completion of the work. The provision for refund claim is measured on the basis of claims presented and an assessment based on prior experience. The provision for refund claim will be used, if applicable, within ten years from the reporting date.

The provision for litigation claim relates to a litigation process initiated during 2008, concerning one of SATO's development projects in Helsinki. Based on Helsinki Court of Appeals decision given on 30 January 2015, the expense was recognised in the consolidated income statement of 2015.

30. Accounts payable and other liabilities

MEUR	note	31 Dec 2016	31 Dec 2015
Accounts payable and other liabilities			
Advances received		16.7	10.9
Accounts payable	17	8.5	6.8
Other liabilities		4.5	6.0
Accrued expenses and prepaid income		40.2	24.3
Total accounts payable and other liabilities		69.9	47.9

MEUR	31 Dec 2016	31 Dec 2015
Accrued expenses and prepaid income		
Personnel expenses	4.1	3.5
Interest expenses	15.1	9.6
Derivative instruments	28	0.9
Accrued expenses and prepaid income related to new constructions	14.5	6.0
Accrued expenses and prepaid income related to rental services	4.9	1.5

Other accrued expenses	0.3	2.4
Other	0.2	0.4
Total accrued expenses and prepaid income	40.2	24.3

31. Financial risk management

The goal of SATO's financial risk management is to protect the company from unfavourable changes occurring in the financial markets. The main principles of financing and financial risk management are set out in the Treasury Policy, approved by the Board of Directors. SATO Treasury is responsible for the management of financial risks in accordance with the Treasury Policy. SATO Treasury reports to the CFO, who is responsible for organizing and managing the duties associated with the financing and financial risk management, as well as ensuring compliance with the principles set in the Treasury Policy.

Interest rate risk

The most significant of SATO market risks is the impact of market interest rate fluctuation on interest cash flows. To manage interest rate risk, the proportions of fixed and floating rate instruments are balanced in such a way that the risk of a rise in interest expenses is on an acceptable level and liquidity is secured. Interest rate risk is primarily attributable to market-based loans from financial institutions, but the interest rate risk of other types of financial liabilities is also monitored.

Market-based loans are primarily drawn at floating rates. In accordance with the Treasury Policy, the interest rate risk arising from these contracts is hedged using derivative instruments, mainly interest rate swaps and options, so that when hedging is applied, the fixed rate portion exceeds 60 per cent of the nominal value of the total loan portfolio, excluding ARAVA loans. On 31 December 2016, the fixed rate portion of the loan portfolio after hedging was 82.2 (73.2) per cent, the average maturity excluding ARAVA loans being 5.0 (5.7) years.

The interest rate derivatives are accounted for as designated cash flow hedges. No ineffectiveness has occurred, as the hedged items and the hedging instruments have the same interest periods. The effect of changes in market interest rates on net financial expenses is examined with sensitivity analyses on the next page.

Changes in market interest rates also affect interest expense on interest subsidised loans. However, in interest subsidised loans, a subsidy is received for the part exceeding the deductible rate, so the risk of increases in interest rates for interest subsidised loans are considerably lower than for market based loans. The deductible rate on interest subsidised loans varies between 2.75 to 3.5 per cent and on the so-called interim model interest subsidy loans, funded in years 2009 to 2011, is 3.40 per cent. A major part of the interest-subsidised loans is tied to long reference rates, ranging 3 to 10 years. Due to the subsidies and long reference rates, the interest rate risk on these loans is not material. In accordance with the Treasury Policy, SATO does not apply hedging to interest-subsidised loans.

In operations financed with state subsidies, rents are based on absorption cost, and hence any interest risk can be transferred to the rents. The interest on state-subsidised ARAVA loans is pegged to changes in Finnish consumer prices. The ARAVA rate is fixed in advance for the following financial period and hence there is no uncertainty of the following period interest expense. Some state-subsidised loans have interest rate cap, the level of which is based on the interest rate of government 10-year bonds. A risk in state-subsidised ARAVA loans is a substantial increase in interest, which would be difficult to transfer in its entirety to rents without delay. In accordance with the Treasury Policy, SATO does not apply hedging to state-subsidised ARAVA loans.

Currency risk

SATO is exposed to both transaction and translation risks due to investments in St. Petersburg. Transaction risk arises mainly from rouble denominated purchase agreements. Committed agreements are fully hedged with currency forward contracts. On 31 December 2016 SATO had EUR 0.0 (2.4) million in rouble-denominated commitments related to the investments. The translation risk, i.e., the consolidation of foreign currency denominated subsidiary accounts, arises due to the investment properties in St. Petersburg. The fair values of the properties are translated to euros in consolidated financial statements using the closing exchange rate on the reporting date.

Price risk

At present, SATO has no items which might be subject to a significant price risk.

Credit risk

SATO is not exposed to significant concentrations of credit risk. SATO's accounts receivable consist mainly of accounts receivable from construction commissioning. For the most part there is no credit risk related to these receivables, as title to the properties to be sold is not usually transferred to the buyer until the price has been paid. A small proportion of accounts receivable involve rent receivables. SATO has over 25,000 tenants, so the risk entailed in a single receivable is insignificant. Additionally, most lease agreements have security for the rent receivable. SATO's actual credit losses have averaged the equivalent of 1.0 (0.7) per cent of rental income. In addition, treasury functions, such as liquidity investments and derivative instruments, involve a counterparty risk, which is reduced by careful selection of counterparties and by diversification of contracts among a number of counterparties.

Liquidity risk

The Group constantly monitors the amount of financing demanded for business operations so that the adequacy of financing will be assured in all circumstances. The cash flow of operative business is steady and fluctuation mainly arises from investment activities.

Liquidity is managed with the commercial paper programme of EUR 400 (200) million, committed credit limits EUR 400 (290) million, and non-committed credit limits, EUR 5 (5) million. On 31 December 2016, the commercial papers issued amounted to EUR 110.0 (104.0) million in nominal value. The committed credit facilities were unused (EUR 0 in use on 31 December 2015). In liquidity management, it is taken into account that the assets of Group companies subject to non-profit restrictions due to interest subsidies or state subsidised ARAVA loans, are kept separately and allocated to those non-profit operations.

In May 2015, Moody's assigned SATO with a Baa3 credit rating with a stable outlook. With the investment grade credit rating, SATO aims to widen the investor base and to further limit dependence on any single financing counterparty.

SATO's funding agreements contain covenant clauses relating to the Group capital structure and interest payment capacity. These clauses require the ratio of unencumbered assets to total assets to be at least 35 per cent by the end of 2016, at least 40 per cent by the end of 2017 and at least 42.5 per cent by the end of 2018 and at any time thereafter, the solvency ratio to be no more than 70 per cent and the interest coverage ratio to be at least 1.8. On the reporting date, the ratio of unencumbered assets was 53.1 (42.4) per cent, the solvency ratio was 54.3 (55.3) per cent, and the interest coverage ratio was 4.4 (4.1).

Sensitivity analysis, interest rate risk

MEUR	2016				2015			
	Profit and Loss		Equity		Profit and Loss		Equity	
	1%	-0.1%	1%	-0.1%	1%	-0.1%	1%	-0.1%
Floating rate loans	-7.2	0.5	-	-	-8.3	0.5	-	-
Cross-currency and interest rate swaps	0.8	-0.1	3.5	-0.4	0.8	-0.1	4.4	-0.5
Interest rate swaps	3.9	-0.4	27.1	-2.8	3.7	-0.4	21.4	-2.2
Total	-2.4	-0.1	30.6	-3.2	-3.8	0.0	25.8	-2.7

Sensitivity analysis, currency risk

MEUR	2016				2015			
	Profit and Loss		Equity		Profit and Loss		Equity	
	10%	-10%	10%	-10%	10%	-10%	10%	-10%
Foreign-currency denominated loans	-10.0	10.0	-	-	-10.6	10.6	-	-
Cross-currency and interest rate swaps	9.9	-9.9	-	-	10.5	-10.5	-	-
Foreign exchange forward contracts	-	-	-	-	-	-	0.2	-0.2
Total	-0.1	0.1	0.0	0.0	-0.1	0.1	0.2	-0.2

Maturity analysis on financial instruments

31 Dec 2016

MEUR	within 1 year	2–5 years	6–10 years	11–15 years	after 15 years	2016 Total
Financial liabilities						
Market-based loans	-153.8	-1,103.4	-220.9	-47.7	-57.6	-1,583.5
Interest-subsidised loans	-19.9	-297.8	-43.4	-31.1	-69.2	-461.4
State-subsidised ARAVA loans	-8.8	-29.2	-22.3	-13.7	-7.5	-81.5
Accounts payable	-8.5					-8.5
Financial liabilities total	-190.9	-1,430.5	-286.6	-92.6	-134.3	-2,134.8
Financial instruments						
Foreign exchange forward contracts, inflow						0.0
Foreign exchange forward contracts, outflow						0.0
Interest rate derivatives	-12.0	-32.4	-6.6			-51.0
Financial Instruments total	-12.0	-32.4	-6.6	0.0	0.0	-51.0
Total	-202.8	-1,462.9	-293.2	-92.6	-134.3	-2,185.8

31 Dec 2015

MEUR	within 1 year	2–5 years	6–10 years	11–15 years	after 15 years	2015 Total
Financial liabilities						
Market-based loans	-183.4	-794.2	-411.5	-73.2	-104.9	-1,567.1
Interest-subsidised loans	-20.6	-149.3	-63.7			-233.6
State-subsidised ARAVA loans	-10.7	-34.9	-28.7	-20.1	-6.3	-100.7
Accounts payable	-6.8					-6.8
Financial liabilities total	-221.5	-978.4	-503.9	-93.3	-111.2	-1,908.2
Financial instruments						
Foreign exchange forward contracts, inflow	1.6					1.6
Foreign exchange forward contracts, outflow	-2.3					-2.3
Interest rate derivatives	-10.6	-29.5	-3.5			-43.6
Financial Instruments total	-11.4	-29.5	-3.5	0.0	0.0	-44.4
Total	-232.9	-1,007.9	-507.3	-93.3	-111.2	-1,952.6

Above figures represent contractual, non-discounted cash flows, including interest payments.

32. Other lease agreements

Group as a lessee

MEUR	31 Dec 2016	31 Dec 2015
Minimum rents to be paid on the basis of other lease agreements:		
Within one year	2.3	2.2
Within two to five years	7.2	7.8
Over six years	1.8	3.4
Total	11.3	13.5

SATO has sublet office premises in Panuntie, Helsinki. The future minimum rent payments from these agreements is EUR 0.8 (2.1) million. In the current period, rental income recognised in income statement amounted to EUR 0.8 (0.9) million.

33. Notes to the cash flow statement

MEUR	note	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Non-cash items included in the profit			
Depreciation	8	1.1	1.2
Gains and losses from changes in fair value of investment properties	13	-124.3	-62.4
Unrealised gains and losses measured at fair value, interest rate swaps		0.0	-0.4
Increases and reversals of provisions*	29	0.6	6.3
Total		-122.5	-55.4

* SATO has reclassified the adjustment for change in current provisions (EUR 0.4 million in 2016 and EUR 1.5 million in 2015) from change in accounts payable and other liabilities to non-cash items included in the profit.

34. Collateral, commitments and contingencies

MEUR	31 Dec 2016	31 Dec 2015
Mortgages and pledges for secured borrowings		
Secured borrowings	1,183.1	1,232.5
Pledges and mortgages provided, fair value	1,669.1	1,715.9
Guarantees for others		
Shared ownership apartment purchase commitments	14.9	31.0
Rs-guarantees	3.9	4.1
Mortgages provided to secure payment of rent and street maintenance		
Property mortgages provided	5.8	5.8
Binding purchase agreements		
For acquisitions of investment properties	121.2	151.2
Pledges for land use payments on zoned plots	4.2	7.3
Commitments to cleaning and removal charges	0.0	2.5
Letters of intent on land for which there is a zoning condition	34.0	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 reporting date, the loans of such housing companies included in the shared ownership systems, totalled EUR 47.4 (68.2) million.

35. Related party transactions

SATO's related parties include the parent company SATO Corporation, its subsidiaries and associated companies. In addition, SATO's related parties include shareholders that have control or joint control over, or significant influence on, the reporting entity, as well as persons who are members of the key management personnel of the reporting entity or a parent of the reporting entity. Shareholders with holdings of 20% or more are automatically considered related parties. Shareholders whose ownership is less than 20% are considered related parties when they have significant influence on the reporting entity through, for example, a position on the Board of Directors.

Shareholders that are considered as SATO's related parties in 2016 are Balder Finska Ota AB (owner: Fastighets Ab Balder, 100%), Stichting Depositary APG Strategic Real Estate Pool (owner: Stichting Pensioenfonds ABP, >95%; manager: APG Asset Management NV) and Elo Mutual Pension Insurance 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 SATO's related parties. Also close members of their family are considered as related parties. The Corporate Management Group comprises of SATO Corporation's President and CEO, Vice Presidents, Director of Marketing and Communications 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 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Transactions with related parties		
Rental agreements	0.0	0.2
Insurance payments	0.0	1.0
Total	0.0	1.1

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Management employee benefits		
Salaries and other short-term employee benefits	1.8	1.5
Other long-term employee benefits	0.9	0.9
Total	2.7	2.4

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Salaries and remuneration paid		
President and CEO	0.3	0.5
Deputy to President and CEO	0.4	0.3
Members of the Board of Directors	0.2	0.2
Total	0.9	1.0

Thousand EUR

1 Jan-31 Dec 2016

1 Jan-31 Dec 2015

Compensation paid to the members of the Board of Directors and the President & CEO

Saku Sipola	304	38
Erik Selin	40	4
Jukka Hienonen	29	25
Esa Lager	29	40
Tarja Pääkkönen	27	25
Timo Stenius	26	19
Marcus Hansson	20	0
Andrea Attisani	16	24
Ilkka Tomperi	6	24
Erkka Valkila	0	442
Niina Rajakoski	0	19
Juha Laaksonen	0	7
Vesa Immonen	0	5
Timo Hukka	0	4
Total	496	676

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.

Acting Deputy Managing Director was covered by the supplementary pension insurance, which has ended on 31 December 2015. The supplementary pension insurance entitles the covered person to retirement at the age of 60 and to a pension equal to 60% of the pensionable salary. The retirement took place in late 2016.

The members of SATO's Corporate Management Group are covered by an annual incentive scheme based on SATO's profit and fulfilment of the key targets for their respective area of responsibility. The Board of Directors approves the payment of bonuses.

The Board of Directors have decided on a long-term incentive scheme with a maximum limit for the periods 2014–2016, 2015–2017 and 2016–2018. The incentive scheme applies to 15 people working in management positions in SATO. The purpose of the incentive scheme is to align the goals of the management with those of the shareholders, engaging key people, improvement of competitiveness and promotion of long-term financial success.

36. Borrowing costs

		31 Dec 2016	31 Dec 2015
Capitalised expenses of borrowing costs during the period, MEUR	13	1.1	1.1
Financial expense index, %		1.0	1.0

37. Subsequent events

In its meeting held on 1 February 2017, SATO Corporation's Board of Directors has updated the financial targets of the Group. The updated financial targets are:

- Equity ratio over 35 per cent (previous target over 30 per cent);
- solvency ratio below 70 per cent;
- interest cover ratio over 1.8x; and
- unencumbered assets ratio 60 per cent or more (previous approximately 50 per cent by the end of 2020).

38. Subsidiaries owned by the Group and parent company

	Group's holding. %	Parent company's holding. %
Holding percentages are the same as voting rights.		
Subsidiaries held by SATO Corporation		
Sato-Asunnot Oy	100.0	100.0
SATOkoti Oy	100.0	100.0
SATOkoti 3 Oy	100.0	100.0
Sato-Rakennuttajat Oy	100.0	100.0
SATO VK Oy	100.0	100.0
SATO VK 15 Oy	100.0	100.0
SATO VK 16 Oy	100.0	100.0
SATO VK 17 Oy	100.0	100.0
Suomen Satokodit Oy	100.0	100.0
Vatotalot 2 Oy	100.0	100.0
Vatotalot 3 Oy	100.0	100.0
Vatotalot 4 Oy	100.0	100.0
Vatotalot 5 Oy	100.0	100.0
SATO HotelliKoti Oy	100.0	100.0
SVK Yhtymä Oy	100.0	100.0
Unconsolidated subsidiaries and associated companies		
Keskus-Sato Oy toimimaton	100.0	100.0
SV-Asunnot Oy	50.0	50.0
Other shares		
Outakessa Koy	100.0	100.0
Espoon Aallonrivi As Oy	100.0	100.0
Jyväskylän Lyseonlinna As Oy	102.2	2.2
Companies held by subsidiaries		
Sato-Asunnot Oy		
Agricolankuja 3 As Oy	3.0	3.0
Agricolankuja 8 As Oy	80.7	80.7
Agricolankulma As Oy	0.8	0.8
Albertus As Oy	1.1	1.1
Amos As Oy	0.5	0.5
Arabian Valo, Helsinki As Oy	52.2	52.2
Asunto Oy Kalasataman Fregatti, Helsinki	25.3	25.3

Björneborgsvägen 5 Bost. Ab	0.5	0.5
Bostads Ab Munksnäs N:o 25 Asunto Oy	14.1	14.1
Erkintalo As Oy	1.1	1.1
Espoon Elosalama As Oy	100.0	100.0
Espoon Hassel As Oy	4.4	4.4
Espoon Heinjoenpolku As Oy	100.0	100.0
Espoon Henttaan puistokatu 6 As Oy	100.0	100.0
Espoon Henttaan puistokatu 8 As Oy	100.0	100.0
Espoon Honkavaarantie 5 As Oy	16.4	16.4
Espoon Interior As Oy	11.4	11.4
Espoon Jousenkaari 5 As Oy	100.0	100.0
Espoon Kala-Maija 4 As Oy	100.0	100.0
Espoon Kaupinkalliontie 5 As Oy	48.7	48.7
Espoon Kilvoituksentie 1 Asunto Oy	100.0	100.0
Espoon Kiskottajankuja 4 As Oy	100.0	100.0
Espoon Kivenhakkaajankuja 3 As Oy	2.3	2.3
Espoon Kuunkierros 2 As Oy	26.3	26.3
Espoon Kuunsirppi As Oy	100.0	100.0
Espoon Kyyhkymäki 16 As Oy	100.0	100.0
Espoon Lansantie 3 As Oy	100.0	100.0
Espoon Lounaismeri As Oy	100.0	100.0
Espoon Magneettikatu 8 As Oy	100.0	100.0
Espoon Malmiportti 4 A-B As Oy	100.0	100.0
Espoon Malmiportti 4 C-D As Oy	100.0	100.0
Espoon Matinniitynkuja 8 As Oy	100.0	100.0
Espoon Myötätuulenmäki As Oy	8.5	8.5
Espoon Niittymaantie 1 As Oy	100.0	100.0
Espoon Niittymaantie 3 As Oy	100.0	100.0
Espoon Numersinkatu 11 As Oy	18.8	18.8
Espoon Omenapuu As Oy	16.0	16.0
Espoon Paratiisiomena As Oy	18.3	18.3
Espoon Perkkaankuja 3 As Oy	100.0	100.0
Espoon Porarinkatu 2 D-E As Oy	100.0	100.0
Espoon Porarinkatu 2 F As Oy	100.0	100.0
Espoon Puikkarinmäki As Oy	100.0	100.0
Espoon Punatulkuntie 5 As Oy	6.0	6.0
Espoon Pyhäjärventie 1 As Oy	100.0	100.0
Espoon Rastaspuistonpolku As Oy	22.6	22.6
Espoon Rastaspuistontie 8 As Oy	7.3	7.3
Espoon Rummunlyöjänkatu 11 D-E As Oy	100.0	100.0
Espoon Ruorikuja 4 As Oy	3.8	3.8
Espoon Ruusulinna As Oy	100.0	100.0
Espoon Satokallio As Oy	11.6	11.6
Espoon Saunalyhty As Oy	6.8	6.8
Espoon Sepetlahdentie 6 As Oy	100.0	100.0
Espoon Soukanniementie 1 As Oy	100.0	100.0
Espoon Suvikäytävä As Oy	29.9	29.9

Espoon Taivalmäki 5 As Oy	100.0	100.0
Espoon Taivalpolku As Oy	3.6	3.6
Espoon Taivalrinne As Oy	100.0	100.0
Espoon Tähtimötie As Oy	100.0	100.0
Espoon Vanharaide As Oy	90.1	90.1
Espoon Vasaratörmä As Oy	5.2	5.2
Espoon Viherlaaksonranta 3–5 As Oy	100.0	100.0
Espoon Viherlaaksonranta 7 As Oy	100.0	100.0
Espoon Yläkartanonpiha As Oy	10.9	10.9
Espoon Zanseninkuja 6 As Oy	100.0	100.0
Etelä-Hämeen Talo Oy	81.3	56.3
Eura III As Oy	100.0	100.0
Fredrikinkatu 38 As Oy	2.7	2.7
Haagan Pappilantie 13 As Oy	2.6	2.6
Haagan Talontie 4 As Oy	3.1	3.1
Hakaniemenranta As Oy	2.5	2.5
Hannanpiha As Oy	19.1	19.1
Harjulehmus As Oy	19.4	19.4
Helkalax As Oy	1.3	1.3
Helsingin Akaasia As Oy	13.9	13.9
Helsingin Aleksis Kiven katu 52–54 As Oy	0.5	0.5
Helsingin Ansaritie 1 As Oy	100.0	100.0
Helsingin Ansaritie 2–4 As Oy	100.0	100.0
Helsingin Ansaritie 3 As Oy	100.0	100.0
Helsingin Apollonkatu 19 As Oy	38.2	38.2
Helsingin Arabian Kotiranta As Oy	4.2	4.2
Helsingin Arabianskatu 3 As Oy	13.4	13.4
Helsingin Aurinkotuulenkatu 6 As Oy	100.0	100.0
Helsingin Casa Canal As Oy	13.3	13.3
Helsingin Castreninkatu 3 As Oy	100.0	100.0
Helsingin Cirrus As Oy	1.7	1.7
Helsingin Corona As Oy	17.0	17.0
Helsingin Eiranrannan Estella As Oy	30.8	30.8
Helsingin Eliel Saarisen tie 10 As Oy	96.1	96.1
Helsingin Gerbera As Oy	12.7	12.7
Helsingin Hakaniemenkatu 9 As Oy	100.0	100.0
Helsingin Happiness As Oy	22.2	22.2
Helsingin Hildankulma As Oy	80.1	80.1
Helsingin Hämeenpenger As Oy	100.0	100.0
Helsingin Isopurje As Oy	3.2	3.2
Helsingin Juhani Ahon tie 12–14 As Oy	100.0	100.0
Helsingin Junonkatu 4 As Oy	100.0	100.0
Helsingin Kaarenjalka 5 As Oy	100.0	100.0
Helsingin Kaivonkatsojantie 2 As Oy	16.4	16.4
Helsingin Kalevankatu 53 As Oy	30.5	30.5
Helsingin Kallioliina As Oy	0.8	0.8
Helsingin Kanavaranta As Oy	8.8	8.8

Helsingin Kangaspellontie 1–5 As Oy	100.0	100.0
Helsingin Kangaspellontie 4 As Oy	10.0	10.0
Helsingin Kaustisenpolku 1 As Oy	100.0	100.0
Helsingin Kerttulinkuja 1 As Oy	7.5	7.5
Helsingin Kirjala As Oy	100.0	100.0
Helsingin Klaavuntie 8–10 As Oy	100.0	100.0
Helsingin Kokkosaarenkatu 4 As Oy	20.8	20.8
Helsingin Koralli As Oy	4.1	4.1
Helsingin Koroistentie As Oy	9.4	9.4
Helsingin Korppaanmäentie 17 As Oy	100.0	100.0
Helsingin Korppaanmäentie 21 As Oy	100.0	100.0
Helsingin Kristianinkatu 11–13 As Oy	100.0	100.0
Helsingin Kultareuna 1 As Oy	39.0	39.0
Helsingin Kutomotie 10 A KOy	75.5	75.5
Helsingin Kutomotie 12 A As Oy	100.0	100.0
Helsingin Kutomotie 14 A As Oy	100.0	100.0
Helsingin Kutomotie 8 A As Oy	100.0	100.0
Helsingin Kuusihovi As Oy	25.4	25.4
Helsingin Kyläkirkontie 13 As Oy	68.5	68.5
Helsingin Köysikuja 2 As Oy	9.5	9.5
Helsingin Lapponia As Oy	100.0	100.0
Helsingin Lauttasaarentie 19 KOy	58.3	58.3
Helsingin Leikopiha As Oy	9.6	9.6
Helsingin Leikosaarentie 31 As Oy	18.7	18.7
Helsingin Leikovuori As Oy	9.1	9.1
Helsingin Lontoonkatu 9 As Oy	100.0	100.0
Helsingin Lönnrotinkatu 32 As Oy	56.1	56.1
Helsingin Malagankatu 7 As Oy	100.0	100.0
Helsingin Mariankatu 19 As Oy	1.0	1.0
Helsingin Mechelininkatu 12–14 As Oy	100.0	100.0
Helsingin Merenkävijä As Oy	5.1	5.1
Helsingin Meripellonhovi KOy	98.3	98.3
Helsingin Minna Canthinkatu 24 As Oy	1.1	1.1
Helsingin Mylläri As Oy	2.3	2.3
Helsingin Nautilus As Oy	26.0	26.0
Helsingin Navigatortalo KOy	44.7	44.7
Helsingin Nils Westermarckin kuja 18 As Oy	100.0	100.0
Helsingin Nukkeruusunkuja 3 As Oy	15.5	15.5
Helsingin Näkinkuja 6 As Oy	100.0	100.0
Helsingin Pajamäentie 7 As Oy	100.0	100.0
Helsingin Pakilantie 17 As Oy	100.0	100.0
Helsingin Pasilantornit As Oy	56.5	56.5
Helsingin Perustie 16 As Oy	56.0	56.0
Helsingin Piispantie 3 As Oy	100.0	100.0
Helsingin Piispantie 5 As Oy	100.0	100.0
Helsingin Piispantie 7 As Oy	100.0	100.0
Helsingin Piispantie 8 As Oy	100.0	100.0

Helsingin Pirta As Oy	17.1	17.1
Helsingin Porthaninkatu 4 As Oy	0.7	0.7
Helsingin Puuskarinne 1 As Oy	98.2	98.2
Helsingin Päivöläntie 72 As Oy	16.2	16.2
Helsingin Pääskylänrinne As Oy	100.0	100.0
Helsingin Reginankuja 4 As Oy	11.8	11.8
Helsingin Rikhard Nymanin tie 3 As Oy	100.0	100.0
Helsingin Riontähti As Oy	100.0	100.0
Helsingin Rosas As Oy	9.6	9.6
Helsingin Rumpupolun palvelutalo As Oy	1.5	1.5
Helsingin Ruusutarhantie 2-4 As Oy	30.7	30.7
Helsingin Ruusutarhantie 7 As Oy	39.3	39.3
Helsingin Satoaalto As Oy	8.6	8.6
Helsingin Satorinne As Oy	8.5	8.5
Helsingin Serica As Oy	3.8	3.8
Helsingin Siltavoudintie 20 As Oy	100.0	100.0
Helsingin Snellmaninkatu 23 As Oy	100.0	100.0
Helsingin Solarus As Oy	5.9	5.9
Helsingin Solnantie 22 As Oy	98.0	98.0
Helsingin Stenbäckinkatu 5 KOy	60.0	60.0
Helsingin Ståhlbergintie 4 As Oy	93.5	93.5
Helsingin Sähköttäjänkatu 6 As Oy	100.0	100.0
Helsingin Tapaninkulo As Oy	4.7	4.7
Helsingin Tila As Oy	13.1	13.1
Helsingin Tilkankatu 15 As Oy	100.0	100.0
Helsingin Tilkankatu 2 As Oy	100.0	100.0
Helsingin Tilkankatu 6 As Oy	100.0	100.0
Helsingin Topeliuksenkatu 29 As Oy	4.6	4.6
Helsingin Tunturinlinna As Oy	9.5	9.5
Helsingin Töölön Oscar As Oy	25.3	25.3
Helsingin Vanha viertotie 16 As Oy	68.8	68.8
Helsingin Vanha viertotie 18 As Oy	42.8	42.8
Helsingin Vanha viertotie 6 As Oy	100.0	100.0
Helsingin Vanha Viertotie 8 As Oy	100.0	100.0
Helsingin Venemestarintie 4 As Oy	100.0	100.0
Helsingin Vervi As Oy	100.0	100.0
Helsingin Vetelintie 5 As Oy	100.0	100.0
Helsingin Villa Kuohu As Oy	25.6	25.6
Helsingin Viulutie 1 As Oy	100.0	100.0
Helsingin Vuosaaren Helmi As Oy	100.0	100.0
Helsingin Välskärinkatu 4 KOy	85.7	85.7
Hervannan Juhani As Oy	14.9	14.9
Hiihtomäentie 34 As Oy	3.7	3.7
Humalniementie 3-5 As Oy	1.1	1.1
Hämeenlinnan Aaponkuja 3 As Oy	33.4	33.4
Jukolanniitty As Oy	30.9	30.9
Jukolantanner As Oy	31.9	31.9

Jussinhovi As Oy	3.5	3.5
Jyväskylän Ailakinraitti As Oy	100.0	100.0
Jyväskylän Harjukartano As Oy	23.0	23.0
Jyväskylän Harjunportti As Oy	18.7	18.7
Jyväskylän Lyseonlinna As Oy	6.8	4.6
Jyväskylän Taitoniekansato As Oy	17.4	17.4
Jyväskylän Tanhurinne As Oy	24.1	24.1
Jyväskylän Torihovi As Oy	2.7	2.7
Jyväskylän Yliopistonkatu 18 ja Keskustie 17 As Oy	100.0	100.0
Järvenpään Alhonrinne As Oy	18.4	18.4
Järvenpään Kotokartano As Oy	100.0	100.0
Kaarenkunnas As Oy	100.0	100.0
Kaarinan Auranpihat As Oy	100.0	100.0
Kaidanpääty As Oy	100.0	100.0
Kajaneborg Bost. Ab	7.3	7.3
Kangasalan Kukkapuisto As Oy	6.3	6.3
Kasarmikatu 14 As Oy	12.2	12.2
Kasarminkatu 10 As Oy	26.7	26.7
Kastevuoren Palvelutalo As Oy	100.0	100.0
Kaukotie 10–12 As Oy	3.1	3.1
Kauniaisten Ersintie 9–11 As Oy	5.5	5.5
Kauniaisten Konsuli As Oy Bost. Ab	7.4	7.4
Keravan Papintie 1 As Oy	100.0	100.0
Ketturinne As Oy	1.3	1.3
Kevätesikko As Oy	3.4	3.4
Kilonkallionkuja 5 As Oy	100.0	100.0
Kirkkonummen Sarvikinrinne 4 As Oy	100.0	100.0
Kirkkosalmentie 3 As Oy	0.9	0.9
Kivisaarentie As Oy	2.7	2.7
Kolehmaisentori As Oy	16.6	16.6
Kotipiennar As Oy	2.8	2.8
Kristianinkatu 2 As Oy	1.7	1.7
Kuhakartano As Oy	1.3	1.3
Kukkolan Koivu As Oy	4.3	4.3
Kulmakatu 12 As Oy	2.1	2.1
Kulmavuorenpiha As Oy	100.0	100.0
Kulmavuorenrinne As Oy	1.0	1.0
Kuopion Keilankanta As Oy	72.7	72.7
Kupittaa Kotka, Turku As Oy	10.9	10.9
Kupittaa Kurki, Turku As Oy	6.1	6.1
Kupittaa Satakieli As Oy	6.1	6.1
Kuuselanpuisto As Oy	23.0	23.0
Kuusihalme As Oy	2.3	2.3
Kuusitie 15 As Oy	1.5	1.5
Kuusitie 3 As Oy	1.8	1.8
Kuusitie 9 As Oy	2.3	2.3
Kvarnhyddan Bost. Ab	1.8	1.8

Laajalahdentie 26 As Oy	6.5	6.5
Lahden Jyrkkärinteenpuisto As Oy	41.2	41.2
Lahden Nuolikatu 9 As Oy	100.0	100.0
Lahden Roopenkuja As Oy	44.4	44.4
Lapinniemen Pallopurje As Oy	1.9	1.9
Lapintalo As Oy	1.0	1.0
Lauttasaarentie 11 As Oy	1.6	1.6
Lielahdentie 10 As Oy	9.1	9.1
Linjala 14 As Oy	4.2	4.2
Läntinen Brahenkatu 8 As Oy	0.8	0.8
Lönegropen Bost. Ab, Skidbacksvägen 18	1.6	1.6
Malmeken Ömsesidiga Fastighet	12.8	12.8
Mannerheimintie 100 As Oy	0.9	0.9
Mannerheimintie 108 As Oy	3.0	3.0
Mannerheimintie 148 As Oy	2.5	2.5
Mannerheimintie 170 KOy	40.0	40.0
Mannerheimintie 77 As Oy	1.2	1.2
Mannerheimintie 83–85 As Oy	0.7	0.7
Mannerheimintie 93 As Oy	0.3	0.3
Mariankatu 21 As Oy	1.3	1.3
Matinkylän Poutapilvi As Oy	100.0	100.0
Matinraitti 14 As Oy	1.0	1.0
Mellunsusi As Oy	1.5	1.5
Merimiehenkatu 41 As Oy Bost. Ab	1.6	1.6
Messeniuksenkatu 8 As Oy	2.0	2.0
Messilä As Oy	70.0	70.0
Minna Canthin katu 22 As Oy	2.4	2.4
Muotialantie 31 As Oy	7.0	7.0
Mursu As Oy	0.5	0.5
Myllysalama As Oy	61.9	61.9
Myyrinhaukka As Oy	100.0	100.0
Naantalin Kastovuorenrinne As Oy	25.6	25.6
Nekalanpuisto KOy	2.9	2.9
Nervanderinkatu 9 As Oy	2.6	2.6
Neulapadontie 4 As Oy	1.2	1.2
Niittaajankadun Klaava As Oy	100.0	100.0
Nokian Miharintie 38–40 As Oy	51.7	51.7
Nordenskiöldinkatu 8 As Oy	2.5	2.5
Näkinkuja 2 As Oy	2.5	2.5
Näsinlaine As Oy	1.0	1.0
Näyttelijäntien Pistetalot As Oy	1.4	1.4
Oskelantie 5 As Oy	4.1	4.1
Oskelantie 8 As Oy	2.1	2.1
Otavantie 3 As Oy	0.6	0.6
Otavantie 4 As Oy	1.8	1.8
Oulun Aleksinranta As Oy	100.0	100.0
Oulun Arvolankartano As Oy	2.1	2.1

Oulun Arvolanpuisto As Oy	9.0	9.0
Oulun Kalevalantie As Oy	100.0	100.0
Oulun Laamannintie 1 As Oy	12.8	12.8
Oulun Laanila I As Oy	100.0	100.0
Oulun Laanila IV As Oy	100.0	100.0
Oulun Laaniranta As Oy	6.0	6.0
Oulun Marsalkka As Oy	5.7	5.7
Oulun Mastolinna As Oy	2.2	2.2
Oulun Notaarintie 1 As Oy	24.4	24.4
Oulun Notaarintie 3 As Oy	5.0	5.0
Oulun Paalikatku 23 As Oy	100.0	100.0
Oulun Peltolantie 18 B As Oy	100.0	100.0
Oulun Rautatienkatu 74 As Oy	100.0	100.0
Oulun Rautatienkatu 78 Asunto Oy	100.0	100.0
Oulun Tullikartano As Oy	17.0	17.0
Oulun Tulliveräjä As Oy	40.7	40.7
Peltohuhta As Oy	1.2	1.2
Pengerkatu 27 As Oy	2.6	2.6
Pihlajatie N:o 23 As Oy	3.0	3.0
Pirilänportti As Oy	14.5	14.5
Pohjankartano As Oy	22.8	22.8
Pohjanpoika As Oy	8.0	8.0
Poutuntie 2 As Oy	3.7	3.7
Puistokaari 13 As Oy	1.9	1.9
Puolukkasato As Oy	5.9	5.9
Puolukkavarikko As Oy	33.9	33.9
Raikukuja II As Oy	100.0	100.0
Raipurinne 1 As Oy	1.3	1.3
Raisio Tason torni As Oy	45.3	45.3
Rantasentteri As Oy	1.5	1.5
Risto Rytin tie 28 As Oy Bost. Ab	1.5	1.5
Ristolantie 7 As Oy	2.5	2.5
Rivihkola As Oy	31.6	31.6
Ryhtikuja 5 As Oy	0.8	0.8
Saarenkeskus As Oy	0.4	0.4
Salon Valhojanrivi As Oy	10.6	10.6
Salpakolmio As Oy	31.3	31.3
Satakallio As Oy	0.2	0.2
Satokaunokki As Oy	7.5	7.5
Satosyppi As Oy	37.1	37.1
Savilankatu 1 B As Oy	33.3	33.3
Solnantie 32 As Oy	0.9	0.9
Spargäddan Bost. Ab As Oy	1.3	1.3
Sulkaolku 6 As Oy	0.4	0.4
Säästökartano As Oy	0.3	0.3
Taapuri As Oy	2.5	2.5
Tallbergin puistotie 1 As Oy	2.0	2.0

Tammitie 21 As Oy	0.9	0.9
Tampereen Aitolahdentie 22 As Oy	100.0	100.0
Tampereen Atanväylä 4 A As Oy	100.0	100.0
Tampereen Charlotta As Oy	2.0	2.0
Tampereen Hervannan Puistokallio As Oy	100.0	100.0
Tampereen Härmälänrannan Sisu As Oy	100.0	100.0
Tampereen Jankanpuisto As Oy	100.0	100.0
Tampereen Kanjoninkatu 15 As Oy	56.3	56.3
Tampereen Kauppa-aukio As Oy	100.0	100.0
Tampereen Kokinpellonrinne 2 As Oy	86.9	86.9
Tampereen Kristiina As Oy	19.1	19.1
Tampereen Kuikankatu 2 As Oy	9.7	9.7
Tampereen Linnanherra As Oy	100.0	100.0
Tampereen Pappilan Herra As Oy	100.0	100.0
Tampereen Puistofasaani As Oy	100.0	100.0
Tampereen Rotkonraitti 6 As Oy	48.2	48.2
Tampereen Ruovedenkatu 11 As Oy	100.0	100.0
Tampereen Siirtolapuutarhankatu 12 As Oy	5.6	5.6
Tampereen Strada As Oy	46.6	46.6
Tampereen Tarmonkatu 6 As Oy	100.0	100.0
Tampereen Tieteenkatu 14 As Oy	100.0	100.0
Tampereen Walteri As Oy	23.9	23.9
Tapiolan Itäkartano, Espoo As Oy	53.6	53.6
Tapiolan Tuuliniitty, Espoo As Oy	6.8	6.8
Tarkkampusjankatu 14 As Oy	44.1	44.1
Tasatuomo As Oy	1.3	1.3
Terhokuja 3 As Oy	100.0	100.0
Terhokuja 6 As Oy	11.3	11.3
Tikkamatti As Oy	9.8	9.8
Tohlopinkontu Koy	100.0	60.0
Turun Asemanlinna As Oy	20.9	20.9
Turun Eteläranta II As Oy	3.2	3.2
Turun Eteläranta III As Oy	2.9	2.9
Turun Eteläranta IV As Oy	3.0	3.0
Turun Fregatinranta As Oy	4.7	4.7
Turun Föörinranta II As Oy	1.0	1.0
Turun Gränsbackankuja 3 As Oy	100.0	100.0
Turun Ipnoksenrinne As Oy	6.7	6.7
Turun Joutsenpuisto 7 As Oy	100.0	100.0
Turun Kaivokatu 10 As Oy	100.0	100.0
Turun Kivimaanrivi As Oy	13.1	13.1
Turun Kiviniemenpuisto As Oy	30.1	30.1
Turun Kupittaa Peippo, As Oy	34.6	34.6
Turun Linnankatu 37 A As Oy	1.7	1.7
Turun Marmoririnne 2 As Oy	100.0	100.0
Turun Mietoistenkuja As Oy	22.5	22.5
Turun Pernon Kartanonlaakso As Oy	68.8	68.8

Turun Pulmussuonpuisto As Oy	22.7	22.7
Turun Puutarhakatu 50 As Oy	13.1	13.1
Turun Ratavahdinrinne As Oy	100.0	100.0
Turun Sato-Koto As Oy	100.0	100.0
Turun Sipimetsä As Oy	17.8	17.8
Turun Sukkulakoti As Oy	100.0	100.0
Turun Tallgreninkartano As Oy	37.1	37.1
Turun Uudenmaanlinna As Oy	100.0	100.0
Turun Veistämöntori As Oy	100.0	100.0
Turuntie 112 As Oy	1.4	1.4
Turuntie 63 As Oy	1.6	1.6
Tykkikuja 7 As Oy	100.0	100.0
Työväen Asunto-osakeyhtiö Rauha	10.2	10.2
Töölön Estradi, Helsinki As Oy	63.2	63.2
Ulpukkaniemi As Oy	25.4	25.4
Ulvilantie 11 B As Oy	0.6	0.6
Urheilukatu 38 As Oy	56.0	56.0
Vaasankatu 15 As Oy	0.8	0.8
Vallikallionpolku KOy	100.0	100.0
Vallinkyyhky As Oy	6.0	6.0
Valtapolku As Oy	1.2	1.2
Vantaan Aapramintie 4 As Oy	100.0	100.0
Vantaan Albert Petreliuksen katu 8 As Oy	7.7	7.7
Vantaan Havukoskenkatu 20 As Oy	100.0	100.0
Vantaan Heporinne 4 As Oy	100.0	100.0
Vantaan Horsmakuja 4 A As Oy	100.0	100.0
Vantaan Kaarenlehmus As Oy	100.0	100.0
Vantaan Kilterinpuisto As Oy	76.6	76.6
Vantaan Kivivuorentie 8 A-B As Oy	100.0	100.0
Vantaan Kivivuorentie 8 C As Oy	100.0	100.0
Vantaan Krassipuisto As Oy	100.0	100.0
Vantaan Käräjäkuja 3 As Oy	19.8	19.8
Vantaan Leksankuja 3 As Oy	100.0	100.0
Vantaan Liesitorin palvelutalo As Oy	2.5	2.5
Vantaan Lummepiha As. Oy	100.0	100.0
Vantaan Maarinrinne As Oy	12.0	12.0
Vantaan Maarukanrinne 6 As Oy	14.6	14.6
Vantaan Martinpääsky As Oy	100.0	100.0
Vantaan Minkkikuja As Oy	49.0	49.0
Vantaan Myyrinmutka As Oy	100.0	100.0
Vantaan Oritie 1 As Oy	100.0	100.0
Vantaan Orvokkikuja 1 As Oy	100.0	100.0
Vantaan Pakkalanportti As Oy	100.0	100.0
Vantaan Pakkalanrinne 3 As Oy	41.8	41.8
Vantaan Pakkalanrinne 5-7 As Oy	100.0	100.0
Vantaan Pakkalanruusu As Oy	3.1	3.1
Vantaan Pronssikuja 1 As Oy	100.0	100.0

Vantaan Ravurinmäki As Oy	38.7	38.7
Vantaan Ruostekuja 3 As Oy	100.0	100.0
Vantaan Sompakuja 2-4 As Oy	100.0	100.0
Vantaan Tammiston Tringa As Oy	8.3	8.3
Vantaan Tammistonkatu 29 As Oy	29.1	29.1
Vantaan Tuurakuja 4 As Oy	34.1	34.1
Vantaan Tykkikuja 11 As Oy	100.0	100.0
Vantaan Tähtiö As Oy	33.2	33.2
Vantaan Uomarinne 5 As Oy	100.0	100.0
Viides linja 16 As Oy	1.1	1.1
Viikinkisankari As Oy	35.4	35.4
Vilhonvuorenkatu 8 As Oy	1.1	1.1
Vuomerensalpa As Oy	2.7	2.7
Vuorastila As Oy	99.0	99.0
Vuoreksen Vega, Tampere As Oy	88.8	88.8
Vuosaaren Meripihka As Oy, Helsinki	42.7	42.7
Välkynkallio As Oy	0.8	0.8
Yläaitankatu 4 As Oy	1.7	1.7
Ylöjärven Soppeenkatja As Oy	100.0	100.0
Sato-Pietari Oy	100.0	100.0
Sato-Neva Oy	100.0	100.0
OOO SATO RUSS	100.0	100.0
SATOkoti Oy		
Ida Aalbergintie 1 KOy	100.0	100.0
Tohlopinkontu Koy	100.0	40.0
SATOkoti 3 Oy		
Espoon Jousenkaari 7 As Oy	100.0	100.0
Helsingin Graniittitie 8 ja 13 As Oy	100.0	100.0
Helsingin Ida Aalbergin tie 3 A As Oy	100.0	100.0
Helsingin Keinulaudantie 7 As Oy	100.0	100.0
Helsingin Kiillekuja 4 As Oy	100.0	100.0
Helsingin Näyttelijäntie 24 As Oy	100.0	100.0
Helsingin Pajamäentie 6 As Oy	100.0	100.0
Helsingin Rusthollarinkuja 2 As Oy	100.0	100.0
Oulun Hoikantie 14-22 As Oy	100.0	100.0
Vantaan Hiekkaharjuntie 16 As Oy	100.0	100.0
SATOkoti 113 Oy	100.0	100.0
Sato-Rakennuttajat Oy		
Helsingin Tila As Oy	11.4	11.4
Helsinki, Kalasataman Huvilat As Oy	8.4	8.4
Läntinen Pitkäkatu 31	17.1	17.1
Oulun Peltokerttu As Oy	100.0	100.0
Puutorin Pysäköinti KOy	51.6	51.6
SATO VK Oy		
Espoon Numersinkatu 6 As Oy	82.0	9.2
Espoon Ristiniementie 22 As Oy	78.4	5.4
Espoon Säterinkatu 10 As Oy	79.0	6.1

Espoon Zanseninkuja 4 As Oy	82.0	17.4
Helsingin Lintulahdenpuisto As Oy	100.0	100.0
Helsingin Mustankivenraitti 5 As Oy	94.6	94.6
Helsingin Paciuksenkaari 19 As Oy	73.3	1.6
Helsingin Pasuunatie 8 As Oy	74.9	9.1
Helsingin Taimistontie 9 As Oy	12.3	12.3
Helsingin Tulisuntie 20 As Oy	100.0	100.0
Helsingin Vanhanlinnantie 10 As Oy	82.7	10.2
Jyväskylän mlk:n Kirkkotie 3 As Oy	91.4	12.1
Jyväskylän Vaneritori 4 As Oy	88.0	19.8
Kaarinan Katariinankallio As Oy	87.6	23.5
Kaarinan Kiurunpuisto As Oy	90.9	29.6
Kaarinan Kultarinta As Oy	83.5	26.5
Kaarinan Mattelpiha As Oy	94.2	36.0
Kuovi As Oy	100.0	100.0
Oulun Laamannintie 14 ja 17 As Oy	95.9	61.9
Oulun Laamannintie As Oy	95.2	43.5
Tampereen Haapalinnan Antintalo As Oy	92.0	50.7
Tampereen Kyläleni As Oy	96.4	70.7
Tampereen Rantatie 13 E-G As Oy	88.4	41.6
Turun Maarianportti As Oy	100.0	100.0
Turun Merenneito As Oy	77.2	14.6
Turun Meripoika As Oy	89.3	26.0
Turun Unikkoniitty As Oy	88.1	13.9
Tuusulan Naavankiertä 10 As Oy	87.8	5.3
Vantaan Herttuantie 3 As Oy	88.6	31.2
SATO VK 15 Oy		
Espoon Puropuisto As Oy	58.4	55.8
Etelä-Hämeen Talo Oy	81.3	25.0
Iidesranta 42 Tampere As Oy	9.9	6.6
Satulaparkki KOy	53.3	0.0
Turun Metallikatu As Oy	100.0	100.0
SATO VK 16 Oy		
Espoon Sokerilinnantie 1 As Oy	5.8	4.3
Helsingin Finniläntalo As Oy	80.2	80.2
Helsingin Paciuksenkaari 13 As Oy	2.8	2.8
Lahden Kauppakatu 36 As Oy	7.9	3.6
Lappeenrannan Kanavansato 2 As Oy	44.3	25.0
Raisio Toripuisto As Oy	56.9	20.8
Tampereen Kyyhky As Oy	11.1	8.1
SATO VK 17 Oy		
Helsingin Myllypellonpolku 4 As Oy	76.6	6.9
Helsingin Otto Brandtin polku 4 As Oy	76.8	5.9
Helsingin Tulvaniitynpolku 5 As Oy	10.2	10.2
Kaarinan Katariinanrinne As Oy	81.5	12.6
Kaarinan Verkatruuna As Oy	77.6	11.7
Oulun Aleksanteri As Oy	100.0	100.0

Turun Hehtokatu As Oy	82.5	19.1
Turun Seiskarinkulma As Oy	84.4	14.0
Turun Tervaporvari As Oy	100.0	100.0
Vantaan Orvokkitie 17 As Oy	14.3	14.3
Sato-Osaomistus Oy		
Espoon Nostoväenkuja 1 As Oy	3.5	3.5
Espoon Numersinkatu 6 As Oy	82.0	72.8
Espoon Puropuisto As Oy	58.4	2.5
Espoon Ristiniementie 22 As Oy	78.4	73.0
Espoon Sokerilinnantie 1 As Oy	5.8	1.6
Espoon Säterinkatu 10 As Oy	79.0	72.9
Espoon Zanseninkuja 4 As Oy	82.0	64.6
Helsingin Myllypellonpolku 4 As Oy	76.6	69.8
Helsingin Otto Brandtin polku 4 As Oy	76.8	70.9
Helsingin Paciuksenkaari 19 As Oy	73.3	71.7
Helsingin Pasuunatie 8 As Oy	74.9	65.9
Helsingin Taavetin aukio 4 As Oy 1	7.8	7.8
Helsingin Vanhanlinnantie 10 As Oy	82.7	72.5
Iidesranta 42 Tampere As Oy	9.9	3.4
Jyväskylän mlk:n Kirkkotie 3 As Oy	91.4	79.3
Jyväskylän Vaneritori 4 As Oy	88.0	68.2
Kaarinan Katariinankallio As Oy	87.6	64.1
Kaarinan Katariinanrinne As Oy	81.5	68.8
Kaarinan Kiurunpuisto As Oy	90.9	61.2
Kaarinan Kultarinta As Oy	83.5	57.0
Kaarinan Mattelpiha As Oy	94.2	58.1
Kaarinan Verkatruuna As Oy	77.6	66.0
Lahden Kauppakatu 36 As Oy	7.9	4.3
Lappeenrannan Kanavansato 2 As Oy	44.3	19.3
Oulun Laamannintie 14 ja 17 As Oy	95.9	34.0
Oulun Laamannintie As Oy	95.2	51.7
Raisio Siirinsopukka As Oy	82.9	82.9
Raisio Toripuisto As Oy	56.9	36.2
Tampereen Haapalinnan Antintalo As Oy	92.0	41.3
Tampereen Kyläleni As Oy	96.4	25.7
Tampereen Kyyhky As Oy	11.1	3.0
Tampereen Rantatie 13 E-G As Oy	88.4	46.7
Turun Hehtokatu As Oy	82.5	63.4
Turun Merenneito As Oy	77.2	62.6
Turun Meripoika As Oy	89.3	63.3
Turun Pakanpoika As Oy	88.3	88.3
Turun Pakantyttö As Oy	74.3	74.3
Turun Seiskarinkulma As Oy	84.4	70.4
Turun Unikkoniitty As Oy	88.1	74.3
Tuusulan Naavankierro 10 As Oy	87.8	82.5
Vantaan Herttuantie 3 As Oy	88.6	57.4
Suomen Satokodit Oy		

Espoon Kaskenkaatajantie 5 As Oy	100.0	100.0
Helsingin Arhotie 22 As Oy	100.0	100.0
Helsingin Myllymatkantie 1 As Oy	100.0	100.0
Meiramikuja As Oy	4.7	4.7
Pellervon Pysäköinti KOy	16.0	16.0
Satosorsa As Oy	19.9	19.9
Vantaan Kortteeri As Oy	6.4	6.4
Suomen Vuokrakodit Oy		
Espoon Hopeavillakko As Oy	100.0	100.0
Espoon Likusterikatu 1 D As Oy	100.0	100.0
Espoon Siniheinä As Oy	100.0	100.0
Helsingin Mestari As Oy	100.0	100.0
Helsingin Sateenkaari As Oy	100.0	100.0
Jyväskylän Äijälänrannan Ansaritie 4 As Oy	100.0	100.0
Kangasalan Unikkoniitty KOy	100.0	100.0
Kapellimestarinparkki KOy	9.1	9.1
Lahden Mesisurri As Oy	100.0	100.0
Lempäälän Moisionaukea 25 As Oy	100.0	100.0
Nokian Virran Ritari As Oy	100.0	100.0
Tampereen Aitolahdentie 24 As Oy	100.0	100.0
Tampereen Härmälänrannan Aurinkokallio KOy	100.0	100.0
Tampereen Sammon Kalervo As Oy	100.0	100.0
Turun Westparkin Eeben As Oy	100.0	100.0
Turun Westparkin Tuija As Oy	100.0	100.0
Vantaan Kesäniitty As Oy	100.0	100.0
Vantaan Kevätpuro As Oy	100.0	100.0
Vantaan Piparminttu As Oy	100.0	100.0
Vantaan Rubiinikehä 1 B As Oy	100.0	100.0
Vantaan Tempo Koy	100.0	100.0
Vantaan Teodora KOy	100.0	100.0
Ylöjärven Viljavainio As Oy	100.0	100.0
Vatrotalot 2 Oy		
SATO-Osaomistus	100.0	100.0
Vatrotalot 3 Oy		
Kirkkonummen Rihipolku As Oy	100.0	100.0
Kylänpäänpelto As Oy	43.8	43.8
Nurmijärven Kylänpäänkaari As Oy	45.0	45.0
Nurmijärven Kylänpäänniitty As Oy	35.2	35.2
Vatrotalot 5 Oy		
Helsingin Laivalahdenportti 5 As Oy	75.5	75.5
Helsingin Toini Muonan katu 8 As Oy	13.2	13.2
Laakavuorentie 4 As Oy	39.1	39.1
Meriramsi As Oy	25.6	25.6
Meri-Rastilan tie 5 As Oy	23.5	23.5
Meri-Rastilan tie 9 As Oy	9.1	9.1
Raudikkokuja 3 KOy	100.0	100.0
Vantaan Omaksi As Oy	2.8	2.8

Vantaan Ravuripuisto As Oy	61.1	61.1
SVK yhtymä Oy		
Suomen Vuokrakodit Oy	100.0	100.0

PARENT COMPANY INCOME STATEMENT

MEUR	note	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Net sales	1	7.3	4.9
Other operating income	2	6.0	5.4
Materials and services	3	-2.7	-0.8
Personnel expenses	4 5 6	-3.0	-3.8
Depreciation, amortization and impairment charges	7	-1.1	-1.0
Other operating expenses	8	-12.1	-10.8
Operating profit		-5.5	-6.2
Financial income and expenses	9	-39.0	-26.5
Profit/loss before appropriations and taxes		-44.4	-32.7
Group contribution	10	110.2	68.7
Income taxes	11	-13.2	-7.2
Profit for the period		52.6	28.7

PARENT COMPANY BALANCE SHEET, FAS

MEUR	note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Intangible assets	12	1.9	1.9
Tangible assets	13	1.7	1.9
Holdings in Group companies	14	1,081.2	816.7
Holdings in associated companies	15	0.0	0.0
Other holdings and shares	16	1.0	1.0
Total		1,085.7	821.5
Current assets			
Inventories	17	4.7	6.5
Long-term receivables	18	8.1	8.1
Short-term receivables	19	297.6	71.2
Cash and cash equivalents		12.6	11.2
Total		323.0	97.0
TOTAL ASSETS		1,408.7	918.5

SHAREHOLDER'S EQUITY AND LIABILITIES

Shareholder's equity	21 22		
Share capital		4.4	4.4
Reserve fund		43.7	43.7
Other funds		116.1	3.1
Retained earnings		71.2	67.9
Profit for the period		52.6	28.7
Total		288.0	147.8
Obligatory reserves	23	0.0	0.0
Liabilities			
Non-current	24	901.1	592.9
Current	25	219.6	177.8
Total		1,120.7	770.7
SHAREHOLDER'S EQUITY AND LIABILITIES, TOTAL		1,408.7	918.5

PARENT COMPANY'S CASH FLOW STATEMENT, FAS

Milj. €	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for financial year	52.6	28.7
Adjustments:		
Depreciation	1.1	1.0
Financial income (-) and expenses (+)	39.0	26.5
Income tax	13.2	7.2
Proceeds (-) and losses (+) on sales of tangible assets	-0.2	-0.1
Group contribution	-110.2	-68.7
Change in reserves	0.5	0.0
Cash flow before change in working capital	-4.1	-5.3
Change in working capital:		
Decrease (+)/increase(-) in current non-interest bearing receivables	0.3	-1.4
Decrease (+)/increase(-) in inventories	1.7	-1.0
Decrease (-)/increase(+) in current loans	-2.4	-3.0
Cash flow before financial items and taxes	-4.5	-10.7
Interest paid and payment of other financial expenses	-18.3	-19.1
Interest received	1.7	5.2
Other financial expenses	-11.4	-11.3
Direct taxes paid	-4.6	-6.6
Cash flow from operating activities (A)	-37.1	-42.4
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	-0.9	-1.3
Income from disposals of tangible assets	0.3	0.1
Other investments to subsidiaries	-250.3	-320.0
Placements in other investments	0.0	0.0
Proceeds from other investments	0.0	0.0
Loans granted	0.0	-4.0
Instalments on loan receivable	3.4	0.7
Cash flow from investing activities (B)	-247.5	-324.5

CASH FLOW FROM FINANCING ACTIVITIES		
Loans withdrawn	428.1	404.3
Payments on loans	-103.7	-71.8
Changes in short-term cash pool liabilities and receivables	-163.7	1.7
Group contributions (contribution-based)	52.0	72.3
Dividends paid and other distribution of profit	-25.4	-31.5
Payments received from the issue of shares	98.7	0.0
Cash flow from financing (C)	286.0	375.0
 Cash and cash equivalents at the beginning of the year	 11.2	 3.1
Cash and cash equivalents at the end of the year	12.6	11.2

NOTES TO INCOME STATEMENT

1. Net Sales

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Rental income and compensation	2.5	2.5
Other income	4.8	2.3
Total	7.3	4.9

2. Other operating income

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Other operating income	0.0	0.0
Profit on sales of fixed assets	0.2	0.1
Management service charges	5.8	5.3
Total	6.0	5.4

3. Materials and services

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Materials and services		
Purchases	0.9	0.5
Change in inventories	1.8	0.3
Total	2.7	0.8

4. Personnel expenses

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Salaries and wages	2.5	3.0
Pension expenses	0.5	0.8
Other personnel expenses	0.0	0.0
Total	3.0	3.8

5. Management salaries and compensations

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Presidents and members of the Board of Directors	0.9	1.0
The President and CEO is entitled to retire at the age of 60.		

6. Average number of personnel

	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Employees	16	17

7. Depreciation

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Depreciation of tangible and intangible assets	1.1	1.0
Total	1.1	1.0

8. Other operating expenses

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Rents	1.7	1.7
Maintenance expenses	0.5	0.8
Other fixed expenses	9.7	8.3
Other operating expenses	0.0	0.0
Total	12.1	10.8

9. Financial income and expenses

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Interest income on long-term investments		
From Group companies	1.7	5.2
From others	0.0	0.0
Total	1.7	5.2

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Interest expenses and other financing expenses		
To Group companies	-7.0	-6.8
To others	-33.6	-24.9
Total	-40.6	-31.7
Financial income and expenses, total	-39.0	-26.5

10. Group contributions

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Group contributions	110.2	68.7
Total	110.2	68.7

11. Income taxes

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Income taxes	13.2	7.2
Total	13.2	7.2

NOTES TO BALANCE SHEET

12. Intangible assets

MEUR	2016	2015
Other long-term expenditure		
Acquisition cost, 1 Jan	5.2	4.2
Increases	0.5	1.0
Acquisition cost, 31 Dec	5.7	5.2
Accumulated depreciation and write-downs, 1 Jan	3.2	2.7
Depreciation for year	0.6	0.5
Accumulated depreciation, 31 Dec	3.8	3.2
Book value, 31 Dec	1.9	1.9
Intangible assets, total	1.9	1.9

13. Tangible assets

MEUR	2016	2015
Land and water areas		
Acquisition cost, 1 Jan	0.0	0.0
Acquisition cost, 31 Dec	0.0	0.0
Book value, 31 Dec	0.0	0.0

Buildings and structures

Acquisition cost, 1 Jan	0.0	0.0
Acquisition cost, 31 Dec	0.0	0.0
Accumulated depreciation and write-downs, 1 Jan	0.0	0.0
Accumulated depreciation, 31 Dec	0.0	0.0
Book value, 31 Dec	0.0	0.0

Connection fees

Acquisition cost, 1 Jan	0.0	0.0
Acquisition cost, 31 Dec	0.0	0.0

Machinery and equipment

Acquisition cost, 1 Jan	3.7	3.6
Increases	0.4	0.3
Decreases	-0.5	-0.2
Acquisition cost, 31 Dec	3.5	3.7
Accumulated depreciation and write-downs, 1 Jan	2.6	2.4
Accumulated depreciation of transfers	-0.4	-0.2
Depreciation for year	0.4	0.4
Accumulated depreciation, 31 Dec	2.5	2.6
Book value, 31 Dec	1.0	1.1

Other tangible assets

Acquisition cost, 1 Jan	1.3	1.3
Increases	0.0	0.0
Acquisition cost, 31 Dec	1.3	1.3
Accumulated depreciation and write-downs, 1 Jan	0.4	0.3
Depreciation for year	0.1	0.1
Accumulated depreciation, 31 Dec	0.5	0.4
Book value, 31 Dec	0.7	0.9
Tangible assets, total	1.7	1.9

14. Holdings in Group companies

MEUR	2016	2015
Acquisition cost, 1 Jan	816.6	496.6
Increases	264.5	320.0
Acquisition cost, 31 Dec	1,081.2	816.7
Book value, 31 Dec	1,081.2	816.7

15. Holdings in associated companies

MEUR	2016	2015
Acquisition cost, 1 Jan	0.0	0.0
Acquisition cost, 31 Dec	0.0	0.0
Book value, 31 Dec	0.0	0.0

16. Other stocks and shares

MEUR	2016	2015
Acquisition cost, 1 Jan	1.0	1.0
Acquisition cost, 31 Dec	1.0	1.0
Accumulated depreciation and write-downs, 1 Jan	0.0	0.0
Accumulated depreciation, 31 Dec	0.0	0.0
Book value, 31 Dec	1.0	1.0
Investments, total	1082.1	817.6

17. Inventories

MEUR	31 Dec 2016	31 Dec 2015
Completed housing units and commercial space	0.2	0.2
Land areas and land area companies	4.0	5.8
Other inventories	0.5	0.5
Book value	4.7	6.5

18. Non-current receivables

MEUR	31 Dec 2016	31 Dec 2015
Receivables from Group companies		
Notes receivable, Group	7.8	7.8
Total	7.8	7.8

MEUR	31 Dec 2016	31 Dec 2015
Receivables from others		
Notes receivable	0.4	0.4
Total	0.4	0.4
Non-current receivables, total	8.1	8.1

19. Current receivables

MEUR	31 Dec 2016	31 Dec 2015
Receivables from Group companies		
Accounts receivable	1.3	0.0
Loan receivable	0.0	3.4
Other receivables	295.5	65.1
Prepaid expenses and accrued income	0.1	0.2
Total	296.9	68.8

Receivables from others

Accounts receivable	0.3	0.3
Loan receivables	0.0	0.0
Prepaid expenses and accrued income	0.3	2.2
Total	0.7	2.5

Current receivables, total	297.6	71.2
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Receivables total	305.7	79.4
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Specification of prepaid expenses and accrued income

Interest receivables	0.0	0.0
Current tax receivables	0.0	2.0
Other	0.4	0.4
Total	0.4	2.4

20. Shareholders' equity

MEUR	2016	2015
Increase in share capital	4.4	4.4
Share capital, 1 Jan	4.4	4.4
Reserve fund, 1 Jan	43.7	43.7
Reserve fund, 31 Dec	43.7	43.7

Other funds, 1 Jan	1.1	1.1
Other funds, 31 Dec	1.1	1.1
Invested unrestricted equity fund, 1 Jan	1.9	23.3
Increases	112.9	0.0
Decreases	0.0	-21.4
Invested unrestricted equity fund, 31 Dec	114.8	1.9
Retained earnings, 1 Jan	96.6	78.1
Dividend payment	-25.4	-10.2
Retained earnings, 31 Dec	71.2	67.9
Profit for the period	52.6	28.7
Shareholders' equity, total, 31 Dec	288.0	147.8

21. Calculation of distributable assets

MEUR	2016	2015
Other funds	1.1	1.1
Invested unrestricted equity fund	114.8	1.9
Retained earnings	71.2	67.9
Profit for the period	52.6	28.7
Distributable assets, 31 Dec	239.8	99.7

22. The parent company's share capital is divided into shares as follows:

	31 Dec 2016	31 Dec 2015
Total number of shares	56,783,067	51,001,842

SATO Corporation has only one series of shares.

The company holds 160,000 of its own shares.

23. Obligatory reserves

MEUR	31 Dec 2016	31 Dec 2015
Refund claim expense reserve	0.0	0.0
Total	0.0	0.0

24. Long-term liabilities

MEUR	31 Dec 2016	31 Dec 2015
Loans to Group companies		
Loans, Group	3.9	3.9
Total	3.9	3.9

MEUR	31 Dec 2016	31 Dec 2015
Loans from financial institutions		
Bonds	847.3	549.0
Loans from financial institutions	50.0	40.0
Total	897.3	589.0

Long-term liabilities, total	901.1	592.9
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Loans maturing in more than five years	77.9	52.9
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Derivatives

MEUR	31 Dec 2016	31 Dec 2015
Nominal values of derivative instruments		
Interest rate swaps	538.4	499.6

MEUR	31 Dec 2016	31 Dec 2015
Fair values of derivative instruments		
Interest rate swaps		
Positive	0.0	1.1
Negative	-30.7	-34.3
Total	-30.7	-33.2

Interest rate risk arising from floating rate loans of Group companies is hedged using derivative instruments in accordance with the Treasury Policy. Hedge ratio complies with the Treasury Policy: fixed rate ratio to whole loan portfolio (excluding ARAVA loans) is kept above 60 per cent. SATO's objective is to keep interest fixing period between 3 to 5 years.

25. Current liabilities

MEUR	31 Dec 2016	31 Dec 2015
Loans to Group companies		
Accounts payable	0.4	0.4
Other liabilities	68.1	59.6
Accrued expenses and prepaid income	16.9	1.9
Total	85.4	62.0

MEUR	31 Dec 2016	31 Dec 2015
Loans to others		
Loans from financial institutions	109.9	103.7
Advances received	0.1	0.5
Accounts payable	0.9	0.4
Other liabilities	0.3	0.3
Accrued expenses and prepaid income	22.9	10.9
Total	134.2	115.8

Current liabilities, total	219.6	177.8
Liabilities, total	1120.7	770.7

MEUR	31 Dec 2016	31 Dec 2015
Specification of accrued expenses and prepaid income		
Wages and salaries including employee benefits	2.0	1.9
Interest payable	30.0	7.8
Municipal engineering liabilities	0.5	1.9
Current tax liabilities	6.6	0.0
Others	0.8	1.2
Total	39.8	12.8

26. Collaterals, contingent liabilities and other commitments

MEUR	31 Dec 2016	31 Dec 2015
Contingent liabilities on behalf of Group companies		
Guarantees	314.8	510.5
Total	314.8	510.5

MEUR	31 Dec 2016	31 Dec 2015
Other commitments		
Lease agreements for premises in Panuntie, amounts due (incl.VAT)		
Within one year	1.7	1.7
Later than one year but within five years	7.1	6.9
Later than five years	1.8	3.4
Pledges and contingent liabilities, total	10.6	12.0

SATO has sublet office premises in Panuntie, Helsinki. The future minimum rent payments from these agreements is EUR 0.8 (2.1) million. In the current period, rental income recognised in income statement amounted to EUR 0.8 (0.9) million.

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

AUDITOR'S REPORT

To the Annual General Meeting of SATO Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SATO Oyj (business identity code 0201470-5) for the year ended 31 December 2016. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial performance and financial position in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Valuation of investment property (Refer to notes 1 and 13 to the consolidated financial statements)

Why

- SATO applies fair value accounting (IAS 40). Investment properties measured at fair value (EUR 3,383.2 million) comprise 95.0 per cent of the consolidated total in the statement of financial position as at 31 December 2016. The resulting change in fair values has a significant impact on the consolidated equity and profit for the year.
- The fair value of an investment property is, depending on the impact of the restriction in use and transfer of title, based on sales comparison method, income method or the acquisition value. When applying the sales comparison method, market value is determined based on the 24-month average of the selling prices for comparable apartments. Income method value is determined by discounting the net rental income from the property with the yield specific for the property. SATO uses an external property valuer, who quarterly provides a report on the fair value calculation prepared by the company.
- Due to management judgments involved about the estimates used in determining fair values and the significant carrying amounts involved valuation of investment properties is considered a key audit matter for the Group. The determination of key parameters requires management judgements about yields and vacancy, among others.

How the matter was addressed in the audit

- We evaluated the assumptions requiring management judgements used in the fair value calculations. We also assessed the reasons for the material changes in the fair values. Furthermore, we tested the controls designed to ensure the correctness of the basic data used in fair value calculations.
- We tested a sample of the fair value calculations and compared the assumptions used to market and industry-specific information.
- We interviewed an external valuer (Authorised Property Valuer) used by SATO to evaluate the appropriateness of the valuation methods applied by SATO.

Net sales: recognition of rental income (Refer to note 1 to the consolidated financial statements)

Why

- Rental income comprises a significant part of the consolidated net sales and cash flows. Rental income from investment properties is recognised in equal instalments over the lease term.
- Net sales consist of a significant number of invoicing transactions. The industry is marked by a large number of lease agreements effective until further notice.

How the matter was addressed in the audit

- We assessed the internal controls over rental income and tested the effectiveness of the key controls over the accuracy of the invoicing process.
- Our audit focused on testing the key controls to assess the completeness, accuracy and existence of consolidated net sales.

Acquisitions and disposals of investment property (Refer to notes 1, 4 and 13 to the consolidated financial statements)

Why

- SATO acquires and disposes of apartments and investment property portfolios annually. The acquisitions of investment properties in 2016 amounted to EUR 557.7 million and proceeds from disposal of investment properties EUR 67.3 million.
- The sale and purchase agreements for property acquisitions and disposals may have complexity such as deferred consideration arrangements and include other rights and obligations. These circumstances may require management judgement when assessing the appropriate accounting treatment in relation to the relevant accounting standards applied.

How the matter was addressed in the audit

- We assessed the internal controls of the Group and tested the controls over the approval and authorisation processes to acquire and dispose of investment properties.
- We considered the sale and purchase agreements for property acquisitions and disposals and other documentation on the transactions. We assessed the definition, classification and recognition of the transactions in relation to the relevant accounting standards and the accounting principles for the consolidated financial statements applied.
- Furthermore, we assessed the appropriateness of the disclosures on the transactions presented in the consolidated financial statements.

Accounting for borrowings and derivative instruments (Refer to notes 17, 26, 27, 28 and 31 to the consolidated financial statements)

Why

- The interest-bearing liabilities amount to EUR 1,943.0 million which account for 54.5 per cent of the consolidated total in the statement of financial position as at 31 December 2016.
- The Group has derivative instruments that are accounted for at fair value. The nominal value of the derivatives is EUR 767.3 million as at 31 December 2016. SATO uses both interest rate and currency derivatives to hedge its interest rate and currency risk exposures. The Group applies hedge accounting to a part of its derivative instruments.

How the matter was addressed in the audit

- We considered the Group's financing policy, the finance function and the developments in the loan portfolio and finance expenses during the year.
- We assessed the functionality of the key internal controls over the finance functions in relation to the financing policy approved by the parent company's Board of Directors.
- We considered the financing agreements of the Group and other related documentation. We also assessed the definition, classification and recognition of the transactions, in relation to the relevant accounting standards and the accounting principles for the consolidated financial statements applied.
- Furthermore, we assessed the appropriateness of the disclosures provided on the financing arrangements and financial instruments in the consolidated financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors

has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet (and the distribution of other unrestricted equity) is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 1 February 2017

KPMG OY AB

LASSE HOLOPAINEN

Authorised Public Accountant, KHT

FIVE YEAR INDICATORS

Key financial indicators	2016	2015	2014	2013**	2012**
Net sales, MEUR	318	323	312	312	287
Operating profit, MEUR	267	196	191	178	160
Net financing expenses, MEUR	-48	-37	-39	-38	-39
Profit before taxes, MEUR	219	159	152	141	121
Balance sheet total, MEUR	3,562	2,980	2,802	2,596	2,360
Shareholders' equity, MEUR	1,253	993	892	823	693
Liabilities, MEUR	2,310	1,986	1,909	1,773	1,696
Interest bearing liabilities, MEUR	1,943	1,676	1,585	1,501	1,375
Return on invested capital, % (ROI)	9.1%	7.6%	7.7%	7.7%	7.7%
Return on equity, % (ROE)	15.6%	13.5%	14.0%	15.5%	13.5%
Equity ratio, %	35.2%	33.3%	31.8%	31.7%	29.4%
Investment property, MEUR	3,383	2,753	2,528	2,316	2,088
Gross investments, MEUR	573	250	174	191	160
as percentage of net sales	180.1%	77.4%	55.7%	61.2%	55.7%
Personnel, average***	170	172	165	156	152
Personnel at the end of period	175	170	169	156	150
Key indicators per share					
Earnings per share, EUR	3.22	2.49	2.37	2.34	1.78
Equity per share, EUR ****	22.12	19.53	17.55	16.16	13.72
Number of shares, million *	56.6	50.8	50.8	50.8	50.8
Key figures according to EPRA recommendations and operational cash earnings					
EPRA Earnings, MEUR	69.5	64.5	65.1	62.7	44.4
EPRA Earnings per share, EUR	1.28	1.27	1.28	1.23	0.87
EPRA Net Asset Value, MEUR*****	1,517.5	1,227.8	1,120.3	1,006.9	900.5
EPRA Net Asset Value per share, EUR*****	26.80	24.15	22.04	19.80	17.71
Cash earnings, MEUR	86.2	78.1	72.9	66.1	61.6
Cash earnings per share, EUR	1.59	1.54	1.43	1.30	1.21

* 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

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

INFORMATION FOR SHAREHOLDERS

Notice of annual general meeting of SATO Corporation

Notice is given to the shareholders of SATO Corporation to the Annual General Meeting to be held on Wednesday 8 March 2017 at 12:00 pm in the SATO building auditorium at the address Panuntie 4, FI-00610 Helsinki. The reception of registered participants and the distribution of voting tickets will commence at 11:30 am.

Documents of the General Meeting

The notice to the meeting and the agenda with the draft resolutions, SATO Corporation's financial statements, report of the Board of Directors and the auditor's report will be available on the SATO Corporation's website www.sato.fi no later than on 10 February 2017. The draft resolutions and the other above-mentioned documents will also be available at the General Meeting. The minutes of the General Meeting will be available on the said website on 22 March 2017 at the latest.

Instructions for participants of the General Meeting

Right to attend and registration

Each shareholder who is on 24 February 2017 registered in the shareholders register of the company maintained by Euroclear Finland Ltd has the right to attend the General Meeting. A shareholder whose shares have been entered into his/her personal Finnish book-entry account, is registered in the shareholders register of the company.

A shareholder who is entered into the shareholders register and who wish to attend the General Meeting shall register for the meeting no later than 4:00 pm (EET) on 3 March 2017, by which time the registration shall be received by the company. The registration may be made as follows:

- by regular mail to the address SATO Corporation, Kati Laakso, PO Box 401, FI-00601 Helsinki
- by telephone (+358 201 34 4002 / Kati Laakso) Mon-Fri 8:00 am - 4:00 pm, or
- by e-mail to kati.laakso@ato.fi

Personal information given by the shareholders to

SATO Corporation shall be used only in connection with the General Meeting and the registrations required for it.

If required, the shareholder, his/her authorized representative or proxy representative shall prove his/her identity and/or the right of representation at the meeting.

Holders of nominee registered shares

A holder of nominee registered shares is entitled to attend the General Meeting by virtue of shares on the basis of which he/she on the record date of General Meeting, i.e. 24 February 2017 would be entitled to be registered in the shareholders register of the company maintained by Euroclear Finland Ltd. The attendance also requires that the shareholder is temporarily entered into the shareholders register maintained by Euroclear Finland Oy on the basis of such shares no later than at 10:00 am 3 March 2017. For shares entered in the nominee register, this will be deemed as registration for the General Meeting.

With regard to the nominee registered shares, the holder of such shares is advised to request from his/her custodian bank in time instructions for entry on the temporary shareholders register, the issuing of proxy documents and registration for the General Meeting. The account management organisation of the custodian bank shall request temporary entry of the holder of the nominee registered shares wishing to attend the General Meeting into the company's shareholders register no later than the above mentioned time.

Representatives and powers of attorney

A shareholder may attend the General Meeting and exercise his/her rights by way of a representative. The shareholder's representative shall present a dated power of attorney or otherwise in a reliable manner prove his/her right to represent the shareholder. In case a shareholder participates the General Meeting by means of several representatives, representing the shareholder with shares entered into different book-entry accounts, the shares on the basis of which each representative represents the shareholder shall be identified in connection with the registration for the General Meeting.

Proxy documents, if any, should be delivered to SATO Corporation, Kati Laakso, PO Box 401, FI-00601 Helsinki by the expiry of the registration period.

Other instructions and information

Pursuant to Chapter 5 Section 25 of the Finnish Limited Liability Companies Act a shareholder attending the General Meeting is entitled to request information concerning the issues on the Meeting agenda.

On the date of this notice to the Annual General Meeting, 2 February 2017, SATO Corporation has a total of 56,783,067 shares and votes.

Proposal on distribution of dividends

The Board of Directors proposes to the AGM that no dividend will be paid for the reporting year 2016.

Financial publications

Publication dates for interim reports:

January–March on 27 April 2017

January–June on 16 August 2017

January–September on 31 October 2017

The annual report for the financial period and interim reports are issued in Finnish and in English. They are available at the company's website www.sato.fi. Further information is available from viestinta (at) sato.fi.

Distribution of shares on 2 January 2017

Shareholder	Holding %
Balder Finska Otas AB (owner: Fastighets Ab Balder, 100%)	53.6
Stichting Depositary APG Strategic Real Estate Pool (owner: Stichting Pensioenfonds ABP, >95 %; manager: 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 (84 shareholders)	5.1

On 2 January 2017, the Group had 89 shareholders entered in the book-entry register. The turnover of SATO Corporation's shares was 1.2 per cent during the reporting year.

Articles of Association and shares

SATO Corporation's Articles of Association as in force was registered on 15 March 2011. The Articles of Association does not include any provisions on redemption of shares.

On 31 December 2016, the company's share capital was EUR 4,442,192. The company has 56,783,067 shares. The share has no par value.

The company has one series of shares. The shares are included in the book-entry system maintained by Euroclear Finland Oy.

REPORTING PRINCIPLES

SATO's annual report is also a corporate sustainability report produced in compliance with the Global Reporting Initiative G4 Guidelines. The previous GRI report was produced for 2015, and the 2015 indicators are shown next to the indicators for the reporting year. Any changes in the earlier reported information are shown in connection with the figures and factual contents.

SATO's sustainability report has been prepared in accordance with the GRI G4 Guidelines (Core). In addition, the sector-specific guidelines of GRI G4 for the construction and real estate sector are applied. The report presents the General Standard Disclosures of GRI G4 Guidelines, as well as the Specific Standard Disclosures consisting of descriptions of management approach and indicators of aspects identified as material for SATO.

At the request of SATO's management, KPMG Oy Ab has performed the independent third party assurance

of our sustainability report 2016. The environmental sustainability information subject to the assurance includes the following:

- Key figures presented in the "Environment" table
- Key figures G4-EN29 and G4-EN32 presented in the "SATO GRI G4 index"

We have decided to adopt integrated reporting (IR). The transition will be made in stages over the next few years. Integrated reporting has been applied in the 2016 annual report to the description of value creation, the business model and operational impacts.

The corporate responsibility management is described in closer detail on SATO's website at sato.fi/corporate-responsibility. The material aspects, on which this report is based, are available under [Material aspects and boundaries](#) and the GRI index is available under [GRI index](#).

MATERIAL ASPECTS AND BOUNDARIES

Theme of SATO's materiality matrix	GRI aspect	Aspect boundary
Sustainable business		
Growth		
	Economic performance	SATO Group
Profitability		
	Economic performance	SATO Group
	Procurement practices	SATO Group
	Compliance	SATO Group and major outsourced services for housing management, maintenance, repair and new building construction
Excellent customer experience		
Price-quality ratio		
	Economic performance	SATO Group
	Procurement practises	SATO Group
	Product and service labeling	Rental homes of the SATO Group in Finland
Fluent customer services		
	Product and service labeling	Rental homes of the SATO Group in Finland
	Products and services	Rental homes of the SATO Group in Finland
	Customer privacy	SATO Group
Well-being at work		
Inspiring corporate culture		
	Employment, occupational health and safety	SATO Group and major outsourced services for housing management, maintenance, repair and new building construction
	Labor/management relations	SATO Group
Skills development		
	Labor/management relations	SATO Group


















Training and education	SATO Group
Environmental sustainability and supply chain	
Energy efficiency	
Energy, water	Rental homes of the SATO Group in Finland
Emissions, effluents and waste	Rental homes of the SATO Group in Finland
Products and services	Rental homes of the SATO Group in Finland
Sustainable supply chain	
Indirect economic impacts	SATO Group
Procurement practises	SATO Group
Anti-corruption	SATO Group and major outsourced services for housing management, maintenance, repair and new building construction
Compliance	SATO Group and major outsourced services for housing management, maintenance, repair and new building construction
Supplier Environmental Assessment	SATO Group and major outsourced services for housing management, maintenance, repair and new building construction
Land Degradation, Contamination and Remediation	Rental homes of the SATO Group in Finland
Active stakeholder relations	
Customer engagement in development activities	
Energy, water	Rental homes of the SATO Group in Finland
Emissions, effluents and waste	Rental homes of the SATO Group in Finland
Product and service labeling	Rental homes of the SATO Group in Finland
Stakeholder dialogue	
Energy, water	Rental homes of the SATO Group in Finland
Emissions, effluents and waste	Rental homes of the SATO Group in Finland
Product and service labeling	Rental homes of the SATO Group in Finland
Procurement practises	SATO Group
Labor/management relations	SATO Group
Occupational health and safety	SATO Group
Transparent practises	
Procurement practises	SATO Group

Compliance	SATO Group and major outsourced services for housing management, maintenance, repair and new building construction
Labor/management relations	SATO Group
Occupational health and safety	SATO Group
Anti-corruption	SATO Group and major outsourced services for housing management, maintenance, repair and new building construction
Customer privacy	SATO Group
Supplier Environmental Assessment	SATO Group and major outsourced services for housing management, maintenance, repair and new building construction

FULFILMENT OF SUSTAINABILITY OBJECTIVES 2016

● = fulfilled ● = fulfilled in part ● = unfulfilled

Environmental sustainability

Objectives for 2016 (realised situation in 2015)	Fulfilment of objectives in 2016	Fulfilment status	Key actions in 2016	Objectives for 2017	Key actions in 2017	Link to the UN sustainable development goals (SDG)
Specific heat consumption 42.5 (42.9) kWh/m ³	Realised situation 41.5 kWh/m ³	●	Development of apartment inspections, optimised indoor temperatures, investments in ventilation control, investments in water-saving fixtures, development of properties	40.3 kWh/m ³	Extended temperature optimisation, installation of water-saving fixtures, optimised ventilation, development of remote monitoring of properties	   
Specific water consumption 386 (418) l/m ³	Realised situation 412 l/m ³	●	Development of apartment inspections, water-saving competition, investments in water-saving fixtures, development of properties	403 l/m ³	Installation of water-saving fixtures, development of remote monitoring of properties	   
Specific electricity consumption 3.9 (3.9) kWh/m ³	Realised situation 3.9 kWh/m ³	●	Development of apartment inspections, investments in improvements for ventilation control	3.8 kWh/m ³	Optimised ventilation, development of remote monitoring of properties	   
Specific emissions 33.3 (33.5) kg CO ₂ e/m ²	Realised situation 34.7 kg CO ₂ e/m ²	●	Actions to improve the efficiency of heat consumption, acquisition of wind power	34.3 kg CO ₂ e/m ²	Actions to improve the efficiency of heat consumption, acquisition of wind power	   
New investments to be located by main public transportation routes	Objective fulfilled in the construction of new buildings, objective fulfilled in more than 90 per cent of all projects for purchases of existing properties	●	Due diligence and EDD reviews for investment sustainability, complementary construction projects	New investments to be located by main public transportation routes	Due diligence and EDD reviews for investment sustainability, complementary construction projects	  

Social sustainability






Objectives for 2016 (realised situation in 2015)	Fulfilment of objectives in 2016	Fulfilment status	Key actions in 2016	Objectives for 2017	Key actions 2017	Link to the UN sustainable development goals (SDG)
Customers' Net Promoter Score NPS more than 35 (25)	Realised situation 27		Building-specific meet ups, actions to improve peaceful living, more customer interaction, development of digital services	Continuously improving NPS (new measurement method)	New customer service model, new customer service centre, building-specific meet ups, development of digital services	
Personnel engagement at least 10 per cent higher than in the reference group	Realised situation 2 per cent higher than in the reference group		Engagement in operational planning and development, developing the use of personnel survey results, improving the possibilities of remote working, working ability survey	Personnel engagement higher than in 2016	Improved management of working ability, development of competence, new induction programme	

Financial sustainability

Objectives for 2016	Fulfilment of objectives in 2016	Fulfilment status	Key actions in 2016	Objectives for 2017	Key actions in 2017	Link to the UN sustainable development goals (SDG)
No increase in maintenance costs, fewer suppliers	The number of suppliers decreased by 12 per cent. Maintenance costs increased slightly.		Development of procurement models, energy efficiency measures	Lower maintenance costs than in 2016	Development of procurement, energy efficiency measures	

Key development objectives

Objectives for 2016	Fulfilment of objectives in 2016	Fulfilment status	Key actions in 2016	Objectives for 2017	Key actions in 2017	Link to the UN sustainable development goals (SDG)
Start-up of supplier audits, definition of an auditing model for construction sites and audit start-up, development of operational measurements	The objectives were mainly fulfilled. Construction site audits will be piloted in early 2017.		Supplier audits, decision on new indicators: accident frequency, energy efficiency in the production of new buildings, definition of the content of construction site audits, revised guidelines for the prevention of grey economy	Auditing of 50 suppliers, start-up of construction site audits	Continuing and developing the audit programme, auditing construction sites	
Renewal of the GREEN STAR level in Global Sustainability Benchmark (GRESB)	The objective was fulfilled.		Specifying sustainability objectives and benchmarking with other companies, increasing the transparency of sustainability information at sato.fi, additional resources for sustainability	Renewal of the GREEN STAR level (4 stars) for the Global Sustainability Benchmark (GRESB)	Energy efficiency measures, preparation of a sustainability manual, risk evaluation related to sustainability, supply chain audits and new indicators	

Securing the preconditions for building the concept of reasonably priced apartments (SATO StudioHome) and starting construction work	The target was fulfilled; construction is in progress.	●	Construction of the first site, to be completed in 2017	Further development of the reasonably priced apartments concepts	Further development of housing concepts and services	 
Revision of objectives and indicators included in partnership agreements	The objective was fulfilled.	●	Review of service descriptions, evaluation and revision of indicators	Developed monitoring of the impact of energy efficiency measures	Definition and start-up of operating and monitoring methods	  

SUSTAINABILITY CONCEPTS AND INDICATORS

Concept/indicator	Definition
Environment	
Objects covered by energy and water consumption monitoring	Properties in which SATO holds more than 50%, consumption in SATO's offices is not included in the consumption figure.
Total heat consumption (MWh)	The year's absolute heat consumption in all the owned properties held throughout the year and within the scope of consumption monitoring, expanded by estimated consumption in properties purchased and sold during the year and properties outside the scope of consumption monitoring (average rated consumption multiplied by the surface area of apartments owned on average during the year)
Total electricity consumption (MWh)	The year's absolute electricity consumption in all the owned properties held throughout the year and within the scope of consumption monitoring, expanded by estimated consumption in properties purchased and sold during the year and properties outside the scope of consumption monitoring (average rated consumption multiplied by the surface area of apartments owned on average during the year)
Total energy consumption (MWh)	Total consumption of heat and electricity during the year
Total water consumption (1,000 m ³)	The year's absolute water consumption in all owned properties held throughout the year and within the scope of consumption monitoring, expanded by estimated consumption in properties purchased and sold during the year and properties outside the scope of consumption monitoring (average rated consumption multiplied by the surface area of apartments owned on average during the year)
Electricity consumption intensity (kWh/m ³ /year)	Electricity consumption per m ³ in all objects that have been rented for the entire year
Water consumption intensity (litres/m ³ /year)	Water consumption per m ³ in all objects that have been rented for the entire year
Standardised heat consumption intensity (kWh/m ³ /year)	Heat consumption per m ³ in all objects that have been rented for the entire year. The figure is weather adjusted to make years comparable.
Greenhouse gas emissions (tCO ₂ e)	Emissions from heat, electricity, water and waste produced by residents. The emissions of properties within the scope of consumption monitoring have been expanded to apply to apartments owned on average during the year, similarly to the total consumption of heat, electricity and water. The emission multiplier of district heating is defined by Motiva Oy. Electricity does not produce any emissions because it is green electricity produced 100% by wind power.

Greenhouse gas emission intensity of buildings (kg CO ₂ e/m ²)	Greenhouse gases during the year per square metre in all objects that have been rented for the entire year
Total amount of waste (tonnes)	The total volume of waste produced by residents has been estimated on the basis of the number of SATO residents and the annual resident-specific waste volume reported by Statistics Finland.

Personnel

Total personnel turnover (%)	Sum of signed and terminated employment contracts in relation to the number of personnel for the last month of the previous year.
Number of new employment contracts	Permanent and fixed-term employment contracts that started during the reported period, summer jobs excluded
Number of terminated employment contracts	Permanent and fixed-term employment contracts that ended during the reported period, summer jobs excluded
Number of training days	One training day comprises six hours of training
Person-year	SATO's direct and indirect employment impact has been evaluated applying a calculation of the employment footprint of the maintenance services and other purchased services prepared by VATT for Senate Properties and the estimate of the Confederation of Finnish Construction Industries and VTT of the employment impact of building investments. The employment multipliers obtained from the aforementioned sources have been combined with SATO's 2016 cost structure.
TARMO	TARMO is a discussion forum for SATO's management and personnel, comprised of 7 employee representatives and 4 representatives of the employer
LiVi	LiVi is SATO's committee for recreation and sports activities, comprised of 9 employee representatives and 1 representative of the employer

Customer relationships

NPS (Net Promoter Score)	Net Promoter Score (NPS) among customers. The strategic NPS is the NPS during living starting from 2017.
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KEY SUSTAINABILITY FIGURES

– ENVIRONMENT

Energy consumption within the organisation (G4-EN3)	2014	2015	2016	Change 2015-2016	Change 2015-2016 %
Total [MWh]	260,454	238,263	283,484	45,221	19.0%
Share of purchased energy:					
Electricity [MWh]	24,594	23,689	24,531	842	3.6%
District heating [MWh]	235,326	214,056	258,299	44,243	20.7%
Share of own production:					
Oil [MWh]	534	518	654	136	26.3%

Building energy intensity (CRE1)	2014	2015	2016	Change 2015-2016	Change 2015-2016 %
Consumption of heating energy, adjusted for weather [kWh/m ³ /a]	43.6	42.9	41.5	-1.4	-3.3%
Consumption electricity [kWh/m ³ /a]	3.9	3.9	3.9	0.0	-1.0%

Greenhouse gas emissions (G4-EN15, EN16, EN17)	2014	2015	2016	Change 2015-2016	Change 2015-2016 %
G4-EN15 Direct greenhouse gas emissions (scope 1)	139	135	170	35	26.3%
G4-EN16 Energy indirect greenhouse gas emissions (scope 2)	43,065	39,172	47,269	8,097	20.7%
G4-EN17 Other indirect greenhouse gas emissions (scope 3)	1,721	1,834	948	-886	-48.3%
Total emissions of greenhouse gases [t CO ₂ -e]	44,925	41,141	48,387	7,246	17.6%

GHC emission intensity of buildings (CRE3)	2014	2015	2016	Change 2015-2016	Change 2015-2016 %
kg CO ₂ e/m ²	37.0	33.5	34.7	1.2	3.6%
kg CO ₂ e/person	1139.8	928.9	995.2	66.3	7.1%

Total water withdrawal (G4-EN8)	2014	2015	2016	Change 2015-2016	Change 2015-2016 %
Total [1,000 m ³]	2,381	2,329	2,622	293	12.6%

Building water intensity (CRE2)	2014	2015	2016	Change 2015-2016	Change 2015-2016 %
dm ³ /m ³ /a	415	418	412	-6	-1.4%

Total weight of waste from tenants (G4-EN23)	2014	2015	2016	Change 2015-2016	Change 2015-2016 %
tonnes	20,245	21,578	23,985	2,407	11.2%
t CO ₂ -e	1,721	1,834	948	-886	-48.3%

Distribution of waste from tenants by disposal method (G4-EN23)	2016%	2016 [t]
For recycling	41%	9,734
For energy	48%	11,494
To landfill sites	11%	2,757

Distribution of waste from tenants by type (G4-EN23)	2016%	2016 [t]
Mixed waste	46%	11,109
Separately collected	51%	12,184
Paper and cardboard	19%	4,524
Biowaste	13%	3,194
Glass waste	3%	743
Metal waste	4%	1,002
Wood waste	1%	323
Plastic waste	2%	366
Electrical and electronic scrap	2%	557
Other separately collected fractions	6%	1,475
Others and unspecified	3%	692

The figures only include residential buildings

Actions to reduce energy consumption and their impact (G4-EN27, EN6, EN16)

G4-EN 27 Extent of impact mitigation of environmental impacts of products and services MEUR	1.3
G4-EN6 Reduction of energy consumption MWh	4,070
G4-EN19 Reduction of greenhouse gas (GHG) emissions tCO ₂ -e	721

Land remediated and in need of remediation for the existing or intended land use, according to applicable legal designations (CRE 5)	Building volume m ²	Land area m ²	Cost MEUR
Land remediated	11,400	19,787	2.2
Land in need of remediation	3,950	2,648	0.2

KEY SUSTAINABILITY FIGURES

– PERSONNEL

G4-10

Total personnel	permanent	fixed-term	men	women
175	160	15	54(31%)	121 (69%)
of which the number of personnel in Russia is 8	3	5	2 (25 %)	6 (75 %)

Total number and rates of new employee hires and employee turnover by age group, gender and region (G4-LA1)

New employment relationships	total 60					
Permanent employment relationships	23					
men	6					
women	17					
Age distribution	25 or under 25	26-35	36-45	46-55	56-63	over 63
total	1	10	6	4	2	0
men	0	4	1	1	0	0
women	1	6	5	3	2	0
Fixed-term employment relationships	34					
men	8					
women	26					
Age distribution	25 or under 25	26-35	36-45	46-55	56-63	over 63
men	5	1	1	1	0	0
women	16	8	1	0	0	1

Summer trainees		total 20				
Age distribution	25 or under 25	26-35	36-45	46-55	56-63	over 63
men	4	0	0	0	0	0
women	14	2	0	0	0	0
Terminated employment relationships total		total 78				
Permanent employment relationships	total 37					
men	8					
women	29					
Age distribution of terminated permanent employment relationships	25 or under 25	26-35	36-45	46-55	56-63	over 63
men	6	2	0	0	0	0
women	17	10	0	1	0	0
Employment contracts terminated by the employer	1.6%					
Total turnover % (summer trainees excluded)	33%					

Average hours of training per year per employee by gender, and by employee category (G4-LA9)		
Training days total	men	women
An average 4.7 days per employee, of which 2.3 days internal training. Corporate responsibility related training 0.9 days.	4.9 days	4.7 days
An average of 3.2 days of training per person among management		
An average of 4.8 days of training per person among white-collar employees		

Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs (G4-LA5)
Of the personnel, 2.9% are represented in the labour protection committee, and 4.0% in the TARMO group.

At the end of 2016, the Group had 175 (170) employees. There were 160 (160) permanent employees and 15 (10) employees with a fixed-term contract of employment. During the year, the Group had an average of 170 (172) employees.

GRI G4-INDEX

Number of indicator	GRI content	Location
GENERAL STANDARD DISCLOSURES		
Strategy and Analysis		
G4-1	CEO's review	CEO's review
Organisational Profile		
G4-3	Name of the organisation	Contact information
G4-4	Primary brands, products and services	SATO homes, Stories
G4-5	Location of the organisation's headquarters	Contact information
G4-6	Number of countries where the organisation operates	Strategy
G4-7	Nature of ownership and legal form	Information for shareholders
G4-8	Market areas	Strategy
G4-9	Scale of the organisation	Financial statements, SATO homes
G4-10	Total number of employees by employment contract, region and gender	GRI/Personnel, Personnel
G4-11	Report the percentage of total employees covered by collective bargaining agreements	sato.fi/Corporate Responsibility Management
G4-12	Organisation's supply chain	Supply chain
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	SATO in 2016, Report by the Board of Directors, Information for shareholders
Commitments to External Initiatives		
G4-14	Whether and how the precautionary approach or principle is addressed by the organisation	Risk management
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	Environment, SATO's sustainability, Corporate Governance Statement
G4-16	Memberships of associations and national or international advocacy organisations	SATO's sustainability

Identified Material Aspects and Boundaries		
G4-17	Entities included in the organisation's consolidated financial statement	Consolidated financial statements
G4-18	Process for defining report content	GRI/Material aspects and boundaries
G4-19	Material aspects	Materiality analysis, GRI/Material aspects and boundaries
G4-20	Aspect Boundary for each material aspect within the organisation	GRI/Material aspects and boundaries
G4-21	Aspect Boundary for each material aspect outside the organisation	GRI/Material aspects and boundaries
G4-22	Restatements of information provided in previous reports	Reporting principles
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	Reporting principles

Stakeholder Engagement		
G4-24	List of stakeholder groups engaged in the organisation	Stakeholders
G4-25	Basis for identification and selection of stakeholders with whom to engage	Stakeholders
G4-26	Organisation's approach to stakeholder engagement	Stakeholders
G4-27	Key topics and concerns that have been raised through stakeholder engagement	Stakeholders, Materiality analysis

Report Profile		
G4-28	Reporting period	2016
G4-29	Date of most recent previous report	2015
G4-30	Reporting cycle	Report published once a year
G4-31	Contact point for questions regarding the report or its contents	Contact information

GRI Content Index

G4-32	GRI content index	GRI/GRI index
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Assurance

G4-33	The organisation's policy and current practice with regard to seeking external assurance for the report	Assurance report
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Governance		
Governance Structure and Composition		
G4-34	The governance structure of the organisation, including committees	Corporate Governance Statement, Decision-making associated with corporate responsibility has not been separated from other decision-making processes.
G4-35	The process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	Corporate Governance Statement
G4-38	The highest governance body and its committees	Board of Directors
G4-39	The role of the Chair of the highest governance body	The Chairman of the Board of Directors is not the CEO, and the CEO is not a member of the Board of Directors
G4-40	The nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	Corporate Governance Statement
G4-42	The highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	Corporate Governance Statement, sato.fi/rules of procedure of the Board of Directors
G4-44	The processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics and actions taken in response to evaluation	Corporate Governance Statement, sato.fi/rules of procedure of the Board of Directors
G4-45	The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities	Corporate Governance Statement, sato.fi/rules of procedure of the Audit Committee
G4-46	The highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	Corporate Governance Statement, sato.fi/rules of procedure of the Audit Committee
G4-47	The frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	Risk assessment is carried out once a year
Remuneration and Incentives		
G4-51	The remuneration policies for the highest governance body and senior executives	Remuneration statement
Ethics and Integrity		
G4-56	Organisation's values, principles, standards and norms of behaviour	Strategy, Supply chain, Value creation, sato.fi/Corporate Responsibility Management

SPECIFIC STANDARD DISCLOSURES

Category: Economic		
Aspect: Economic Performance		
G4-DMA	Generic Disclosures on Management Approach	sato.fi/Corporate Responsibility Management , Corporate Governance Statement, Finances, Value creation

G4-EC1	Direct economic value generated and distributed	SATO in 2016, Finances, Value creation, SATO's sustainability
G4-EC4	Financial assistance received from government	Construction and renovations
Aspect: Indirect Economic Impacts		
G4-DMA	Generic Disclosures on Management Approach	sato.fi/Corporate Responsibility Management, Value creation, SATO's sustainability
G4-EC7	Development and impact of infrastructure investments and services supported	Investments
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Value creation, Environment, SATO's sustainability
Aspect: Procurement Practices		
G4-DMA	Generic Disclosures on Management Approach	sato.fi/Corporate Responsibility Management, Partnerships
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	The proportion of local purchases is unknown.
Category: Environmental		
Aspect: Energy		
G4-DMA	Generic Disclosures on Management Approach	sato.fi/Corporate Responsibility Management, Environment
G4-EN3	Energy consumption within the organization	GRI/Environment
G4-EN6	Reduction of energy consumption	GRI/Environment, Environment
CRE1 - sector-specific supplement	Building energy intensity	Environment, GRI/Environment
Aspect: Water		
G4-DMA	Generic Disclosures on Management Approach	sato.fi/Corporate Responsibility Management, Environment
G4-EN8	Total water withdrawal by source	GRI/Environment
CRE2 - sector-specific supplement	Building water intensity	Environment, GRI/Environment
Aspect: Emissions		
G4-DMA	Generic Disclosures on Management Approach	sato.fi/Corporate Responsibility Management, Environment
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	GRI/Environment
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	GRI/Environment
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	GRI/Environment
G4-EN19	Reduction of greenhouse gas (GHG) emissions	GRI/Environment

CRE3 - sector-specific supplement	Greenhouse gas emissions intensity from buildings	Environment, GRI/Environment, The calculation method for emission intensity has been specified since 2015.
Aspect: Effluents and waste		
G4-DMA	Generic Disclosures on Management Approach	sato.fi/Corporate Responsibility Management, Environment
G4-EN23	Total weight of waste by type and disposal method	GRI/Environment, Waste volume refers to the volume of waste produced by residents. Waste from SATO's activities forms a marginal proportion.
Aspects: Products and Services		
G4-DMA	Generic Disclosures on Management Approach	sato.fi/Corporate Responsibility Management, At home
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	GRI/Environment, Environment
Aspect: Compliance		
G4-DMA	Generic Disclosures on Management Approach	sato.fi/Corporate Responsibility Management, Corporate Governance Statement
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No fines or sanctions in 2016
Aspect: Supplier Environmental Assessment		
G4-DMA	Generic Disclosures on Management Approach	sato.fi/Corporate Responsibility Management, Partnerships
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Information unavailable. We require that the environmental responsibility procedures of our suppliers are fully adequate.
Sector specific aspect: Land Degradation, Contamination and Remediation		
G4-DMA	Generic Disclosures on Management Approach	sato.fi/Corporate Responsibility Management, Environment
CRE5 - sector-specific supplement	Land remediated and in need of remediation for the existing or intended land use, according to applicable legal designations	GRI/Environment
Category: Social - Labour practices and work		
Aspect: Employment		
G4-DMA	Generic Disclosures on Management Approach	sato.fi/Corporate Responsibility Management
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	GRI/Personnel
Aspect: Labor/Management Relations		
G4-DMA	Generic Disclosures on Management Approach	sato.fi/Corporate Responsibility Management, Personnel
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	sato.fi/Corporate Responsibility Management

Aspect: Occupational Health and Safety		
G4-DMA	Generic Disclosures on Management Approach	sato.fi/Corporate Responsibility Management
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Personnel, GRI/Personnel
CRE6 - sector-specific supplement	Percentage of the organization operating in verified compliance with an internationally recognized health and safety management system	OHC coverage in the supply chain would be material, but it is not known.
Aspect: Training and Education		
G4-DMA	Generic Disclosures on Management Approach	sato.fi/Corporate Responsibility Management
G4-LA9	Average hours of training per year per employee by gender, and by employee category	GRI/Personnel
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Applies to the whole personnel; the details of personnel in St. Petersburg are not in the HR system due to the Russian data protection legislation
Category: Social - Society		
Aspect: Anti-corruption		
G4-DMA	Generic Disclosures on Management Approach	sato.fi/Corporate Responsibility Management
G4-SO5	Confirmed incidents of corruption and actions taken	No cases of bribery in 2016
Aspect: Compliance		
G4-DMA	Generic Disclosures on Management Approach	sato.fi/Corporate Responsibility Management , Corporate Governance Statement
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No fines or sanctions in 2016
Category: Product responsibility		
Aspect: Product and Service Labeling		
G4-DMA	Generic Disclosures on Management Approach	sato.fi/Corporate Responsibility Management , Customer service, Partnerships
G4-PR5	Results of surveys measuring customer satisfaction	GRI/Sustainability goals and fulfilment
CRE 8 - sector-specific supplement	Type and number of sustainability certification, rating and labeling schemes for new construction, management, occupation and redevelopment	Environment, SATO's sustainability
Aspect : Customer Privacy		
G4-DMA	Generic Disclosures on Management Approach	sato.fi/Corporate Responsibility Management , Customers
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	No investigation requests in 2016

INDEPENDENT ASSURANCE REPORT

Translation from the original Finnish report

To the Management of SATO Corporation

We have been engaged by the Management of SATO Corporation (hereafter SATO) to provide limited assurance on the environmental indicators from the reporting period 1 Jan–31 Dec 2016 presented in SATO's Annual Report 2016 (hereafter Environmental Information).

The Environmental Information subject to assurance consists of the following indicators

- The indicators presented in table: "Environment"
- Indicators G4-EN29 ja G4-EN32 presented in table: "SATO GRI G4 Index"

Global Reporting Initiative's Sustainability Reporting Guidelines G4 was used as the assurance criteria (hereafter GRI G4).

Inherent limitations on the engagement

The inherent limitations on accuracy and completeness of data related to the Environmental Information are to be taken into account when reading our assurance report. The presented Environmental Information is to be considered in connection with the explanatory information on data collection, consolidation and assessments provided by SATO.

The Management of SATO is responsible for the measuring, preparation and presentation of the Environmental Information in accordance with the GRI G4.

Our responsibility is to express an independent conclusion on the Environmental Information. We have conducted the engagement in accordance with ISAE 3000 (Revised). To the fullest extent permitted by law, we accept no responsibility to any party other than SATO for our work, for this assurance report, or for the conclusions we have reached.

We are independent from the company according to the ethical requirements in Finland and we have complied with other ethical requirements, which apply to the engagement conducted. We apply the International

Standard on Quality Control 1 (ISQC 1) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of the work performed

A limited assurance engagement consists primarily of making inquiries of persons responsible for the preparation of the Environmental Information presented, and applying analytical and other appropriate evidence gathering procedures. The procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower.

In our engagement we have performed the following procedures:

Interviews with the persons responsible for the reporting of the Environmental Information;

An assessment of conformity with the reporting principles of GRI G4 in the presentation of the Environmental Information;

An assessment of data management processes, information systems and working methods used to gather and consolidate the Environmental Information;

A review of the presented Environmental Information with an assessment of information quality and reporting boundary definitions;

Assessment of data accuracy and completeness through a review of the original documents and systems on a sample basis.

Conclusions

Based on the assurance procedures performed, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement

is not prepared in accordance with the GRI G4 in all material respects.

Helsinki, 1 February 2017
KPMG Oy Ab

Lasse Holopainen
APA

Niina Turri
Senior Manager, Advisory