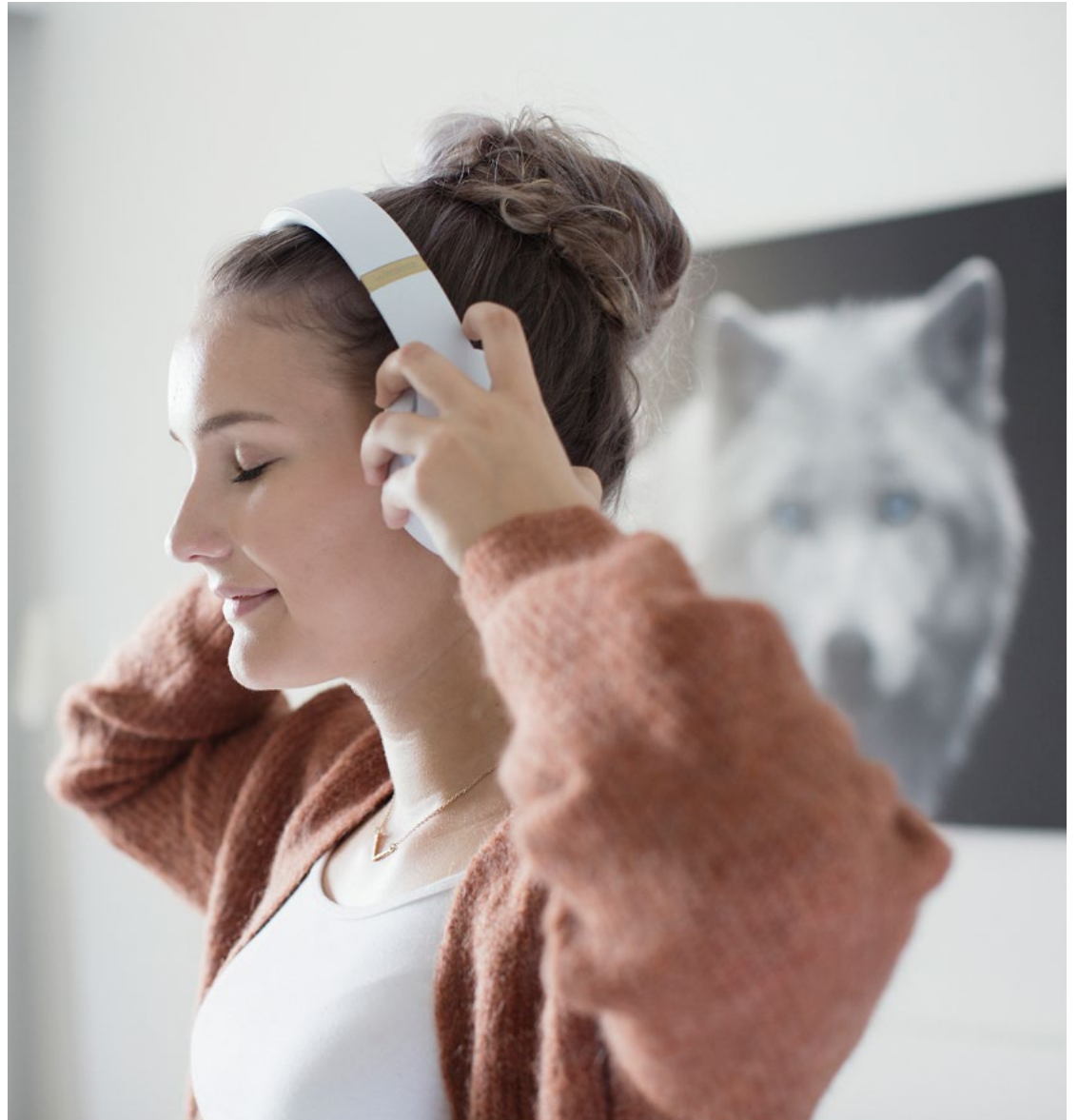


ANNUAL REPORT AND SUSTAINABILITY REPORT 2019



39

SUSTAINABILITY PROGRAMME

We released our sustainability programme for 2019–2022. The programme emphasises carbon-neutral cities and the well-being of residents and neighbourhoods.

4

PRESIDENT AND CEO'S COMMENTS

2019 was a year of positive reforms for SATO.



6

SATO'S 2019 IN BRIEF

Our occupancy rate was at the second-highest level (98.1%) in SATO's history.



25

HOUSE EXPERTS ARE THERE FOR RESIDENTS

The goal is a greater presence in residents' daily lives and smoother maintenance operations.



52

OPEN, LAID-BACK AND EVOLVING CORPORATE CULTURE

Our employees were extensively involved in building SATO's values and corporate culture. Our values were confirmed as Human to human, Joy of succeeding together, and Be bold, aim high.

56

WE PROMOTE GOOD NEIGHBOURLY RELATIONS

In addition to the neighbour mentor programme, we promoted neighbourly relations in SATOhomes, for instance, with joint events for neighbourhoods.

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/ CEO'S REVIEW

CEO, SHARAM RAHI

"Our operating environment is defined by strong urbanisation and growth in the popularity of rental housing. Nearly half of the permanently occupied apartments in the Helsinki metropolitan area, Turku and Tampere are already rental apartments."





In the reporting year, we reached our strategic goal of improving our credit rating, which further increases our ability to grow.

2019 was a year of positive reforms for SATO. Our customer satisfaction grew by 4 NPS points, and was 6. Our economic occupancy rate approached our all-time best year, at 98.1 per cent.

In the reporting year, we reached our strategic goal of improving our credit rating (BBB with stable outlook), which further increases our ability to grow.

During the reporting year, we gave sustainability work a central role in our business, and we published our sustainability programme for years 2019–2022. The programme emphasises carbon-neutral cities and the well-being of residents and neighbourhoods.

Our Customer First strategy moved forward, and we piloted the SATO House Expert operating model, which gives us the possibility to be even closer to our customers. SATO's own House Experts will take on some of the current tasks of SATO's maintenance partners, in particular for work inside the buildings. Our goal is to have approximately 60 SATO House Experts working close to our customers in the coming years.

In 2019, we submitted city planning applications covering 36,750 floor square metres, and we reinforced our rental housing portfolio with investments valued at over EUR 185.9 million. During the reporting year, 321 new SATOhomes were completed, all of which in the Helsinki metropolitan area. In the reporting year, we introduced a planning principle, according to which studios

are no longer bordered with load-bearing walls. This means that apartment distribution in the building can later be modified by joining studios with two- or three-bedroom apartments if demand shifts to larger apartments.

During the reporting year, we launched the FlexHome concept, which is a new model for part ownership that enables home ownership with a small initial capital outlay and a five-year part-ownership period.

At the end of the year, we shifted from a transaction-based valuation method to a yield-based valuation method in the valuation of our investment properties. The change had a significant positive effect on the fair value of our investment properties and our result for the financial year.

SATO had a total of 229 employees at the end of the year, and employee satisfaction improved. In digital development, we unified our online services for our customers for even more fluent service.

I thank our customers, our personnel and our partners for a successful year, and we are aiming for an even better year 2020. I also welcome all ideas from our customers, my colleagues and our partners that could help us make SATO an even better company. We can always be better, for sure. Please send me an email: sharam.rahi@sato.fi. Thank you!

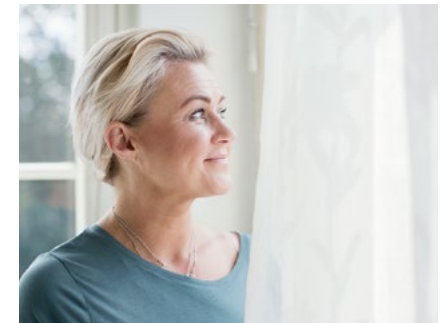
SATO IN BRIEF

One's home, block and city are the foundation for well-being, and as one of the country's leading housing providers, SATO's goal is to create thriving neighbourhoods where people enjoy a high level of well-being. We own, build, buy and renovate urban homes to ensure safe, carefree and pleasant living for our customers. Our service promise to our customers is: A home the way you want it.

We own approximately 26,000 SATOhomes in Finland's largest growth centres and in St. Petersburg. As a major housing provider, we bear responsibility for urban development and the environmental impacts of housing. We invest in rental apartments that meet our residents' needs and are near good transport connections, and we grow profitably.



*A home is more than just walls.
It is a feeling.*



12,000

OmaSATO users

In 2019, we continued to develop OmaSATO in close cooperation with our customers.

229

SATO employees

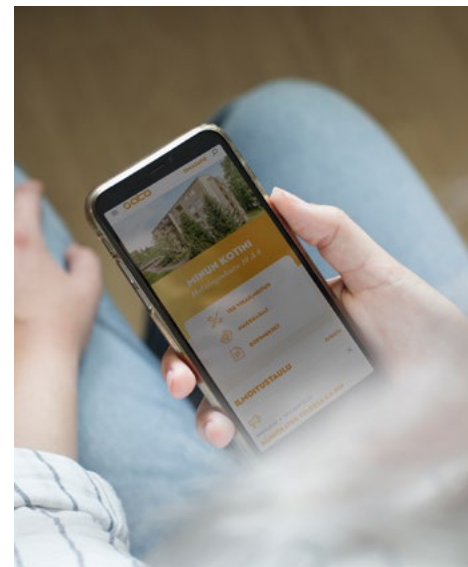
At the end of the year, SATO had 229 employees.

50,000

Residents at the end of the year

26,000

SATOhomes at the end of the year
353 new SATOhomes were completed during the reporting year.

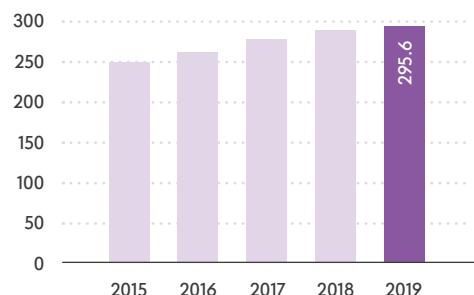


G R E S B
★ ★ ★ ★ ★ 2019

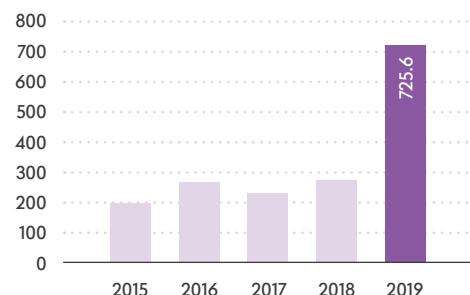
We participated in the Global Real Estate Sustainability Benchmark (GRESB) for the fifth time and maintained our four-star rating.

FINANCIAL KEY FIGURES

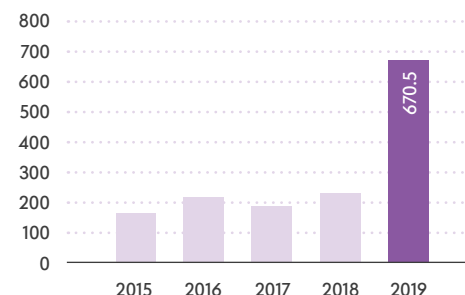
Net sales, MEUR



Operating profit, MEUR



Profit before taxes, MEUR



43.6%

Our equity ratio grew

The Group's equity ratio was 43.6 per cent at the end of the year.

98.1%

Our economic occupancy rate strengthened further

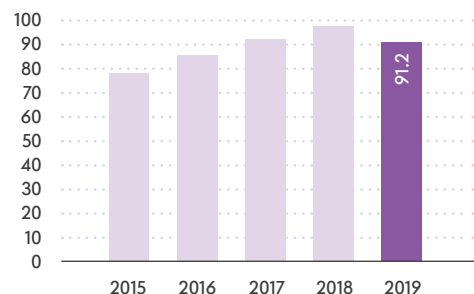
At the end of the year, our occupancy rate was at the second-highest level in SATO's history.

2,056 MEUR

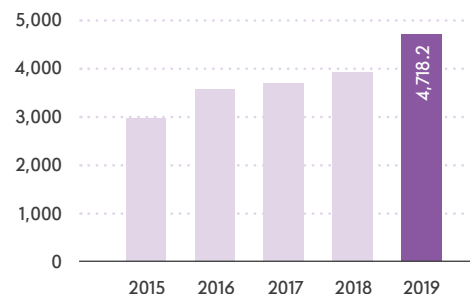
Shareholders' equity strengthened

Shareholders' equity increased to over EUR 2 billion.

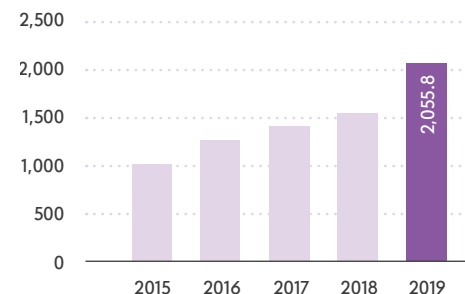
Cash earnings, MEUR



Balance sheet, MEUR



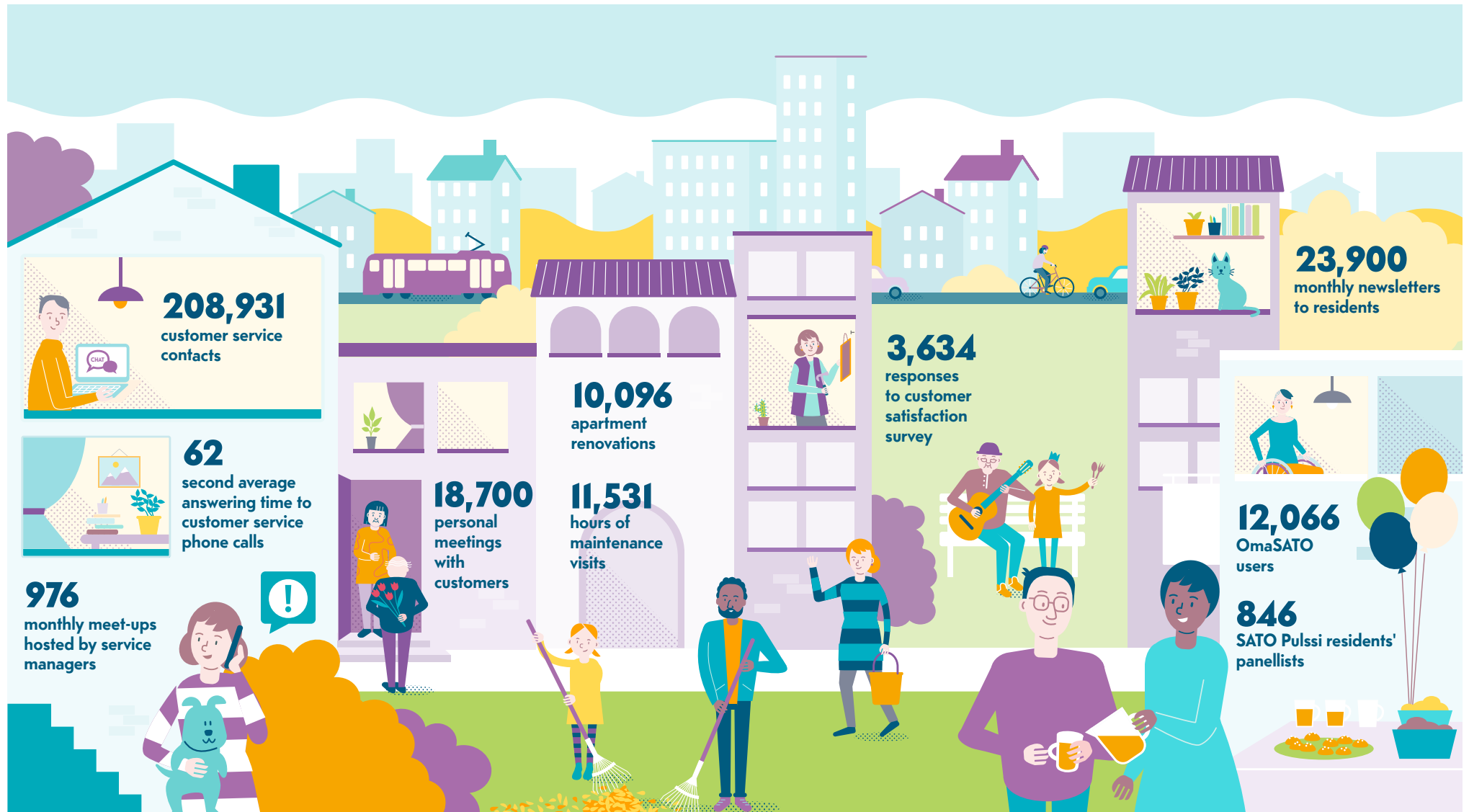
Shareholders' equity, MEUR



We switched to the yield-based valuation method to determine the value of the company's investment properties in the financial statements as of 31 December 2019.

The effect of the change of valuation method on the fair value of investment properties was approximately EUR 430 million.

CUSTOMER FIRST ENCOUNTERS 2019



REVIEW OF THE OPERATING ENVIRONMENT AND HOUSING MARKET

SATO's operating environment is defined by strong urbanisation and growth in the popularity of rental housing. In the capital area, Tampere and Turku, nearly half of the permanently occupied apartments are already made up of rental apartments. Megatrends reflect a change in people's values and behaviour. People's expectations of housing are also changing. As the population ages, internal migration leans towards services, and fewer and fewer young people are interested in owning their own home.

GLOBAL ECONOMIC CYCLES ARE WEAKENING

In 2019, the economic outlook both in Finland and around the world weakened, and the trend forecasts grew bleaker. Global trade shrunk and growth in industrial production was muted. In the eurozone, industrial production deteriorated throughout the year, and the development of export markets that are important to Finland, namely Germany and Sweden, was modest. The European Central Bank (ECB) continued its expansionary monetary policy and kept the interest rate level low.

Residential construction in the Helsinki metropolitan area is still going strong.

The most significant reason behind the deceleration in Finland's economic growth is precisely the weakened global economic cycles. This weakened situation can be attributed to, in particular, the US-China trade war, China's slowing economic growth, Brexit and, further contributing to the uncertainty, political tensions in various parts of the world.

Russia's economic growth hovered at around one per cent during the year under review, and its economy is not expected to achieve proper growth even with public investments. The country's economic policy lacks the political will to support private investments and structural economic reforms. Households' real income development has been weak and disposable income is at the 2011 level.

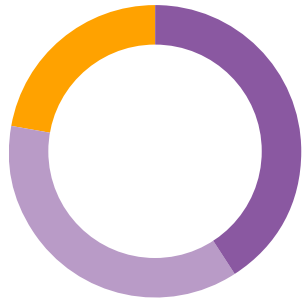
FINLAND'S ECONOMIC GROWTH IS SLOWING

Finland's conditions for economic growth have, in recent years, been overshadowed by global economic uncertainties. Growth is projected to decelerate clearly and, for 2019, is expected to remain well below two per cent.

Housing construction, a driver of economic growth and employment for several years now, is starting to slow down, and even the service sector's prospects have weakened.



Owners of rental homes in Finland, %



- ARA apartments 41% (370,000)
- Non-subsidised/small-scale investors and private individuals 37% (330,000)
- Non-subsidised housing/professional owners (major investors, municipalities, other) 22% (200,000)

Source: KTI's estimate

Consumer and industrial confidence in the economy sank towards the end of the year. Consumers' expectations weakened, particularly with respect to Finland's economic development and employment situation. Wages increased as employment outpaced consumption, and the savings rate of households grew. Sustained low inflation has supported households' purchasing power, but the weakened employment outlook will, if realised, slash growth in households' income and consumption.

EMPLOYMENT GROWTH IS COMING TO A STANDSTILL

Although the labour market continued to develop favourably during the year under review, the increase in the employment rate is predicted to slow down and even come to a standstill. The number of job vacancies in Finland grew, but jobs and jobseekers are not connecting in the labour market, which is hampering the development of employment. The unemployment rate is expected to fall to 6.6 per cent in 2019. Employment growth is expected only in the service sectors, which is not showing signs of weakening, at least not yet.

URBANISATION IS GAINING MOMENTUM AND THE POPULATION IS AGING

Dense urban living along good public transport connections is becoming increasingly popular in Finland. The strong decline in the birth rate, immigration and internal migration from rural areas to cities and growth centres all contribute to accelerated urbanisation. The Helsinki metropolitan area, Tampere and Turku continue to enjoy strong

growth, while according to Statistics Finland's population projection, Finland's population will start declining in 2031.

The Helsinki area is expected to grow by well over 200,000 new residents by 2040. Close to 80 per cent of the area's residents already live in one- to two-person homes, and households will continue to decrease in size. As a result of immigration, the proportion of foreigners living in the capital area is predicted to grow from the current 17 per cent to 25 per cent by 2030.

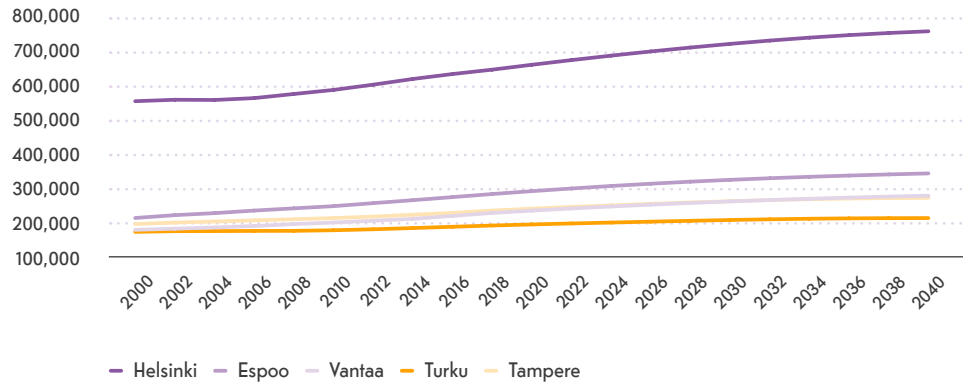
The aging of the population and the shrinking working-age population will affect future urban development and housing demand. The aging population is moving closer to growth centres and the services they offer, and housing-related services are increasingly expected. The number of people over the age of 65 in Finland has already exceeded the number of 15-year-olds – and by 2030, people over 65 are expected to make up a quarter of the population. The shrinking of a working-age population prone to urban migration threatens the livelihood of small and medium-sized cities.

RENTAL HOUSING IS BECOMING INCREASINGLY POPULAR

The change in the population structure and development in the prices of owner-occupied apartments create a stable foundation for demand for rental housing in growth centres. The popularity of rental housing is growing especially in the Helsinki metropolitan area, Tampere and Turku, where nearly half of the permanently occupied housing is already made up of rental homes.

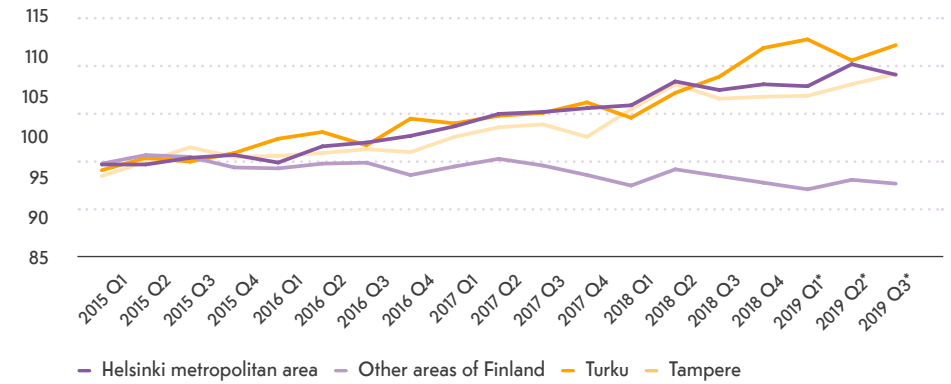
A well-functioning rental apartment market promotes labour mobility and makes it easier for students to study in another city. Rental housing production mitigates pressures to raise the price of housing.

Population development by city and forecast until 2040



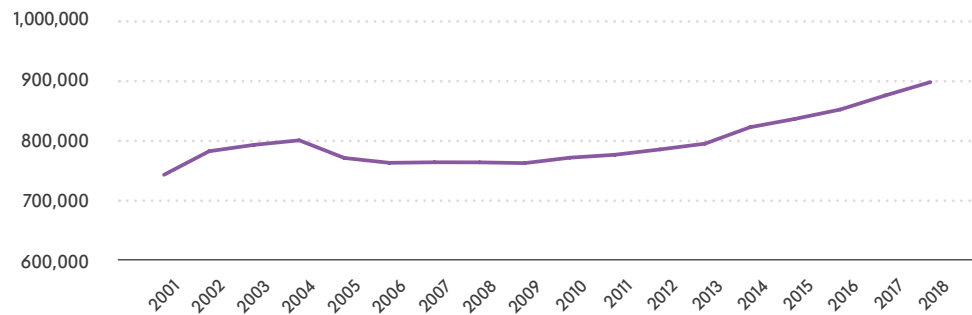
Source: Statistics Finland

Old owner-occupied homes price index (2015=100) in the Helsinki metropolitan area and other areas of Finland 2015–2019



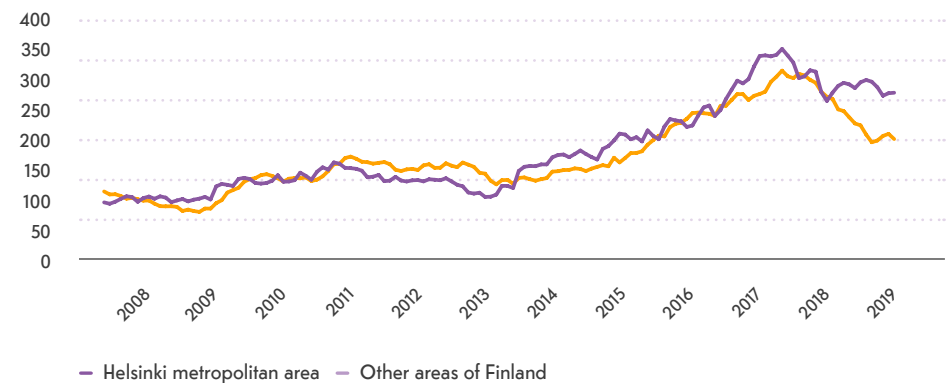
Source: Statistics Finland

Rental housing portfolio in Finland 2001–2018, number of permanently occupied homes



Source: Statistics Finland

Number of granted residential construction permits, apartment buildings



Source: Statistics Finland and Confederation of Finnish Construction Industries RT

Outside of growth centres, the real prices of homes are declining, which makes acquiring an owner-occupied apartment in growth centres even more challenging. Fragmented careers and uncertainty about the future, as well as the value young people place on freedom and mobility are dampening the enthusiasm to save for and buy a home. In many cases, young adults are more interested in acquiring an investment property than buying a home for themselves.

CLIMATE CHANGE CALLS FOR ACTION

Mitigating emissions from the construction sector plays a significant role in achieving both national and international climate targets, as construction and buildings currently account for over a third of Finland's greenhouse gas emissions. In addition to energy consumption during use, the sector has started to pay attention to the carbon footprint of buildings throughout their life cycle. Finland targets carbon neutrality by 2035.

THE POLARISATION OF HOUSING MARKETS CONTINUES

Finland's housing market is becoming increasingly divided: while demand for homes in growth centres is high, old homes in rural areas are sitting on the market for a long time. There are major regional variations in prices, and disparities in the development of housing markets are considerable, even within areas.

The price increase for homes in old apartment buildings in the Helsinki metropolitan area,

Tampere and Turku has remained in the region of 1–3 per cent for a long time, while elsewhere in Finland, prices are falling. The increase in prices is focussed on new homes. Keeping the housing markets active is especially the low interest rate level, which is expected to remain low going forward.

RENTS ARE DEVELOPING STEADILY

Rents have been rising steadily in Finland for several years now. The stable trend in rents can be attributed, for example, to a younger rental housing portfolio that is increasingly focussed on areas that show good value development. In recent years, however, the increase in rents has slowed down.

Privately financed rents have increased 1.7 per cent annually in the Helsinki metropolitan area, and elsewhere in Finland the increase has been 1.2 per cent. KTI Property Information's index illustrating rents under new rental agreements increased 3.3 per cent in one year, between September 2018 and 2019, in the capital city area. In other large cities, the rents under new agreements increased at the same time by an average of 2.4 per cent.

HOMES ARE BEING BUILT AT A NORMAL PACE AGAIN

The number of construction permits experienced a downswing in 2018, with permits for apartment buildings experiencing the greatest decline. The construction industry predicts that in 2020, the construction employment rate, which has been favourable for several years, will take a downturn.

The number of completed apartments started to decline in the summer. Throughout Finland, following the record figures (45,600) of 2018, production settled at a more normal level (38,000) during the reporting year. The slowdown in housing construction is abated by the continued, brisk housing construction in the Helsinki area, the low interest rate level and the high demand for investment housing.

HOUSING INVESTORS STILL ACTIVE

Thanks to the low interest rate level, housing remains an appealing investment. This increases the return requirements set on housing investments and raises housing prices. Housing investors have concluded roughly half of the new housing transactions, and they are especially interested in small apartments. Interest among foreign investors towards Finnish rental apartments is also growing. Approximately 15,000 apartments are currently under foreign ownership.

At the end of 2019, large-scale housing investors increased their investments, whereas interest among private investors waned. Builders responded to the growing demand by selling completed buildings as rental apartments to investors. Planned changes in how housing company loans and the real estate investments of foreign funds are taxed are, however, increasing the uncertainty related to housing investments. The production of owner-occupied apartments and the volume of presales declined at the end of the year.

The popularity of rental housing is growing especially in the Helsinki metropolitan area, Tampere and Turku, where nearly half of the permanently occupied housing is already made up of rental homes.

MEGATRENDS AFFECTING SATO'S BUSINESS

DIGITALISATION	THE TRANSFORMATION OF WORK	DEMOGRAPHICS	URBANISATION	GLOBALISATION	SUSTAINABILITY
<ul style="list-style-type: none"> In the future, work will increasingly be performed remotely and using digital platforms 					
<ul style="list-style-type: none"> Consumers perceive living as a service that is complemented by digital services that can be used anytime, anywhere New digital solutions create opportunities and expectations for living and for property maintenance 	<ul style="list-style-type: none"> Irregular employment and fragmented careers are becoming more common Commitment to one's employer and place of residence is weakening People are increasingly moving to cities for work 	<ul style="list-style-type: none"> The population is ageing: the birth rate is falling and the working-age population is decreasing As the population ages, internal migration leans towards services in urban centres 	<ul style="list-style-type: none"> An increasing number of people are choosing an urban lifestyle, near good traffic connections and services The population is concentrated in three growth centres; Finland is regionally divided into densely and sparsely populated areas Homes are getting smaller and people are living in closer quarters but using shared spaces as an extension of their home 	<ul style="list-style-type: none"> Global economic volatility is also affecting Finland The real estate markets are globalising, and international investors are showing growing interest in Finland's housing market Multiculturalism is increasing along with immigration and labour migration 	<ul style="list-style-type: none"> Value-based consumer choices and expectations of a sustainable lifestyle and living are becoming more common Sustainable and flexible solutions in design and construction are highlighted Climate change mitigation and cost savings are being sought with energy-efficient solutions Stakeholders demand sustainability from companies





/ STRATEGY AND BUSINESS OPERATIONS

HOUSING IS CHANGING

As cities and populations change, we believe that housing also needs to change. SATO's goal is to build thriving and vibrant cities and neighbourhoods where people enjoy a high level of well-being. We offer our residents homes in cities, along good transport routes, and we develop services to make their daily lives easier.

HOMES FOR CITY PEOPLE

Our customers are at the heart of our strategy, and we want to develop homes with increasingly better services for them. In addition to services to help them day to day, we look after their well-being and support good neighbourly relations. We pay attention to home health and energy efficiency.

Sustainability guides our operations, and during the reporting year we released our [sustainability programme](#) for 2019–2022. The programme emphasises carbon-neutral cities and the well-being of residents and neighbourhoods. SATO promotes sustainable development through its operations. We are responding to climate change by reducing the emissions caused by our operations as well as the carbon footprint of our buildings throughout their life cycle. We offer our residents opportunities for environmentally friendly day-to-day living solutions.

We operate profitably and with a long-term view. We increase the value of our housing stock by investing in homes in good locations and near convenient traffic connections, and through systematic repairs. SATO's strategy focusses on expanding its housing stock in the Helsinki metropolitan area, Tampere and Turku – all areas where demand for apartments is the highest and the increase in value is expected to be stable over the longer term.

SATO's operations are guided by its strategic development programmes: Customer First, digital development, and diverse housing solutions, in which we made good progress during the year.

SHIFTING HOUSING TRENDS AT THE CORE OF SATO'S STRATEGY

Housing is changing, and megatrends are forecasting the direction of these changes and developments. More and more people are choosing an urban way of life and want to live near good traffic connections and services.

Residents expect convenient living, and we respond to their need by offering services to make their daily lives easier. City residents increasingly want to reduce their consumption, sort waste and recycle. [SATO offers its residents recycling opportunities](#) and guidance in more convenient recycling and waste sorting.

CLOSER TO THE CUSTOMER

In the Customer First development programme, we have focussed especially on fostering customer satisfaction, and we have adapted our organisation and service processes to better respond to customers' needs. Our goals are to have a greater presence in residents' daily lives and to support good neighbourly relations, which holds great significance in our residents' housing enjoyment and well-being.

During the year under review, we introduced a new operating model, in which our [SATO building superintendents](#), i.e. House Experts, assume some of the tasks of maintenance companies. We are gradually expanding the operating model to cover all of SATO's buildings. In 2019, a community manager started working in this newly created role, which involves working closely with residents to develop, among other things, neighbour cooperation and to coordinate events for residents.

We also launched a [neighbour mentor programme](#), the objectives of which are to foster residents' enjoyment of their homes and to encourage them to get to know their neighbours better. In addition, we arranged several events for our residents to support a sense of community and good neighbourly relations.

DIGITAL DEVELOPMENT AS A DAY-TO-DAY TOOL FOR RESIDENTS AND SATO EMPLOYEES

Digital development and digital services are an integral part of ensuring a smooth daily life for SATO's residents and employees. In 2019, we continued to develop our internal and external digital services in close cooperation with our customers and SATO employees.

During the year, we launched our revamped online service, in which we focused on a consistent customer experience and online customer service. More than 65 of our customers participated in [developing the OmaSATO service](#) for residents; the development activities included workshops, interviews and testing the usability of our services in more than ten different events. In developing SATO's internal digital services, we consulted SATO employees from various parts of the organisation and invited them to take part in working groups.

MORE OPTIONS IN HOUSING

In line with our mission, we want to revolutionise housing and diversify the offering by introducing new housing approaches and solutions for community-oriented living, housing adaptability and financing models, which means more options for people who are looking for a home.

*Our vision:
In thriving cities,
people enjoy
a high level of
well-being*

*Our mission:
We are
revolutionising
housing –
it is more than
just walls*

We aim to transform housing and offer our customers more than just walls.

Strategic goals	Realisation in 2019
Continuously improving NPS during living <ul style="list-style-type: none"> We aim for a continuously improving Net Promoter Score (NPS) from our residents. The Customer First development programme, friendly and professional service and more active presence serving residents in SATO buildings help us reach our goal. 	Fulfilled
Strengthened credit rating <ul style="list-style-type: none"> SATO has a target-oriented financing programme that aims to strengthen the company's equity ratio and increase the share of unsecured financing. During the reporting year, we fulfilled the strategic target for our credit rating, which is now BBB with a stable outlook. The better credit rating helps us to further expand our financing base and lower our financing costs. 	Fulfilled
Return on equity target <ul style="list-style-type: none"> Our third strategic target is our return on equity target, which was 12 per cent during the strategy period. 	Fulfilled

We are creating new housing concepts for residents in an increasingly urbanised Finland. In 2018, we launched StudioHome, a compact and reasonably priced form of social urban housing. The StudioHome approach to community living has also been looked to for inspiration in SATO's other rental housing buildings.

In December of the reporting year, we launched FlexHome.* As the name implies, FlexHome is a concept developed to flexibly adapt to life's transition periods. It requires a small initial capital outlay, after which the tenant pays rent

that is below the market level for the home, thus allowing the tenant to simultaneously pay off any possible loan instalments. After a five-year rental period, the tenant has the option of purchasing the home in full. Alternatively, the tenant can sell the apartment back to SATO but continue to live in the home and pay rent. The first FlexHome will be completed in the Tali neighbourhood of Helsinki in 2020.

SATO has also actively sought new and more affordable housing solutions in its new housing production. With the ToiveKoti concept, cost

savings are sought through compact floor plans and partly standardised production modules.

In 2019, SATO agreed on a policy according to which in new rental housing production, **studio apartments will no longer be bordered with load-bearing walls**, which means the floor plans in buildings can be flexibly altered later, if necessary, for example, as the resident's life situation changes.

* FlexHome is a housing concept that offers a low-threshold path to home ownership. Becoming a part owner requires a small capital outlay, and the housing costs during the five-year part-ownership period are very reasonable. In addition, the customer is able to save for their personal loan instalments during the part-ownership period, and benefit from a possible increase in the home's value.

THIS IS HOW WE CREATE VALUE

RESOURCES

Financial capital

- Shareholders' equity **€2,055.8 mill.**
- Liabilities **€2,662.4 mill.**
- Fair value of investment properties **€4,657.9 mill.**
- Investments in homes, plots and energy efficiency

Production capital

- Number of owned apartments **26,074**
- Land areas and plots, value **€63.1 mill.**

Natural resources

- Building materials
- District heating **90.3%** of consumption
- Renewable electricity **100%**
- Water consumption

Personnel

- Committed and competent employees: **229**
- Investments in competence development and well-being at work, **5.0** training days/person

Intellectual property

- SATO brand
- Product and service concepts
- Customer and property information

External relationships

- Customer relationships and cooperation with residents
- Cooperation with stakeholders, opinion leaders and the authorities
- Close cooperation with the network of partners

BUSINESS

Housing business

- Effective rental activities and electronic services provide home-seekers with quick access to a home and the Group with a steadily increasing cash flow.
- High-quality maintenance operations ensure the comfort of residents and that the apartments stay in good condition, maintain their value and are energy efficient
- We serve our customers in daily housing issues through our customer-oriented service organisation

Investment properties

- The development of the value of our rental apartments is a key factor for us
- We manage the housing portfolio through investments and divestments, and we prepare the ground for the portfolio's growth in value
- Property development allows for investments in new rental apartments in Finland
- Through renovation activities, we develop the rental potential and value of our rental apartments and we improve the energy efficiency of our buildings

OUTPUT

Apartments and residential areas

- Diverse range of apartments: new homes and homes under construction **1,221**
- Renovated apartments and properties **€73.9 mill.**
- New residential areas

Services

- Multichannel customer service
- Service and maintenance for apartments and buildings
- New concepts and services: **12,000** OmaSATO users
- Customer benefits and events

Emissions

- Carbon dioxide emissions **38,222** tonnes
- Household waste

Customers

- Residents involved in co-creation: **850** SATO Pulssi panellists

IMPACTS

Social

- People enjoying a high level of well-being in cozy homes
- Services and benefits to make residents' daily lives easier
- Reviving residential areas and developing cities
- Developing the housing sector and creating a broader range of homes
- Inspiring corporate culture
- Employment impact **3,040** person years

Environment

- Evolving living environments and sustainable urbanisation
- Location of apartments near good traffic routes
- Maintenance according to the property's life cycle
- Improved efficiency in energy and water consumption: Energy consumption in total decreased **2.6%** compared to the previous year
- Reduced carbon dioxide emissions: **-15.2%** from the 2018 level
- Promotion of waste sorting: plastic disposal bins to close to **10,000** households

Financial

- Salaries and benefits to employees **€15.8 mill.**
- Payments to service providers: purchases **€101.8 mill.**
- Payments to financiers **€639.0 mill.**
- Tax revenues for the state and municipalities: **€88.1 mill.**
- Dividends and increased value for shareholders
- Combating the grey economy
- Increased labour mobility and growth potential

OUR VISION

In thriving cities people enjoy a high level of well-being

OUR MISSION

We are revolutionising housing – it is more than just walls

CUSTOMER FIRST

is the principle that guides our operations



WE MEET STAKEHOLDER EXPECTATIONS

SATO creates value for its stakeholders in many ways. Open interaction with stakeholders helps us identify topics that are material to our business operations and corporate responsibility. It also helps us define our goals and achieve them. We develop our operations in line with SATO's strategy and our key stakeholders' expectations.

SATO's stakeholders include parties affected by our operations, as well as parties whose operations affect us directly or indirectly. Our stakeholders

include our customers, employees, shareholders, financiers, partners and service providers, as well as the authorities and other operators in society.

WE CREATE VALUE FOR OUR STAKEHOLDERS

We create value for our customers by offering the right home for different life situations and by serving customers in their everyday housing matters. We ensure living comfort for our residents by taking care of our buildings and their surroundings. Competent employees who are committed

to achieving common goals play a particularly important role in producing value for our customers.

Meaningful work combined with a fair and inspiring corporate culture and well-being at work are directly reflected in the customer experience. We expect our partners to operate responsibly, and we engage in continuous dialogue to enhance the efficiency of our operations and improve customers' perceived quality. We work to be a profitable and sustainably managed investment for our shareholders and investors. As an operator

in society, we want to renew housing and have a positive impact on the development of society, business and industry through urbanisation.

We contribute to the development of the housing and real estate sectors through our participation in organisations and the Helsinki Region Chamber of Commerce. SATO is represented on the board of directors, the housing executive group and many committees of the Finnish Association of Building Owners and Construction Clients (RAKLI). SATO is also on the boards of Suomen Asuntoliitto ry (Finnish Housing Association) and Asuntoreformiyhdistys ry (Finnish Housing Reform Association), and we are a member of the FIBS network for corporate social responsibility.

We collaborate with players who tackle homelessness and unemployment and who promote the integration of immigrants through various cooperation projects, such as the #kämppäjaduuni (i.e. #homesandjobs) and 'Living skills' projects.

WE COMMUNICATE OPENLY

SATO's communications are reliable, transparent and timely, and good communication is a cornerstone of our customer service. SATO provides its stakeholders with timely and transparent information about its operations. All bulletins concerning SATO's operations are released simultaneously in NASDAQ Helsinki's publication system, to the media and to the Irish Stock Exchange, as well as on our website.

Once a year, we publish a combined annual report and sustainability report to provide comprehensive information about our business operations, value creation, sustainability and finances.



SATO'S STAKEHOLDER GROUPS

Stakeholder group	Stakeholders' expectations of SATO	Channels of interaction	SATO's actions in 2019
Customers			
SATOhome residents approx. 50,000	<ul style="list-style-type: none"> • Healthy and safe homes • A reliable housing provider • Smooth customer service • Open communication 	<ul style="list-style-type: none"> • Customer service and communication in various channels: phone service, chat, social media, sato.fi, OmaSATO, newsletters, noticeboards • Customer surveys and feedback, Pulssi resident panel • Meetings, such as building-specific meet-ups, maintenance visits, resident meetings, resident forum, customer workshops, customer events 	<ul style="list-style-type: none"> • Development of customer service and communication • Maintenance of the properties and apartments • Concept and service development • Development of digital services • Development of operations and services together with customers • Customer surveys and measuring the customer experience • Promoting neighbourly living
Personnel			
229 employees	<ul style="list-style-type: none"> • An open and inspiring workplace • Good management and supervisory work • Challenging tasks and developing personal competence • Safe and enjoyable work conditions 	<ul style="list-style-type: none"> • Regular employee events and open internal communication • Personnel work satisfaction surveys • Interaction with supervisors and personal performance reviews • The Tarmo management/personnel group • Exercise and recreational activities • Operations of the OHS committee and OHS representatives 	<ul style="list-style-type: none"> • Looking after well-being at work: comprehensive occupational healthcare and close cooperation with the occupational healthcare service • Increase in internal job rotation • Comprehensive inductions • Use of Microsoft Teams • Support for LiiVi, SATO's committee for recreation and sports • Employees' participation in building SATO's values and corporate culture • Joint SATO days for all employees • Reconciling work and family: Summer camp for employees' children in grades 1–4 • Sustainability training sessions

Stakeholder group	Stakeholders' expectations of SATO	Channels of interaction	SATO's actions in 2019
Partners and service providers			
Approx. 1,400 service and material providers	<ul style="list-style-type: none"> Long-term partnerships Compliance with agreements Openness and equality 	<ul style="list-style-type: none"> Competitive bidding Supplier audits Negotiations Agreements and guidelines Partner cooperation steering groups Joint real estate industry development projects 	<ul style="list-style-type: none"> Long-term partnerships and service agreements Concentrating purchases Sustainable purchasing guidelines and criteria Audits and quality control Combating the grey economy
Owners and financiers			
	<ul style="list-style-type: none"> Sustainable investment object Maintaining profitability and value increase Transparent practices Open communication Good management 	<ul style="list-style-type: none"> Shareholder meetings Investor and financier meetings Annual general meeting Board meetings Financial reviews and releases GRI reporting 	<ul style="list-style-type: none"> Strategy work Board work Stakeholder events Transparent and comprehensive business reporting Sustainability programme for 2019–2022 GRESB Good and transparent governance and communications
Society			
Authorities, organisations, media, land owners and neighbours	<ul style="list-style-type: none"> Legal and responsible operations and combating the grey economy Development of rental housing Employment Tax revenues Responding to climate change Prevention of housing segregation Reliable and timely communication 	<ul style="list-style-type: none"> Cooperation with authorities, partners and residents Activities in industry associations Open and reliable communication in various channels 	<ul style="list-style-type: none"> Providing and developing high-quality housing and associated services Participating in urban development Opinion on the amendment of the Finnish Land Use and Building Act Actively interacting with various stakeholders and a stakeholder event Developing our industry in cooperation with industry associations Personnel's participation in public projects Energy efficiency and emission targets and reduction measures Energy efficiency commitments with the state and the City of Helsinki Sustainability programme for 2019–2022 and GRESB sustainability benchmark The "Home and Job" (#kämppäjaduuni) project (in collaboration with No Fixed Abode and the Rehabilitation Foundation) Reputation survey

26,000 SATOHOMES

SATO's main areas of operation are the Helsinki metropolitan area, Tampere and Turku. We also have rental apartments in, among other cities, Jyväskylä, Oulu and St. Petersburg.

At the end of 2019, we owned 26,074 SATOhomes. The rental income from these homes and the development of their value lay the foundation for the profitability of our business operations. The average monthly rent for SATO's rental apartments at the end of the reporting year was EUR 17.25 per m².

SATOHOMES IN FINLAND

Our occupancy rate was at an excellent level throughout 2019, and stood at 98.1% at the end of the year. External tenant turnover was 29.6% at year-end.

SATOHOMES IN ST. PETERSBURG

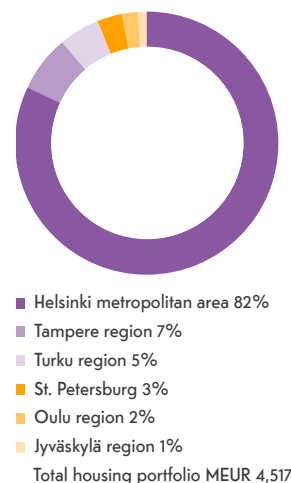
SATO has 534 rental apartments in St. Petersburg; approximately half of them are rented furnished. The average occupancy rate in St. Petersburg improved and was 92.8 during the reporting year. Along with the depreciation of the rouble, euro-denominated rents decreased, and were EUR 15.06/m² per month at the end of the year.

The share of investments in Russia is limited to a maximum of 10 per cent of SATO's housing stock, and for the time being, we are not making any new investments in the country. SATO does not have any binding purchase agreements or apartments under construction in St. Petersburg, nor were any new apartments completed in St. Petersburg during the reporting year.

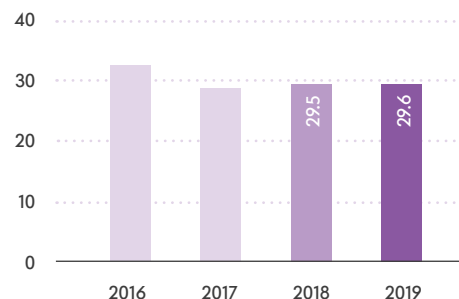
At the end of the reporting year, the value of SATO's investment properties in St. Petersburg was approximately EUR 124 million. The impact of the rouble's price performance in 2019 was EUR 14.8 million, and the effect of the change in value was EUR 19.3 million.

At the end of 2019, we owned 26,000 SATOhomes.

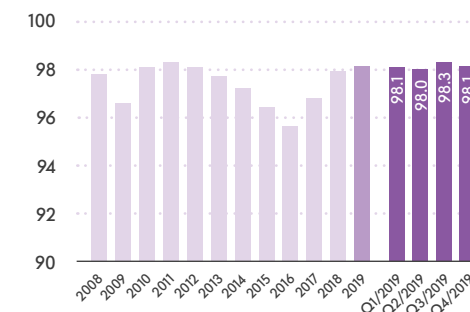
Regional distribution of the housing portfolio, 31 Dec 2019



External tenant turnover, %



Financial occupancy rate of rental housing, %



SATOhomes in Finland	2019	2018
Number of properties	751	747
Total number of apartments	26,074	25,893
Average size of apartments, m ²	54.6	54.8
Fair value of investment property, MEUR	4,657.9	3,770.3
Net rental income, MEUR	207.1	198.5

SATOhomes in St. Petersburg	2019	2018
Number of properties	14	14
Total number of apartments	534	534
Average size of apartments, m ²	70.2	70.2
Fair value of investment property, MEUR	124.0	104.8
Net rental income, MEUR	3.0	3.6

RENTAL HOMES WITH CUSTOMER SERVICES

We want our customers to enjoy living in our rental apartments – their homes. Our goal is to continuously improve our customers' service experience, and we are guided in our work by the Customer First approach. During the year under review, we focussed in particular on being present in our residents' day-to-day lives.

In 2019, we continued with our fruitful Customer First efforts, focussing especially on improving customer satisfaction. We fine-tuned our organisation and our service processes to respond to our customers' needs even better. We want to be a more regular presence in our residents' day-to-day lives and support neighbourly relations, which are very important to our residents' well-being and contribute to their enjoyment of their building.

A BETTER CUSTOMER EXPERIENCE

Our goal is to serve our customers better all the time. We measure our successes in various customer encounters using the NPS index, which reflects customers' willingness to recommend the company. The results of our Customer First efforts are indicated especially by the NPS during living, which we succeeded in improving during the year under review. In particular, our experts' friendly and professional service and more active presence serving residents in SATO buildings helped us reach our goal.

Customer communication was identified as having a positive impact on SATO residents' service experience. During the year, we kept our residents informed of the latest housing news nearly every month, with either a postal or an online news-

letter. We also sent a building-specific newsletter to some 200 buildings, and held discussions with our customers in SATO's social media channels. According to a customer-communication survey that was carried out at the end of the year, satisfaction with our customer communication grew, and nearly 70% of respondents were happy (4 or 5 on a scale of 1–5) with the information provided on SATO's services and housing-related matters.

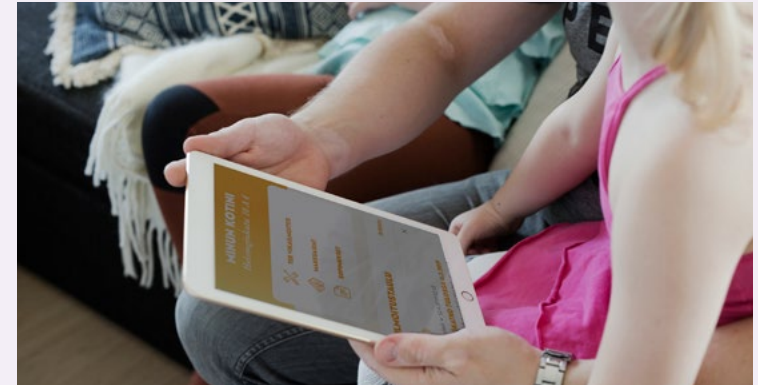
OUR PROFESSIONAL EXPERTS SERVING CUSTOMERS

We serve our customers via several channels: by phone, in the website's chat service, in OmaSATO, by email and in social media. During the year under review, our customer service experts responded to 208,931 queries. The average telephone wait time was 62 seconds, and the NPS for customer service was 67.3. We introduced customer authentication in our website's service chat during the year, allowing us to serve customers more diversely than before. During the reporting year, we also made calls to customers related to [predicting customer churn](#).

In the OmaSATO service that we launched in 2018, customers can easily and conveniently see, among other things, their personal rental payment information, and use of the service was reflected in the reduced number of customer service calls concerning rental payment matters.

Multiculturalism is a daily part of SATO's customer service. Thanks to the Túlka translation service that we introduced in 2018, we can now serve our customers in approximately 20 languages, and during the reporting year, we reinforced our team with a Somali-speaking customer service expert.

/ CASE



LATEST ON THE OMASATO SERVICE

OMASATO HAS been available to residents since summer 2018. A new feature that was added to the service in 2019 is building-specific digital noticeboards and SATO's diverse customer benefits.

All housing services in your pocket – that was our goal when we started building the OmaSATO service. The residents have been involved from the very start. OmaSATO allows residents, for example, to check their contract and payment details, read their building's notices, report defects and send messages to customer service.

The temperature data for each resident's apartment can be found on OmaSATO. Temperature sensors have been installed in 17,000 SATO homes, allowing easier adjustment of the indoor temperature and quick observation of any deviations. Furthermore, all of the buildings have their own electronic noticeboards that contain current information and residents' own notices. They can be used to report e.g. yard work parties, house-warming parties or community summer parties. In the [OmaSATO service](#), users can also find the customer benefits that SATO has negotiated for its residents.

RENTING A SATOHOME IS EASIER THAN EVER

We serve our customers online and in person, and we help them find the home that suits their preferences and life situation.

We serve people seeking a new home in the way that suits them, flexibly, through different channels and/or in person. They can browse vacant and soon-to-be-vacant rental homes in the [Find a Home service](#) on our website. Our experts also serve customers face-to-face in our customer

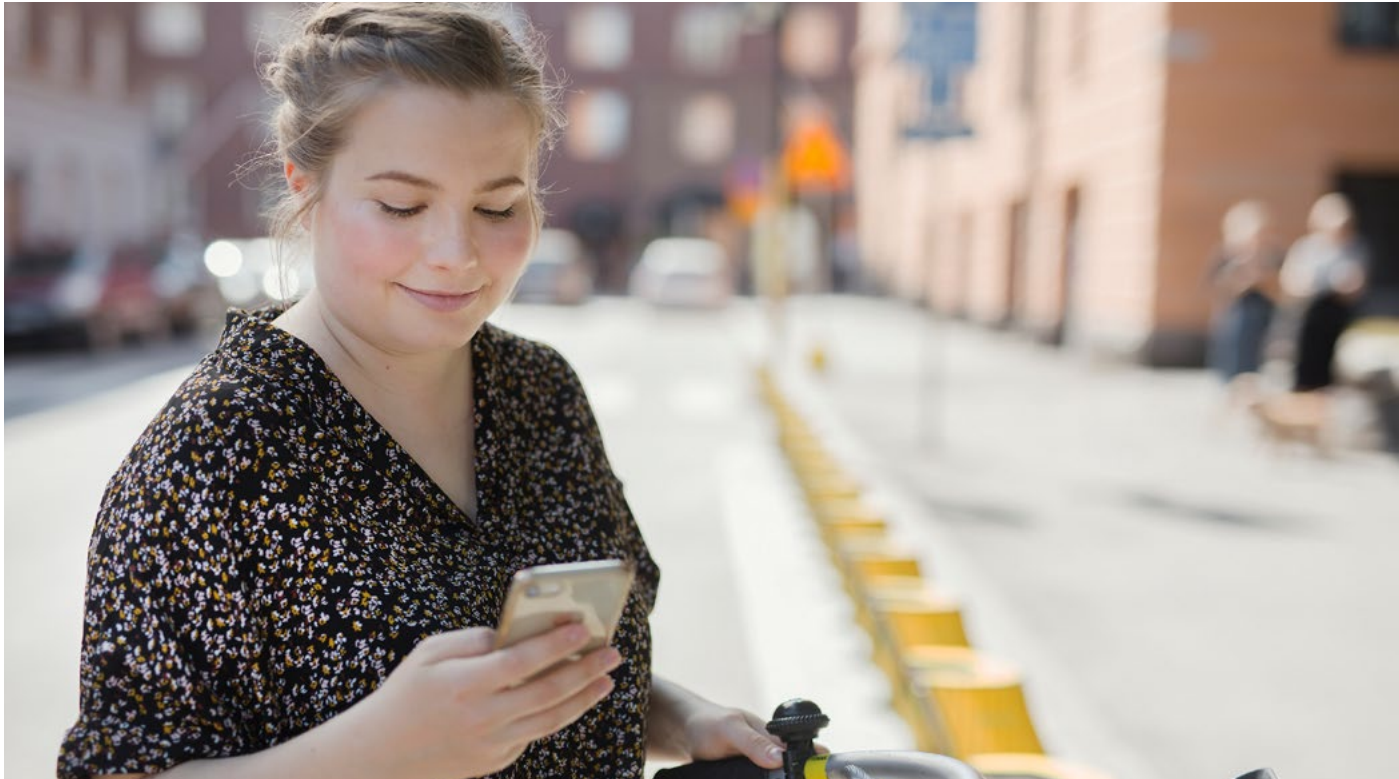
service department, and in our offices in the Helsinki metropolitan area, Tampere and Turku.

Moving from one SATO home to another is easy. For residents changing apartments, we are flexible with notice periods, they get first priority when applying for a home, and the benefits they receive also apply to all family members living in the same SATOhome. We also serve our residents moving from one SATOhome to another in the

[OmaSATO online service](#) and our other service channels.

We want to be available to our customers when it's convenient for them and when they need service. That is why during the year we not only continued to develop our rental resourcing, but maintained our extended opening hours for rental services during evenings and on weekends in the capital city area.

During 2019, the number of visitors at sato.fi reached 1.7 million.



9,487

Rental agreements in 2019

66%

Electronically signed rental agreements

1,766

Residents changed SATO apartments during the year

In 2019, we signed 9,487 rental agreements, 66% of which electronically. During the year, some 1,766 residents changed SATO apartments.

WE USE DATA ANALYTICS TO ENHANCE THE CUSTOMER EXPERIENCE

Business intelligence and developing the related support systems and competence play a big role in SATO's day-to-day rental activities. By making use of data, i.e. business intelligence, we find our customers the home of their dreams.

In 2019, we adopted an artificial intelligence (AI) model that predicts customer churn. The AI model boosts the effectiveness of our operations, and its predictions help us to identify potential risk factors affecting the customer experience. This gives us the opportunity to contact the customer at the right time to determine their needs and hopes with respect to a change in their life situation or their enjoyment of their home, and to provide even better customer service.

During the reporting year, we continued to purchase AI-assisted advertising software, which made it even easier for our customers to find themselves the perfect SATOhome.

CLOSER TO CUSTOMERS

At the end of 2019, we combined our rental services and customer service in an effort to boost cooperation and to serve our customers more efficiently. We also deepened our understanding of our customers and developed our internal cooperation by appointing a team of two service managers for every service expert working in customer service. The teams work together, for instance, in processing customer feedback, and the service experts regularly visit SATO buildings together with the service managers.

SATO's service managers are familiar with the buildings in their area of responsibility, meet residents in buildings and at various events and, together with other SATO employees, ensure that the buildings are pleasant and well-maintained.

In 2019, we broadened the job description of SATO's **community manager**, who develops neighbour cooperation together with residents and coordinates inspiring customer events, among other things.

During the year under review, we introduced a new operating model, in which **SATO House Experts** assume some of the tasks of maintenance companies. The House Expert model is an extension of the change that was implemented in 2017, when we took over responsibility for our outsourced building management services. The first five House Experts started working in December 2019, and in the coming years, we will recruit as many as 60 new House Experts. The operating model will be gradually expanded to cover all of SATO's buildings.

According to SATO's Pulssi resident panel, the number one criterion when selecting a rental apartment is location.

Other important considerations are price and the condition and layout of the apartment, as well as public transport connections.

Rental activities in Finland	2019	2018
Average rent of rental apartments, EUR/m ² /month, at the end of review period	17.25	16.86
Economic occupancy rate, %	98.1	97.9
Turnover of rental apartments, %	29.6	29.5

/ CASE



The better we know our residents, the better we can serve them.

SATO HOUSE EXPERTS ARE THERE WHEN YOU NEED THEM

ANSSI MUHONEN is one of SATO's new **House Experts**, who play an important role in residents' daily lives. A trusted and approachable person assigned to a residential building can help residents resolve their housing-related challenges and get the most out of their home and neighbourhood.

SATO's new House Expert Anssi Muhonen is a genuine "super", i.e. superintendent, with considerable experience under his belt. He started

working in autumn 2019 as one of SATO's five new House Experts. Muhonen is responsible for an area covering approximately 300 homes in the areas of Ruoholahti and Jätkäsaari.

"When one person becomes a familiar sight in a building, is easy to approach and right away listens to residents' concerns, we get to know each other very well," says Muhonen.

The House Experts' tasks include

taking care of defect reports concerning SATO's homes and properties, performing minor repairs in homes and in HVAC and plumbing equipment, inspecting homes when people move out and presenting homes to potential residents. House Experts work in close cooperation with property maintenance companies and guide and monitor their operations. Maintenance companies' tasks include, for example, being on call on weekends and evenings, doing yard work that involves the

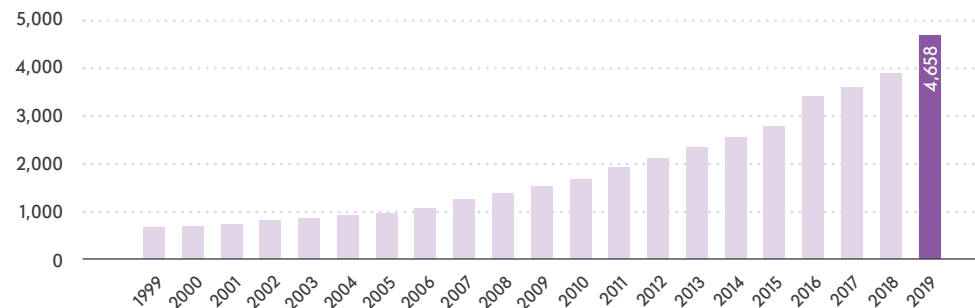
use of machinery and cleaning the stairwells. When recruiting SATO House Experts, special emphasis was placed on a service-minded attitude, communication skills, professional pride and technical skills. It is important that customers are always treated as a person, considerably and sensibly. Our goal is to increase and enhance the presence of SATO employees and their availability in our buildings. The end result will be an even better resident experience as SATO's customer.

WE DEVELOP CITIES AND RENEW RESIDENTIAL AREAS FOR DECADES AHEAD

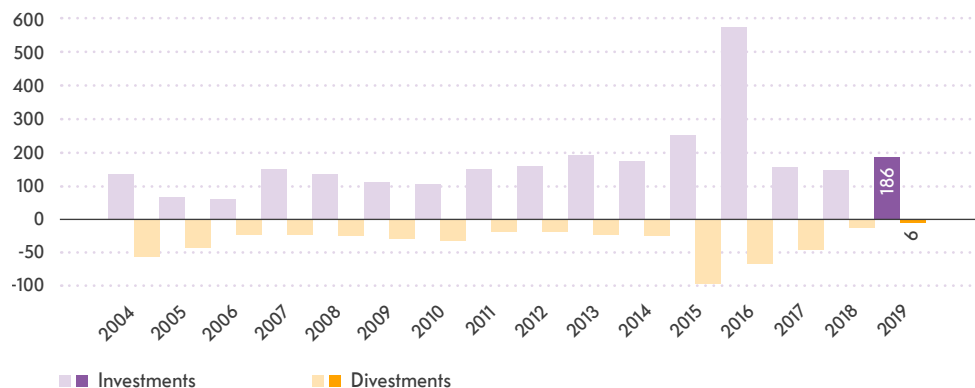
Approximately 80 per cent of SATO homes are located in the Helsinki metropolitan area. Other strategically important areas for us are Tampere and Turku, which together account for a 13 per cent share. In these cities, the population is growing and demand for homes is high.

We take care of our buildings and prudently grow our housing stock. We acquire existing rental apartments and buildings, build new homes and take part in developing entire residential areas.

Trend in the investment property portfolio value, MEUR



Housing investments and divestments, MEUR



/ CASE

STUDIO APARTMENTS FREE OF LOAD-BEARING WALLS BRING FLEXIBILITY TO THE FUTURE

THE CONSTRUCTION of small apartments, especially studios, increased in major cities in the 2010s. There are many reasons behind this boom: families are getting smaller, the cost of living is high and a small home costs less. Financial considerations are highlighted when moving from a lower-cost area to a higher-cost growth centre.

Growing cities target a housing portfolio that is as diverse as possible through urban planning and city plans: both small homes and family homes, rental and owner-occupied apartments and mixed-type housing production.

SATO has developed its own solution to the shift in demand: during the reporting year, we began planning all our new units to also include non-load-bearing wall structures in between apartments. This means that

within a few years, all studios in our buildings under construction will be modifiable and can be combined with neighbouring apartments, as doors can be built into light wall structures, or the walls can be removed entirely. For instance, when the time comes for renovations, if there is demand for two-bedroom apartments instead of studios, this need can be accommodated by combining a studio with a neighbouring one-bedroom apartment.

When structural wall solutions are taken into account already during the planning phase, the modification work is easier and entails no extra efforts or costs; joining a studio apartment that has load-bearing walls with a neighbouring apartment is considerably more difficult.

Modifiable buildings will be introduced in all growth centres where SATO operates.

Investments	2019	2018
Housing investments, MEUR	185.9	143.5
Acquisition of existing stock, units	0	0
New apartments, units	321	403
Investment commitments on 31 December, MEUR	48.1	107.9
Rental apartments under construction on 31 December, units	769	985

Divestments	2019	2018
Divestments of apartments, units	29	98
Divestments of apartments	5.9	12.7

We collaborate with cities when areas are being developed and new housing is planned for them. The parties involved share common interests: as a long-term housing provider, SATO wants to build nice homes and pleasant urban areas for decades to come.

During the year under review, we concentrated on planning and building new homes and on renovating existing buildings.

WE INVEST RESPONSIBLY

SATO acquires and builds rental apartments under its ownership. We focus our housing stock on Finland's largest cities, near good services and transport routes.

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, among other aspects.

During the year under review, SATO invested EUR 185.9 million in its housing portfolio.

It is not enough for us to simply secure the first renters for our new homes – they have to appeal to people in the future, too.

FlexHome is a part ownership home, which you can purchase after five years of part ownership.

/ CASE



FLEXHOME LOWERS THE THRESHOLD TO HOME OWNERSHIP

BOTH CITIES and residents would like to see more options in the middle ground between renting and owning a home. During the reporting year, we introduced a solution that opens the door to home ownership after a period of five years and with a small initial capital outlay. The first FlexHome pilot will be completed in the Tali neighbourhood of Helsinki in June 2020.

Consumers' need for low-threshold home ownership is growing. Urbanisation, the increase in temporary employment and stricter mortgage criteria are increasingly

pushing home ownership out of reach for many, regardless of people's desire to own a home. Another significant need to introduce new forms of housing stems from urban development, which calls for diversity in living environments.

As the name implies, FlexHome is a concept developed to help people flexibly adapt to life's transition periods. It requires a small initial capital outlay, after which the tenant pays SATO's part ownership rent, which is below the market level for the home and thus allows the tenant to simultaneously pay off any possible loan

instalments. The rental period is shorter than traditional part-ownership models: After five years of part ownership, the tenant has the option of purchasing the home in full. Alternatively, the tenant can sell the apartment back to SATO but continue to live in the home and pay rent. This type of ownership model also contributes to diversification in residential areas. Helsinki's Tali neighbourhood is a good example, as the area already features both rental and ownership housing, and it will now be complemented by part ownership housing. Read more www.sato.fi/joustokoti

VITALITY THROUGH COMPLEMENTARY CONSTRUCTION

In 2019, our property development focussed on complementary construction and planning new residential areas together with cities and partners. At the end of the year, complementary city planning projects were in progress to produce more than 3,700 new homes.

Complementary and dense construction within the existing urban structure is a growing trend in urban construction. Complementary construction is a

financially efficient means of bringing additional housing to cities, within the scope of existing public utilities and services, as it involves building housing, for instance, in parking areas and inner courtyards, or adding floors to existing buildings. Complementary construction helps cities reach their carbon-neutrality targets, as short distances mitigate emissions from traffic, for example. It can also transform **neighbourhoods that are in decline**, making them pleasant and functional, thereby increasing the appeal of the entire area.

CITY PLANNING PROJECTS WITH PARTNERS

We often participate in larger city planning projects with one or more partners. The advantages of partnership agreements include the sharing of expertise and responsibilities, as well as the diverse housing offering of the area being planned.

The 'Wise Mobility City Block' plan alteration for Helsinki's Oulunkylä district that was launched in 2017 was completed during the reporting year,

and SATO agreed with VR Group on a property transaction concerning the area. The plot transaction is one of the biggest in SATO's history. Over the next five to eight years, some 500 rental, privately financed rental and owner-occupied homes, state-subsidised rental homes and mixed-type housing production will be built in the hub between the Oulunkylä train station and the future Jokeri Light Rail service. The implementation planning for the area has been started up together with the Y Foundation, which is responsible for state-subsidised rental housing production for one of the plots, and construction is due to begin in 2020. The development of the city block, which offers excellent transport connections, responds to the strong urbanisation.

During the year under review, the City of Helsinki confirmed SATO and YIT's planning reserve for **the Punos hybrid block**, comprising the future metro station, privately financed rental and owner-occupied apartments and business premises in the metro station area of Helsinki's Itäkeskus district. The project is based on a development competition concerning the Jokeri block in Itäkeskus. The competition was organised by the City of Helsinki in spring 2018, and YIT and Sato submitted a joint proposal for the competition. The objective is to build a functional and pleasant urban centre, called Punos, with a high-quality urban landscape and architecture on top of the current metro station. In 2019, we received confirmation of plan alterations for complementary planning projects, including for a total of roughly 200 homes next to Finnöö metro station in Espoo and for approximately 250 homes in Myllypuro in Helsinki.



Artist Paola Delfin had residents model for a mural on a SATO house in Tampere.
Photo: Sami Kallioniemi / Upeart

COMPLEMENTARY CONSTRUCTION BREATHES NEW LIFE INTO SUBURBS

During the reporting year, we continued to plan the development of Vantaa's **Hakunila district** together with YIT, the Y-Foundation and the City of Vantaa. The City of Vantaa targets substantial complementary construction and development in the core of the Hakunila district. Construction of the first of approximately 600 new homes enabled by the complementary construction plans will begin in 2020–2021.

SATO has been building in the Hakunila district since the early 1970s, and we currently own a large number of rental apartments in the area. We are developing the Hakunila district in many ways: we continue to renovate our buildings, and through complementary construction, we are adding new housing to familiar blocks. Improved traffic connections and services create a good foundation for developing a neighbourhood that people enjoy and where day-to-day life runs smoothly.

During the year under review, we wrapped up the "Myyr York Downtown" urban planning competition that was launched in 2018. The competition concerned Vantaa's Myyrmäki district, and the winning entry was "Muree Myrksi" by B&M Architects Ltd. We continued to plan the area together with B&M and the other partners developing the area – Citycon, SRV, Taitokaari and the City of Vantaa. Over the next ten years, four efficient and pleasant urban blocks, with some 1,000 apartments, as well as commercial and office premises, will be built in the area. Construction is due to begin in 2022–2023.

NEW PLOTS IN TAMPERE, HELSINKI AND VANTAA

In summer 2019, we entered the City of Tampere's plot application process and won a 10,000 m² plot for an apartment building block in the new Hervantajärvi area, near the last stop of the Tampere Tramway, which is currently under construction. A total of 200 SATO rental and part-ownership

homes will be completed on the plot over the next four years.

In 2019, we purchased plots in the Sompasaari and Haaga districts from the City of Helsinki, with a permitted building volume of altogether 8,400 square metres. We also made a plot purchase based on a letter of intent and complementary planning covering roughly 5,000 floor square metres from Myyrmäen Huolto in Vantaa's Myyrmäki district.

Complementary construction is a financially efficient means of bringing additional housing to cities.

Plot reserves	2019	2018
Plot reserves, MEUR	63.1	40.9
Plots purchased, MEUR	37	19.9
Total permitted building volume in the plot reserve, floor-m ²	141,900	485,046
Owned plots transferred to production or sold, MEUR	12.2	33.7

/ CASE



People's housing needs and preferences vary in different phases of life. That is why it is important for the market to deliver diverse housing.

WHERE AND HOW DO CITY PEOPLE WANT TO LIVE?

PELLERVO ECONOMIC RESEARCH

(PTT) examined people's housing preferences using the choice experiment method and identified **four different resident profiles**. Information about people's housing preferences is important in order to build homes that are in line with residents' hopes and needs. This information is required by city planners and decision-makers and by real estate and construction sector operators when planning and building cities of the future.

The study shows that people's housing needs and preferences vary, even to a great extent, in different phases of life and

for different age groups, and in the future, services will play an even more central role. That is why it is important for the market to deliver diverse housing that meets demand.

In the under-40 age group, traffic connections were emphasised in their housing choices. For this group, smooth work and school commutes were more important than other factors. For those aged 40–60, an important factor when choosing a housing area was its green areas, and for those over 60, the availability of key services was highlighted. The majority of city dwellers want a living environment with green spaces or their own outdoor space.

Of the different living environments, areas near the city centre were considered the best on average, new residential areas were deemed second best, and the suburbs were the least appealing. Young people in particular had a negative stance towards the suburbs. Efforts should be made to equip suburbs with the same kind of elements that contribute to enjoyable living – such as diverse services and good traffic connections – that are appreciated by people also in other housing areas.

Source: PTT, Kaupunkiseutujen asukkaiden asumisprefereenssit - Miten ja missä kaupunkilaiset haluavat asua? (i.e. 'Housing preferences of city dwellers – How and where do city people want to live?')

WE BUILD AND RENOVATE HOMES

We build rental apartments in new residential areas and to supplement older residential blocks. We renovate homes and entire buildings: during the reporting year, we had several renovation projects on our planning desk. In construction and renovations, we paid special attention to energy efficiency and life-cycle thinking.

During the reporting year, SATO's new rental apartments were completed in the Helsinki

metropolitan area. These include complementary construction projects in Vantaa's Martinlaakso district, in Helsinki's Herttoniemi and Jätkäsaari districts, and a new project in Vantaa's Keimolanmäki district. Housing renovations were completed in Helsinki's Pikku Huopalahti district, Vantaa's Hakunila district and Tampere's Kaleva district.

We took the environmental impacts of our new construction and renovations into account, and we studied both the opportunities offered by geo-

thermal heating and the modifiability of new apartments. We listened to our residents' opinions and preferences with the help of, among other things, SATO Pulssi resident surveys. In panel surveys conducted during the year, we determined, among other things, our residents' housing- and service-related needs. Among the questions we ask the first residents after they move into new apartments and renovated apartments are how we succeeded in the design of the apartment, in our services while moving and in the flawlessness of the construction work.

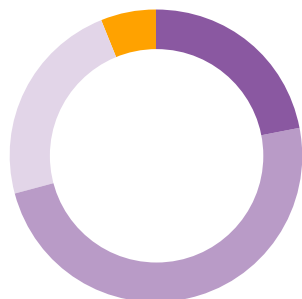
NEW RENTAL APARTMENTS IN THE HELSINKI METROPOLITAN AREA

During the reporting year, 353 new SATOhomes, located in the Helsinki metropolitan area, were completed. In September of the reporting year, 132 homes on Raivosuonmäki 7 were completed under complementary planning in Vantaa's Martinlaakso district. On Varikkokaarre 2 in Vantaa's Keimola district, 46 new homes welcomed residents in October 2019.

We build rental apartments in new residential areas and to supplement older residential blocks.



SATO's owned rental homes 31 Dec 2019, %



Studio 22%
 1 br 49%
 2 br 23%
 3 br 6%
 4 br 0%

On 31 December 2019, SATO had 769 rental apartments under construction in Finland, and 321 rental apartments were completed for the SATO Group in Finland during the year.

In Herttoniemi in Helsinki, 143 new homes were completed on Laivalahdenkaari 1, and the new residents moved in in November 2019. In November 2019, a total of 32 Hitas owner-occupied apartments were completed on Atlantinkatu in Helsinki's Jätkäsaari district.

We launched production of new housing in Helsinki, in the northern Haaga and Kontula districts.

SEVERAL RENOVATION PROJECTS UNDER WAY

We renovate our rental homes and properties according to the life-cycle principle. During the year under review, we invested around EUR 73.9 million in the repair and renovation of apartments and properties, of which repair investments accounted for a total of EUR 54.6 million.

Renovations on a total of 302 homes were completed during the reporting year. In Helsinki's Pikku Huopalahti district, 66 homes were completed in January 2019. Renovations on a total of 144 homes on Raudikkokuja in Vantaa's Hakunila district were completed in two phases: 72 were completed in May and 72 in September. On Väinämöisenkatu in Tampere, renovations on 92 homes reached completion in November 2019.

During the year, we initiated renovations in Martinlaakso, Vantaa, in Eira and Kontula, Helsinki, and in Matinkylä, Espoo.

New production	2019	2018
Completed in Finland, units	353	403
Rental apartments	321	403
Owner-occupied apartments	32	0
Under construction on 31 December, units	868	1,116
Rental apartments	769	985
Owner-occupied apartments	99	131
Unsold owner-occupied apartments, by 31 December, units	36	2
Completed	0	0
Under construction	36	2

Repairs	2019	2018
Apartment and property repairs, MEUR	73.9	53.6
Repair investments, MEUR	54.6	31.3
Repair subsidies received, MEUR	0	0

STRENGTHENING OUR FINANCIAL POSITION SUPPORTS PROFITABLE GROWTH

We develop SATO's financing structure for the long term. During the reporting year, SATO's credit rating improved and to strengthen our financial position, we increased the share of unsecured financing. SATO's credit rating improved in autumn 2019.

In September 2019, the credit rating agency Standard & Poor's gave SATO a **BBB credit rating** with a stable outlook. At the same time, we ended our

cooperation with the credit rating agency Moody's.

INCREASE IN PROPORTION OF UNENCUMBERED ASSETS

During the reporting year, we considerably increased the proportion of SATO's unsecured financing and the amount of unencumbered assets. At the end of 2019, the proportion of unsecured financing of the entire debt portfolio was 77.3 per cent and the amount of unencum-

bered assets of the entire balance sheet was 80.8 per cent.

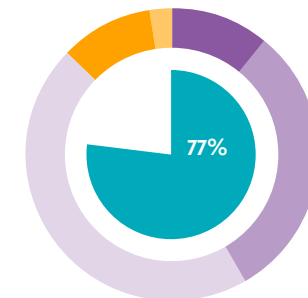
During the reporting year, we signed significant agreements on bank loans free of real securities. In May, SATO and OP Corporate Bank plc signed a seven-year loan agreement, without asset-backed securities, worth EUR 150 million. The loan was used to refinance maturing loans and for the Group's general needs.

Improved credit rating lowers the Groups financing costs.

Unencumbered assets

80.8%

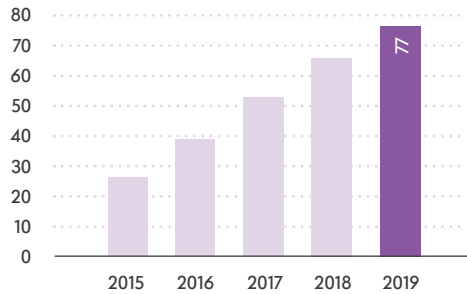
Debt portfolio, Nominal values 31 December 2019, total MEUR 2,115



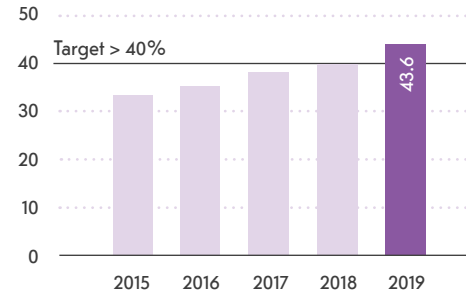
- Commercial papers 233
 - Corporate bonds 649
 - Bank loans 965
 - Interest subsidised 218
 - State subsidised (ARAVA) 50
- 77% of loans without asset based securities



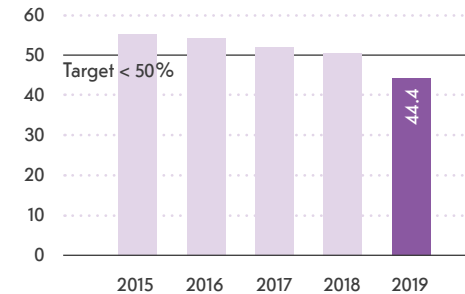
Unsecured debt of total interest bearing debt, %



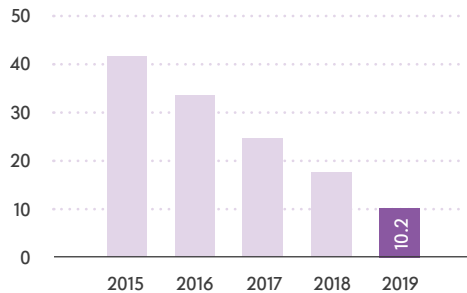
Equity ratio, %



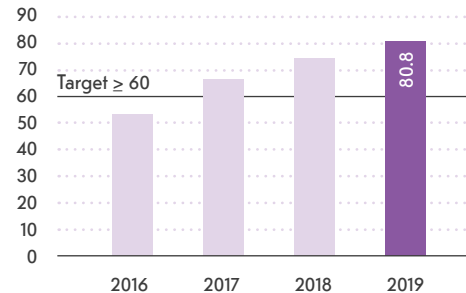
Solvency ratio, %



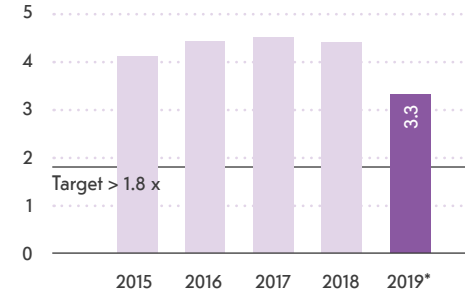
Secured solvency ratio, %



Unencumbered assets, %



Interest coverage ratio



* Repurchase of outstanding bonds increased the financial expenses by a one off cost of MEUR 11.8. The interest coverage ratio excluding the impact of the repurchase is 4.2.

The Group's equity ratio increased to 43.6 per cent. The strengthening of the equity ratio is the result of a rise in the value of investment properties and a long period of good earnings performance.

In May, SATO established a EUR 1,500,000,000 Euro Medium Term Note (EMTN) bond programme. At the end of May, SATO issued an unsecured bond worth EUR 350 million. The funds from the bond issue were used to refinance maturing loans, including repurchases of bonds worth EUR 300 million that were issued in 2016 and 2015, as well for the Group's general needs. This is how SATO reduced its refinancing risk (see the graph 'Maturity profile of long-term debt') and lowered the Group's financing costs.

Customary capital structure and performance covenants concerning the solvency ratio (<65%), the secured solvency ratio (<45%), the interest coverage ratio (>1.8) and unencumbered assets (>42.5%) have been set on SATO's unsecured loans. SATO has complied with its covenant requirements every review period.

FINANCIAL TARGETS

The Group's financial targets remain unchanged. The equity ratio must be above 40 per cent, the interest coverage ratio must be at least the targeted 1.8x and unencumbered assets at least 60 per cent. Our long-term target is to have a solvency ratio of no more than 50 per cent.

Through capital structure management, SATO supports the achievement of the company's targets and ensures the Group's operating conditions in capital markets. An optimal capital structure secures sufficient financing with competitive terms and the ability to pay dividends.

STRONG RISK MANAGEMENT

Our risk management principles have been de-

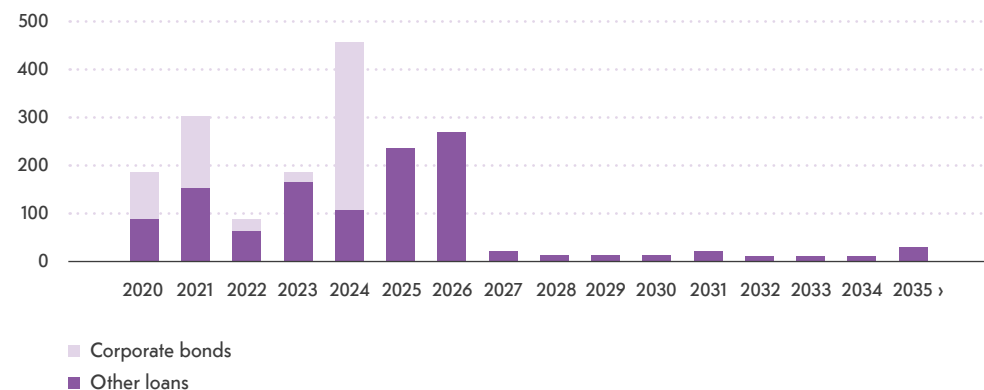
finied in the financial policy approved by SATO's Board of Directors. The most significant financial risks relate to liquidity, refinancing and interest rates. We manage the liquidity and refinancing risks by diversifying the financing sources and maturity of the loan portfolio, and by holding sufficient liquidity reserves in the form of committed credit facilities and other long-term financing commitments.

The means for managing the liquidity risk at SATO include cash assets, a bank account limit, committed credit facilities of EUR 400 million and a commercial paper programme of EUR 400 million. We increase the amount of reserves as the funding requirements grow. Our objective is to keep the liquidity requirements of the next 12 months covered by committed agreements.

Floating rate loans form an interest rate risk which we manage by balancing the share of fixed and floating rate loans either by issuing fixed rate loans or by interest rate hedges. According to our financial policy, our objective is to keep the ratio of fixed rate loans at over 60 per cent of the debt portfolio after interest hedging.

There are risks related to the business environment in our St. Petersburg operations, including currency risk. To reduce this risk, SATO hedges the exposure relating to committed foreign currency cash flows with forward contracts. The consolidation of foreign currency-denominated assets in the consolidated financial statements also involves a translation risk. Possibilities of hedging the translation risk are evaluated in accordance with our financial policy.

Maturity profile of long term debt, MEUR



Key financial indicators	Target	2019	2018
Average loan maturity, years	2.5–6	4.0	4.4
Average interest fixing period, years	3–5	2.4	2.6
Average interest rate, at the end of period, %	-	1.7	2.1
Proportion of fixed rate debt, %	>60	62.0	68.9



/ THE SUSTAINABLE SATO

RESPONSIBLE RENTAL HOUSING

We bear our responsibility for homes, a fundamental human need. We develop cities and residential areas for decades ahead, supporting society, business and industry. We take good care of our assets and our skilled personnel. SATO's new sustainability programme emphasises carbon-neutral cities and the well-being of residents and neighbourhoods.

SUSTAINABILITY HIGHLIGHTS IN 2019

NEIGHBOUR MENTORS OFFER RESIDENTS SUPPORT

During the reporting year, we initiated a neighbour mentor programme.

SATO's neighbour mentors help residents get to know one another and enjoy their homes. By year-end, we had a total of 18 neighbour mentors in the Helsinki metropolitan area, Tampere and Turku.



NEW SOLUTIONS WITH GREATER ENERGY EFFICIENCY

AI-powered temperature and humidity sensors bring comfort to SATO's rental apartments and save energy. More than 6,000 sensors were installed during the year under review. More data means faults can be fixed in advance and the buildings' power load can be balanced.



NEW SUSTAINABILITY PROGRAMME

During the reporting year, we released our sustainability programme for 2019–2022.

The programme emphasises carbon-neutral cities and the well-being of residents and neighbourhoods.



RECOGNITION FOR SUSTAINABILITY EFFORTS

SATO participated for the fifth time in the Global Real Estate Sustainability Benchmark (GRESB), which provides an internationally comparable score. SATO retained its four star rating out of five in the GRESB benchmark. Compared to other northern European housing investors in its peer group, SATO's result is above average.

2.2%

lower specific consumption of heat

0.5%

lower specific consumption of water

15.2%

fewer greenhouse gas emissions



RECYCLING EVENT OFFERS GUIDANCE FOR EASIER RECYCLING

During the year under review, SATO made recycling easier for residents by organising 11 recycling and waste-sorting events and by increasing the number of plastic recycling points for 10,000 SATO homes.

IN THRIVING CITIES, PEOPLE ENJOY A HIGH LEVEL OF WELL-BEING

SATO operates responsibly, in line with its Customer First approach. Rental apartments and new investments in growth centres enable sustainable urbanisation and growth in business and industry. We participate in real estate organisations and development projects that promote sustainability, and we offer our expertise to public policy makers.

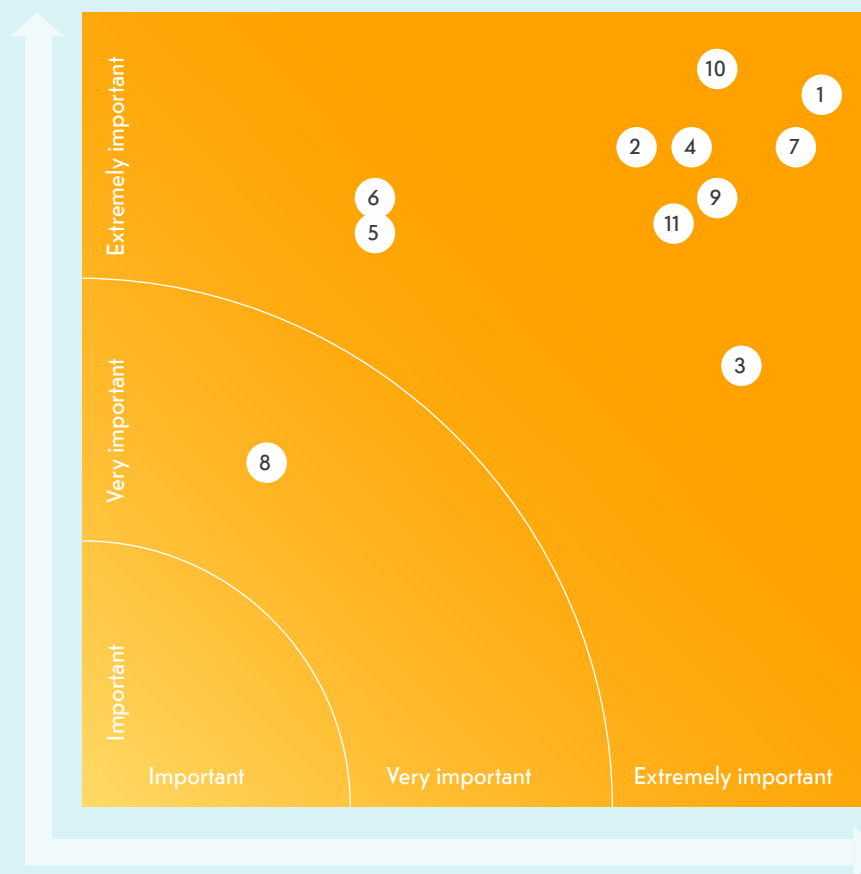
Our sustainability work is guided by SATO's strategy and the new sustainability programme, which we have evaluated to be material based on our stakeholder dialogue. There is a growing need for rental housing in growth centres. We want to have a positive impact on the development of society, business and industry through urbanisation. We support the well-being of our customers by offering them safe living. Approximately 50,000 people live in SATOhomes. Our homes and residents are looked after not just by our personnel, but also by a substantial number of our cooperation partners.

SATO'S SUSTAINABILITY PROGRAMME

In September 2019, we released SATO's sustainability programme covering the years 2019–2022. At the same time, we updated our sustainability goals based on the materiality analysis that was carried out in 2018.

In spring 2019, we arranged workshops for SATO employees where we mapped out our sustainability goals. The sustainability working group finalised the goals, and the Board of Directors approved them. With our sustainability programme, we are aiming for carbon-neutral

SATO'S MATERIALITY MATRIX 2019



Sustainability guides our operations

1. Transparent practices
2. No to the grey economy
3. Responsible service and procurement chain

Taking care of our employees

4. Evolving competence
5. A fair and inspiring workplace
6. Safely at work

Creating well-being for our residents

7. Taking care of housing health
8. Promoting neighbourly living

Responding to climate change

9. Energy-efficient buildings and targeting carbon-neutrality
10. Sustainable life cycle for properties
11. Environmental responsibility in day-to-day living

cities and focussing on healthy residents and neighbourhoods. The focal points of the programme are sustainable business, climate-change mitigation, looking after our employees and promoting the well-being of our residents and society.

SUSTAINABILITY GUIDES OUR OPERATIONS

We take care of the financial sustainability of our operations, and we take responsibility for our financial impact on our stakeholders and society. Investments create jobs, and the income obtained from this work is used to buy products and services or to make new investments.

SATO aims to provide competitive and sustainable investment opportunities. We communicate and report on our operations transparently in accordance with international accounting standards and the Finnish Corporate Governance Code, and we prepare our sustainability reports in accordance with the GRI framework. To further develop its operations, SATO participates in national and international sustainability comparisons.

We require our suppliers to operate sustainably in terms of work environments, occupational safety and environmental responsibility. SATO's procurement team selects suppliers that are able to create value and good customer experiences for our customers.

[Read more about how sustainability guides our operations.](#)

WE RESPOND TO CLIMATE CHANGE

SATO designs and develops vibrant new residential areas in cooperation with cities, partners, residents and other stakeholders. We build new rental apartments in existing urban structures with excellent connections and services. This reduces the environmental impact of construction and living.

We target carbon-neutrality in our construction of new buildings, and we focus on a long life cycle for our properties – in construction, renovations and maintenance alike. We maintain and repair our housing portfolio regularly and sustainably, and with respect for the environment.

We continuously monitor energy and water use in our buildings to reduce consumption. We encourage our residents to recycle by offering them guidance and better waste-sorting opportunities.

[Read more about how we respond to climate change.](#)

WE TAKE CARE OF OUR EMPLOYEES

SATO's employees have the ability to reinvent themselves, and they recognise this as a shared strength. SATO employees are keen to develop themselves, to hone their expertise and constantly learn, and they encourage their colleagues to do the same. SATO employees devised SATO's values and helped to update them during the year.

Our surveys show that we work in a positive frame of mind and with the encouragement of skilled supervisors. We keep customer service and our customers' well-being in sharp focus. Work satisfaction and enthusiasm are at a high level among SATO employees.

We invest in the occupational safety of our employees and our partners, and we reinforce our safety culture by developing and monitoring occupational safety practices.

[Read more about how we take care of our employees.](#)

WE CREATE WELL-BEING FOR OUR RESIDENTS AND SOCIETY

We want to have a positive impact on the development of society, business and industry through urbanisation. SATO is a reliable and professional long-term housing provider. When our customers' life situations change, they can find a new home from our range of apartments, and they can live in a SATOhome throughout their lives.

We promote good neighbourly relations by listening to our residents. Our neighbour mentor programme supports neighbours in their housing-related matters. In 2019, neighbours became acquainted with one another and enjoyed good food and togetherness at several yard parties.

[Read more about how we create well-being for our residents and society.](#)

SATO's sustainability program has been developed through listening views of stakeholders, such as residents and various partners.

SATOs sustainability programme emphasises carbon-neutral cities and the well-being of residents and neighbourhoods.



FOR SATO, SUSTAINABILITY IS ABOUT CONCRETE ACTIONS



In 2019, we published our new sustainability programme, saved energy and facilitated and provided guidance in waste processing in our buildings.

During the year under review, we updated our sustainability goals, incorporating them more fundamentally into our strategy and daily routines. We are continuing with our energy- and water-saving initiatives in 2020, and we will strive to reduce the volume of mixed waste and focus














on good neighbourly relations between residents. In addition to our sustainability goals, we have joined the City of Helsinki's cooperation network for climate matters, Climate Partners, and have committed to the Energy Efficiency Agreement targets for the property sector.







The table below summarises SATO's sustainability goals and initiatives, as well as their connection to the UN's Sustainable Development Goals.

SUSTAINABILITY GUIDES OUR OPERATIONS


Objectives for 2019	Fulfilment of objectives and key initiatives in 2019	Objectives for 2020	Key initiatives in 2020	Link to the UN sustainable development goals (SDG)
Cascading of the Customer First service model to partner-suppliers and continuation of supplier audits	Fulfilled. During the year, we arranged numerous supplier meetings and training events in which we cascaded our service model. We continued our audits.	We ensure a responsible service and supply chain by fine-tuning our service model in periodic supplier meetings and by deepening our cooperation.	We are expanding our monthly meetings to include as many key suppliers as possible.	 

WE RESPOND TO CLIMATE CHANGE

Objectives for 2019 (outcome in 2018)	Fulfilment of objectives and key initiatives in 2019	Objectives for 2020	Key initiatives in 2020	Link to the UN sustainable development goals (SDG)
Specific heat consumption 39.8 kWh/m ³ (40.7)	Fulfilled, outcome 39.8 kWh/m ³ . We installed temperature sensors in 6,000 homes, brought heating data to OmaSATO and introduced peak power limitation in all sensor-equipped homes.	Specific heat consumption 39.6 kWh/m ³	Examining the profitability of geothermal heating. Continued temperature optimisation and development of efforts to limit peak power, installation of water-saving fixtures, optimised ventilation, reviewing geothermal possibilities.	   
Specific water consumption 387 l/m ³ (411)	Unfulfilled, outcome 409 l/m ³ . We encouraged residents to report leaky faucets and toilets. We repaired leaks and installed 4,000 water-saving fixtures and home-specific water meters in 500 homes.	Specific water consumption 403 l/m ³	We are installing water-saving fixtures and home-specific water meters, fixing leaks and piloting a consumption-based water invoicing in approximately 500 homes.	   
Emissions from our operations 33 kg CO ₂ -e/m ² (33.2)	Below target, outcome 28.1 kg CO ₂ -e/m ² . Decrease in specific heat consumption and cleaner district heating. We also used emission-free electricity generated with wind power.	Emissions from our operations 27.8 kg CO ₂ -e/m ² /year	We are implementing measures to reduce specific heat consumption and to reduce mixed waste. We are looking into the possibilities of cleaner district heating.	    

New investments to be located along main public transportation routes	Fulfilled. We conducted due diligence and EDD reviews for investment sustainability, and complementary construction projects were according the targets.	New investments targeted, from a public transport connection and urban structure perspective, to areas that enable the promotion of a car-free lifestyle.	We develop criteria for planning new buildings and procurements for the existing housing portfolio, taking into account current and future traffic connections and the urban structure/service network of areas. We make a mobility survey concerning SATO's residents. We introduce car sharing in SATO's buildings.	  
Enhance the sorting of waste from residents and reduce the volume of mixed waste	Fulfilled in part. We cannot reliably measure the volume of mixed waste, but the volume of mixed waste grew statistically. We implemented the planned measures to reduce the volume of mixed waste and improve the recycling rate. We increased resident communication and support in waste matters, arranged 11 recycling events and brought plastic recycling points within reach of 10,000 households and 360 recycling bins for residents.	Enhance the sorting of waste from residents and reduce the volume of mixed waste by 10%	We are improving waste monitoring and reporting. We arrange recycling events, increase waste support and communications, enable plastic recycling in all SATO buildings.	  

WE TAKE CARE OF OUR EMPLOYEES

Objectives for 2019	Fulfilment of objectives and key initiatives in 2019	Objectives for 2020	Key initiatives in 2020	Link to the UN sustainable development goals (SDG)
The results of SATO's personnel survey at the same level or higher than 2018 in all key categories.	Fulfilled. We created new values for SATO together with our employees. We actively trained our supervisors and employees. We focussed on our employer image.	The results of SATO's personnel survey at the same level or higher than 2019 in all key categories.	We reinforce the corporate culture, supervisory work and management, and the employer image.	

WE CREATE WELL-BEING FOR OUR RESIDENTS AND SOCIETY

Objectives for 2019	Fulfilment of objectives and key initiatives in 2019	Objectives for 2020	Key initiatives in 2020	Link to the UN sustainable development goals (SDG)
The development of good neighbourly relations between residents	Fulfilled. We piloted a neighbour mentor programme. We made the community manager's role more varied. We arranged regular building get-togethers and other events for residents, and offered housing advice. We developed our OmaSATO service and actively communicated with our residents.	The continuous development of good neighbourly relations between residents	We will expand the neighbour mentor programme and launch a "greet your neighbour" concept. We will organize customer events together with our residents. We are actively working together with authorities and organisations.	
One-contact principle – shorter response times and efficient execution of service transactions.	Fulfilled. We developed the competence of our customer service personnel, expanded the use of our digital services and introduced SATO House Experts in our service organisation.	Better availability of customer service personnel.	We are expanding the SATO House Expert operating model and increasing the presence of customer service personnel in SATO buildings. We use a more diverse array of digital services.	  
Firmly establishing the housing health operating model	Fulfilled. We responded quickly, we developed our personnel's competence, and we also developed our reporting and utilisation of the produced data.	Utilising the data produced by the housing health operating model in preventive efforts	We target repair and maintenance activities to identified projects. We offer housing advice. We develop personnel's competence in housing health matters.	

SUSTAINABILITY GUIDES OUR OPERATIONS

SATO takes care of the financial sustainability of its operations for the long term. As a responsible, well-managed and profitable company, SATO operates sustainably and transparently. We take care of the value of our homes, and we pay taxes to Finland. We also expect our partners to operate responsibly.

LONG-TERM AND TRANSPARENT BUSINESS OPERATIONS

For SATO, financial sustainability means good financial management, the efficient use of resources, and the generation of a steady financial benefit over the long term for stakeholders. In 2019, we continued to strengthen our balance sheet, and the Group's equity ratio rose over to 40 per cent. In line with the targets, the interest coverage ratio

must be at least 1.8x and unencumbered assets at least 60 per cent. Our long-term target is to have a loan-to-value ratio of no more than 50 per cent.

OPEN COMMUNICATION AND REPORTING

SATO's sustainability management and key guidelines and policies are described in the [Annual Report's Governance section](#).

We communicate and report on our operations transparently in accordance with international accounting standards and the Finnish Corporate Governance Code, and we prepare our sustainability reports in accordance with the [GRI framework](#).

To further develop its operations, SATO participates in national and international sustainability comparisons. During the year under review, we participated for the fifth time in the Global Real Estate Sustainability Benchmark (GRESB), in which [we retained our four stars](#), i.e. the Green Star level, and improved our overall score by three points. SATO's long-term sustainability efforts were reflected in the GRESB assessment, with the company's results improving in nearly all benchmarked areas. Our efforts to develop our sustainability strategy proved to be a strength within SATO's Nordic peer group. SATO's strengths were also its energy-efficiency measures and comprehensive monitoring, as well as its transparent operating principles and reporting.

The lack of environmental certification for apartment buildings came up as a development area for SATO in the comparison. Certification has so far mostly been used in the construction of new office premises and shopping centres, and it is not commonly used in residential buildings in Finland.

CASH FLOW IN 2018, EUR MILLION

CUSTOMERS

- Net sales **295.6**

FINANCIERS, INVESTORS

- Withdrawal of loans **707.3**
- Equity issued **0**

OTHER MARKET PARTICIPANTS

- Divestments of housing property **5.9**
- Other operating income **1.9**



SUPPLIERS

- Purchases **101.8**
- Investments **209.2**

PUBLIC SECTOR

- Direct taxes **37.6**
- Indirect taxes **48.1**
- Land rents and land use fees **8**

FINANCIERS, INVESTORS

- Interest and financial expenses **52.2**
- Repayments **583.9**
- Dividend **28.3**

PERSONNEL

- Salaries, benefits and pension expenses **15.8**

WE TAKE RESPONSIBILITY FOR OUR FINANCIAL IMPACT ON OUR STAKEHOLDERS AND SOCIETY

We generate a steady financial benefit for our stakeholders, including shareholders, employees, customers, municipalities, the state, and goods suppliers and service providers and their employees. We support growth opportunities in business and industry by offering rental apartments in Finland's largest growth centres. During the reporting year, SATO invested around EUR 186 million in rental apartments. Our housing stock is focussed on areas and apartment sizes that will grow in demand and in value. During the year under review, we repaired our homes and properties in accordance with the life-cycle principle in order to maintain or increase their value in use and financial value. Our repair investments amounted to EUR 73.9 million.

WE PAY TAXES TO FINLAND

SATO's net sales in 2019 amounted to EUR 295.6 million. The total amount of taxes paid and tax-like payments was EUR 90.9 million. The financial added value that we generate for society – the tax footprint of the company's operations – consists of direct and indirect taxes. SATO Group's effective income tax rate in Finland was 20.2 per cent in 2019.

In addition to Finland, we pay income and real estate taxes to Russia on our business in St. Petersburg. Employee salaries, benefits and pension expenses also include the personnel expenses of our St. Petersburg office.

SATO'S TAX FOOTPRINT IN 2019

TAXES TO BE PAID DURING THE FINANCIAL YEAR

Direct

- Income tax **€25.6 mill.**
- Employer contributions **€2.5 mill.**
- Transfer tax on investments **€0.5 mill.**
- Property tax **€8.9 mill.**



Indirect

- Energy and insurance tax **€0.8 mill.**
- VAT included in investments that is not deducted, **€31 mill.**
- VAT included in purchases that is not deducted, **€16.4 mill.**



TAXES TO BE REPORTED DURING THE FINANCIAL YEAR

- Tax withheld on salaries **€4.5 mill.**
- Net VAT on sales **€0.7 mill.**



TOTAL €90.9 MILL.

Taxes paid to Finland €88.1 mill.

We value responsible partners that support us in our strategy of providing a diverse range of services, high-quality urban living and smoothly running maintenance.

NO TO THE GREY ECONOMY

Our operations comply with the Finnish Corporate Governance Code and SATO's internal guidelines, principles and policies, which include guidelines for combating the grey economy. SATO's Code of Conduct and the related whistleblowing channel for our stakeholders and employees support long-term and profitable operations, based on ethically sound and sustainable operating methods with regard to the economy, people, society and the environment.

To combat the grey economy, we only work with companies registered in tilaajavastuu.fi's Reliable Partner service. In line with the Finnish Occupational Safety and Health Act, everyone working at SATO's construction sites must have a photo ID with a tax number.

GLOBAL INVESTOR DIALOGUE

In 2019, we participated in several investor meetings, which attracted both Finnish and international (mainly European) investors interested in our business.

SUSTAINABLE PROCUREMENT AND SUPPLY CHAINS

We select suppliers that create value and good experiences for our customers. We require sustainable

operating methods in terms of work environments, occupational safety and environmental responsibility. When selecting new partners, we carry out a supplier assessment, which entails going over the company's finances, references, resources and equipment. It is important to us that our partners are willing to develop their operations.

When selecting suppliers through competitive bidding processes, we evaluate offers based on our goals and the product or service in question. We also analyse the level of supervision, reporting and delivery of potential suppliers.

During the year under review, we continued to audit our contractual suppliers to comprehensively evaluate their processes and the current state of their operations. Based on these audits, we prepare scorecards for suppliers, including a description of the current state of their operations and suggestions for improvements.

We value responsible partners that support us in our strategy of providing a diverse range of services, high-quality urban living and smoothly running maintenance. Good partners have clear goals and are passionate about developing with us – together we can serve our customers even better.

/ CASE



PARTNER OF THE YEAR

OUR PARTNER of the Year in 2019 was furniture manufacturer Kankarin kaluste Oy. The collaboration between SATO and Kankari has resulted in the KIDE furniture line for SATOhomes, waste bins and the ODI coat racks and hooks, as well as club room tables. For Kankari, sustainability means concrete actions. The company wants to develop sustainable furniture production and stresses climate-change mitigation in its operations.

Orient Occident is responsible for the rugs, pillow cases and curtains made from recycled materials for our new club rooms.

WE RESPOND TO CLIMATE CHANGE

SATO's most significant climate impacts arise from energy consumption during living, the construction of apartments and building materials. That is why we focus on offering residents guidance, sustainable construction and life-cycle management of homes and properties.

Responding to climate change and enabling sustainable lifestyles are important parts of SATO's sustainability efforts. We promote environmental sustainability in day-to-day living, for instance, by encouraging recycling. We reduce the load on the environment by regularly monitoring, maintaining and repairing homes and properties according to the life-cycle principle, and by building properties in existing urban environments and near good transport connections. When selecting building materials for indoor spaces we aim to minimise their environmental impacts and promote circular economy.

CONTINUED ENCOURAGEMENT AND GUIDANCE FOR RESIDENTS

In 2019, we brought plastic recycling bins to approximately 10,000 households in the Helsinki area, Tampere and Oulu. Currently 69% of SATOhomes have plastic recycling bins.

We organised 11 recycling events jointly with the Helsinki Region Environmental Services Authority (HSY), the Helsinki Reuse Centre and a recycling workshop called Miniroskistyöpaja. We also helped our residents declutter and recycle by bringing recycling skips and cages to the yards of our buildings. Some 195,000 kilos of electronics, bicycles, furniture, clothes and other items were collected in 360 recycling skips and cages. The

Helsinki metropolitan area, Tampere, Turku and Lahti were involved in these efforts.

We want to increase waste sorting in our buildings. New and renovated SATOhome kitchens are equipped with waste bins that were designed by us and which come in at least four different colours. The bins at waste collection points have the same colour coding. This also makes it easy for children to remember the proper waste bin to use when taking out the trash.

We encouraged and guided our residents to actively recycle their waste, as their actions directly affect SATO's total emission reductions. During Energy Saving Week, we informed residents of the benefits of saving water, and in late autumn we began rewarding residents who informed maintenance of leaky water fixtures with movie tickets.

COMMITTED TO CLIMATE-FRIENDLIER HOMES

We updated SATO's sustainability programme and set new goals that reach until 2022. In addition, we commit to being carbon neutral in terms of in-use emissions by 2030.

We are committed to the Energy Efficiency Agreement targets for the property sector, aiming for a reduction in the total consumption of electricity and heat of 10.5 per cent between 2015 and 2025. Efficient and sensible energy use saves costs and increases business profitability. It is one of the most important means of mitigating climate change and reducing greenhouse gas emissions. Energy efficiency agreements are an important part of Finland's energy and climate strategy.

/ CASE



SHARED SPACES FOR RESIDENTS

NOVEMBER MARKED the completion of the first building whose club room is furnished with pillows and a rug made from recycled materials. During the year under review, we reviewed the club rooms and other spaces and

focussed on making them more enjoyable to ensure that residents would make use of them. The club rooms can be used, for example, for hobbies, private parties or events for the residents' committee.

ENERGY EFFICIENCY THROUGH INVESTMENTS AND PROACTIVE MEASURES

In 2019, the standardised heating consumption of SATO's buildings decreased by 2.2 per cent, building water intensity by 0.5 per cent and specific greenhouse gas emissions decreased by 15.4 per cent in comparison with 2018. The rated consumption of electricity decreased by 0.8 per cent as the relative number of new buildings increased.

We monitor and regulate the heating of more than 17,000 SATOhomes through various IoT services. More than 6,000 measurement sensors were installed in 2019. Our buildings' heating systems are controlled by artificial intelligence, and residents can keep track of the temperature of their home via the OmaSATO online service. These systems provide us with close to two billion instances of measurement data annually, which allows us to successfully foresee problems and make repairs on a needs basis, thereby further contributing to the sustainability of our business.

During the year under review, we installed water-saving tap aerators and shower nozzles in more than 4,000 homes.

Temperature sensors reduce energy consumption by roughly 7% and the need for peak power by some 20%, in addition to which, water saving measures have reduced energy consumption by roughly 10%.

Legislation governing the energy efficiency of residential buildings requires an energy efficiency figure of 90 for new buildings. SATO is committed to building markedly more energy-efficient buildings: we target an energy efficiency figure below 81 for new buildings. We measure energy and water consumption, as well as waste volumes, for all our construction sites for new and renovated buildings that started up in and after 2018. During the review period, there were 18 ongoing construction projects. We also measure the waste from demolished sites. One building was demolished during the review period. In addition, we continue to study the possibilities of using geothermal heating in our new buildings.

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 for action planning. Energy consumption is reported monthly to SATO's Management Team. All of the electricity used in our buildings is emissions-free. Electricity did not produce any emissions because it is green electricity produced 100% by wind power.

NEW HOMES IN EXISTING URBAN ENVIRONMENTS

Complementary planning, where new buildings are built alongside or in place of existing buildings, supports not only the creation of denser urban structures in line with the objectives of master plans, but also SATO's goal of offering new rental apartments in areas where homes are in demand.

Complementary construction gives SATO good prerequisites for reducing emissions and targeting carbon neutrality.

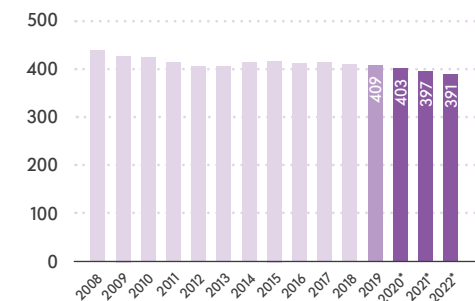
Most of our planning development projects are situated in excellent locations in terms of services and public transport, for instance, along the routes of the West Metro and the Raide-Jokeri tramline. Efficient parking solutions combined with cycling and light traffic possibilities are the basis for planning new areas.

We invest in the urban structure, for example, by acquiring plots, developing city plans, investing in public utility services and remediating soil. In 2019, our investments in infrastructure totalled EUR 40.4 (22.1) million. A precondition for the creation of balanced and socially sustainable residential areas is the construction of homes with various ownership and management forms. During the reporting year, plots in complementary planning areas developed by SATO were sold to construction companies and other partners, enabling the construction of approximately 250 owner-occupied apartments and 200 state-subsidized rental apartments thus promoting a diverse residential area and urban structure.

A LIFE-CYCLE APPROACH AND SUSTAINABLE MATERIALS

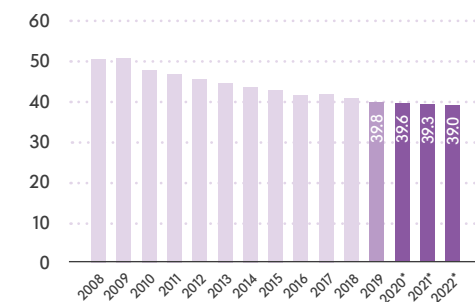
We reduce SATO's load on the environment by regularly taking care of and repairing homes and properties according to the life-cycle principle. During the year under review, we calculated the carbon footprint of two new buildings over their entire life cycle, and the experience has inspired us to continue this practice going forward.

Building water intensity, dm³/m³/a



* SATO's target

Standardised heating consumption, kWh/m³/year



* SATO's target

When we select building materials for indoor spaces, our intention is to minimise their environmental impacts and promote circular economy. At the same time, we lower the life-cycle and maintenance costs of our residential buildings and properties by investing in quality products and materials. Properly installed, long-lasting materials save natural resources, and in most cases, they can be recycled or disposed of after use.

The products we design ourselves, such as the Kide bathroom furniture line, are manufactured in a way that generates as little waste material as possible. We use recycled materials and leftover pieces and materials whenever possible.

The waste bins designed by SATO will, in future, be made from recycled plastic. A waste-bin tray will be installed in all of SATO's new and renovated buildings, just like our shower curtain rod, including the shower curtains that were designed during the reporting year. November marked the completion of the first building whose club room is furnished with pillows, a rug and a beanbag chair made from recycled materials. Going forward, we will acquire design elements and materials made from recycled materials for other public spaces in our new and renovated buildings.

ENERGY & WATER CONSUMPTION AND WASTE VOLUMES AT CONSTRUCTION SITES IN 2019*

Number of apartments	1,646
Gross floor area, m ²	117,750
Net floor area, m ²	82,622
Volume, m ³	384,888
Number of months	194
Water consumption, m ³	5,435
Water consumption, Ltr/brm ² /month	4.52
Electricity consumption, MWh	3,449
Electricity consumption, brm ² /month	2.52
District heating consumption, MWh	5,958
District heating consumption, kWh/gm ² /month	4.41
Total waste volume, t	5,808
Mixed waste, t	1,078
Wood, t	1,369
Stone, t	1,897
Concrete waste, t	429
Plaster, t	178
Energy, t	183
Metal, t	165
Other, t	264
Asbestos, t	81
Soil, t	157
Other hazardous materials, t	7

* Only applies to construction sites for new and renovated buildings that were started in or after 2018.

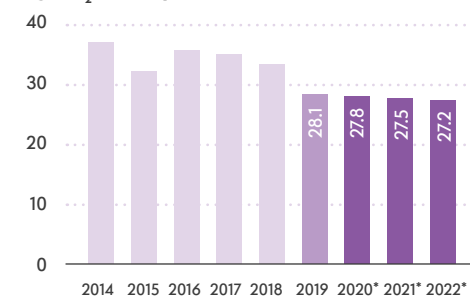
WASTE VOLUMES OF DEMOLISHED BUILDINGS

Total waste volume, t	8,681
Mixed waste, tn	270
Wood, t	7
Concrete waste, t	7,682
Metal, t	402
Other waster, t	320

OBJECTIVES OF THE SUSTAINABILITY PROGRAMME 2022

Specific consumption	Target	Reference year
Emissions	-18.5%	2018
Water	-6%	2018
Electricity	-9%	2015

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



* SATO's target

The following SATO environmental sustainability indicators have been assured by an independent third party.

ENERGY

Energy consumption within the organisation (GRI 302-1)	2016	2017	2018	2019	Change, 2018–2019	Change, % 2018–2019
Total, MWh	283,484	264,874	263,465	256,624	-6,841	-2.6%
Share of purchased energy:						
Electricity, MWh	24,531	23,624	24,285	24,243	-41	-0.2%
District heating, MWh	258,299	240,427	238,493	231,701	-6,793	-2.8%
Share of own production:						
Oil, MWh	654	823	687	680	-7	-1.0%
Building energy intensity (CRE1)	2016	2017	2018	2019	Change, 2018–2019	Change, % 2018–2019
Consumption of heating energy, adjusted for weather, kWh/rm ³ /a	41.5	41.8	40.7	39.8	-0.9	-2.2%
Consumption of electricity, kWh/m ³ /a	3.85	3.91	3.93	3.90	0.0	-0.8%

EMISSIONS

Greenhouse gas emissions (GRI 305-1, 305-2, 305-3)	2016	2017	2018	2019	Change, 2018–2019	Change, % 2018–2019
GRI 305-1 Direct greenhouse gas emissions, t CO₂-e (scope 1)	170	214	179	177	-2	-1.2%
GRI 305-2 Indirect greenhouse gas emissions*, t CO₂-e (scope 2)						
Indirect greenhouse gas emissions, t CO ₂ -e (market-based)	48,560	45,200	44,837	37,999	-6,838	-15.3%
Indirect greenhouse gas emissions, t CO ₂ -e (location-based)	52,583	49,074	48,819	41,829	-6,990	-14.3%
GRI-305-3 Other indirect greenhouse gas emissions, t CO₂-e (scope 3)	948	240	49	46	-3	-5.2%
Total emissions of greenhouse gases, t CO ₂ -e	49,768	46,339	45,064	38,222	-6,842	-15.2%

* In line with the GHG Protocol standard, a location-based emission figure has been reported for electricity consumption. The market-based figure is used in combined emission figures. The location-based figure refers to figures calculated using country-specific emission coefficients and figures calculated using electricity-supplier-specific market-based emission coefficients. Electricity does not produce any emissions because it is green electricity produced 100% by wind power.

GHG emission intensity of buildings (CRE3)	2016	2017	2018	2019	Change, 2018–2019	Change, % 2018–2019
kg CO ₂ -e/m ²	35.5	34.8	33.2	28.1	-5.1	-15.4%
kg CO ₂ -e/person	1,033.6	988.7	952.6	772.5	-180.1	-18.9%

WATER

Total water withdrawal (GRI 303-1)	2016	2017	2018	2019	Change, 2018–2019	Change, % 2018–2019
Total, 1,000 m ³	2,622	2,507	2,537	2,578	41	1.6%

All SATO properties use municipal water supply.

Building water intensity (CRE2)	2016	2017	2018	2019	Change, 2018–2019	Change, % 2018–2019
dm ³ /rm ³ /a	412	414	411	409	-2	-0.5%

WASTE

Total weight of waste from tenants (GRI 306-2 b)	2016	2017	2018	2019	Change, 2018–2019	Change, % 2018–2019
tonnes	23,985	23,573	24,124	27,269	3,145	13.0%
t CO ₂ -e	948	240	49	46	-3	-5.2%

Distribution of waste from tenants by disposal method (GRI 306-2 b)	2019, %	2019 (t)
For recycling	29.1%	7,944
For energy	57.0%	15,535
To landfill sites	0.7%	197
Composting	13.1%	3,584
Incineration without energy recovery	0%	9

Initiatives to reduce energy consumption, and their impact	2017	2018	2019
Energy efficiency investments, MEUR	1.5	1.5	1.5
GRI 302-4 Reduction of energy consumption as a result of initiatives, MWh	7,750	7,200	820
GRI 305-5 Reduction of greenhouse gas emissions as a result of initiatives, t CO ₂ -e	1,364	1,359	134

Land remediated or in need of remetiation (CRE 5)	m ²
Remediated soil	0
Soil known to be in need of remediation	2,500

WE TAKE CARE OF OUR EMPLOYEES

SATO employees carry out their work with professionalism, always putting the customer first. Openness, teamwork and the joy of succeeding together carry us to our shared goals. Genuine interaction, human to human, is at the heart of our work culture.

During the year under review, dozens of SATO employees took part in workshops in which we built the SATO of the future around a discussion of values and corporate culture. Our people-oriented culture includes many elements that SATO employees considered worth holding on to. In addition, we decided to reinforce SATO employees' courage, ownership and joy of working together. Our values were confirmed as "Human to human", "Joy of succeeding together", and "Be bold, aim high".

Our shared corporate culture and joint success were strongly present at the traditional personnel days ("Sadonkorjuupäivät"), which reinforced SATO employees' sense of belonging and gave them an opportunity to visualise the homes and cities of the future.

SATO HIGHLY RECOMMENDED AS AN EMPLOYER

In a personnel survey carried out by Accountor HR4 Oy, SATO employees described SATO as an open, laid-back and progressive employer. According to the survey, our internal employer image is strong. The majority of SATO employees would either very highly recommend or highly recommend the company to others 4.36/5. All in all, the survey ratings rose compared to the previous year, and the average rating given to

SATO as an employer was 4.24/5 (4.04/5). Cooperation between teams and the work community was also considered our strength, and received a rating of 4.17/5 (3.98/5). SATO employees cited work contents and work challenges as areas for development.

During the reporting year, we strengthened our external employer image by increasing our visibility, particularly in LinkedIn. We gathered SATO employees for LinkedIn training, and we encouraged them to also develop a work-related social media presence.

NEW SATO EMPLOYEES AND JOB ROTATION OPPORTUNITIES

In 2019, SATO hired 53 new employees, 26 of whom under permanent employment contracts. Sharam Rahi started as the company's new President and CEO in September. To accelerate the development of our digital services, we hired a new customer benefits manager. In our Rental Housing Business unit, we adopted a new and more customer-focussed operating model and hired five new building superintendents, i.e. House Experts, to take care of maintenance tasks.

We focussed increasingly on job rotation and development opportunities offered to SATO employees within our company. During the reporting year, 17 employees were assigned a new job within SATO.

WE SUPPORT A BALANCE BETWEEN WORK AND FAMILY LIFE

Together with the child-minding services of the company Stella, we arranged a three-day summer

/ CASE



OUR OPERATIONS REFLECT OUR VALUES

SATO'S Land Acquisition Manager Antti Laine and Service Manager Riikka Korhonen find SATO's **communication culture to be exceptionally open**. "It's easy to talk to people here, no matter what organisation level they work on," says Laine. Korhonen believes that an open line of communication with one's supervisor is the key to work satisfaction.

According to Korhonen and Laine, the events organised by the company and active mingling with customers nicely reflect SATO's good team spirit and 'human to human' approach. One such example is the cleaning day 'Kotitalot kuntoon' that was held during the year under review, where SATO employees helped tidy up buildings and yards in various parts of Helsinki, Tampere and Turku.

TRAININGS IN 2019

5.0

Number of training days per SATO employee, average (men 4.6/women 5.2).

1.4

Number of working days per employee spent on training provided by a third party.

5.6

Number of training days per supervisor.

3.6

Number of training days per employee.

camp for the children of SATO employees in August. In the SATO building, the children made dream homes, played games and learned about the operations of our cooperation partner Kierrä-tysrinki. The camp received positive feedback from the first-to-fourth-grade participants and parents alike. SATO supports the reconciliation of work and family life by offering a child-care service for sick children under 10 as an employee benefit.

WE TRAIN, WE LISTEN, WE INVIGORATE

SATO employees have good opportunities to develop in their work, hone their expertise and learn new things. During the year, we arranged a 'sustainability afternoon', monthly digital technology sessions, presentation training, as well as training and morning coffee events where information about SATO's business, development projects and current events was shared.

The sustainability afternoon looked at sustainability trends in construction and recycling, and SATO employees had the opportunity to measure their own carbon footprint. For the digital technology sessions, we invited some of our partners and experts to talk about the opportunities offered by digitalisation.

SATO employees took part in 5.0 training days (men 4.6/women 5.2) in 2019. Around 1.4 working days per employee were spent in training provided by a third party. The number of training days for supervisors was 5.6 days per person and for employees 3.6 days per person.

The Tarmo group, consisting of members of management and personnel, convened four times during the reporting year. The group focuses on well-being-at-work themes raised by personnel. SATO's committee for recreation and sports activities, called LiiVi, arranges activities that maintain and improve employees' work ability and which encourage employees to spend time together outside of work. Under LiiVi, close to 40 SATO employees participated in a running event for companies and working communities and cheered each other on to great results.

TIDYING UP OUR BUILDINGS

In November, all SATO employees took part in the 'Kotitalot kuntoon' event – a day dedicated to cleaning up the yards, basement storage areas and waste-collection points of our properties under the leadership of our service managers. The event was a great opportunity to meet and get to know residents, and it was a nice change from regular office work.

SAFE CONSTRUCTION SITES

Every year, we spend approximately EUR 170 million on the construction and repair of our buildings. The occupational health and safety of the people working on our construction sites and the construction of healthy and high-quality homes are extremely important to us. Occupational safety on the work sites of buildings and renovation sites commissioned by SATO is primarily the contractors' responsibility, which we, however, develop together with the contractors. We monitor compliance with occupational safety practices and we keep track of the accident frequency rate. We aim for zero accidents. In 2019, a total of 18 (7) accidents were recorded on 20 (20) SATO sites, and the rolling accident frequency rate was 25.5(18).

In 2019, we launched regular analysis and reporting of accidents occurring on construction sites.

Working hours on our construction sites amounted to roughly 705,749.

In 2019, we launched regular analysis and reporting of accidents occurring on construction sites. We continued to develop occupational safety and moisture management on our new construction

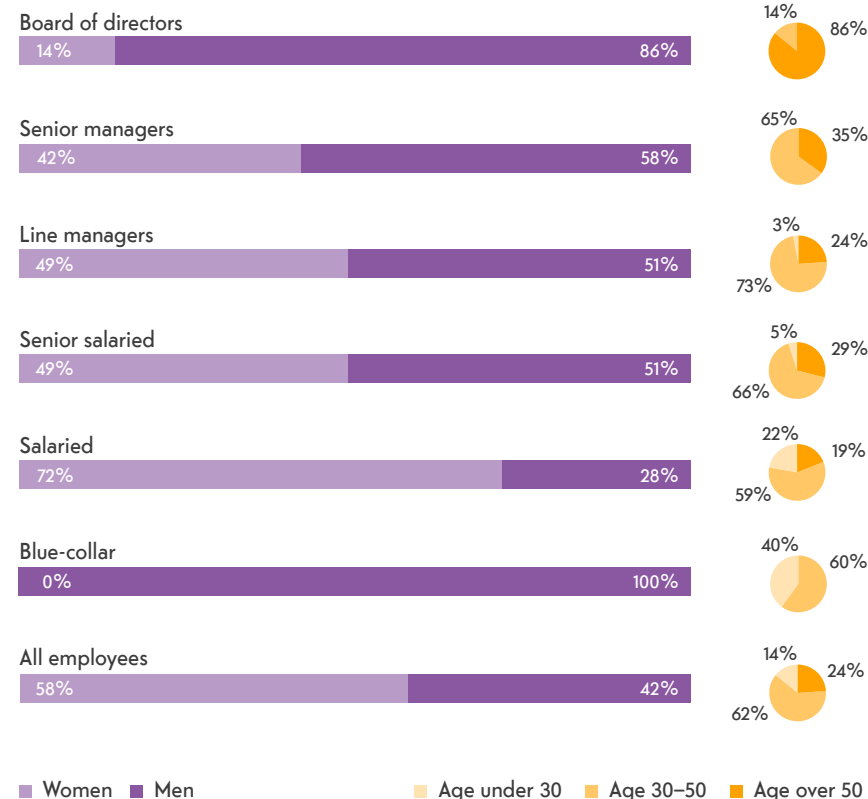
and renovation sites by appointing an occupational safety and moisture management coordinator for each site. We monitor the quality of apartment repairs carried out by our contractors by performing spot checks. We prepare six-month summary reports on the spot checks, and their results have an impact on the fees paid to contractors.

SATO'S EMPLOYMENT IMPACT 2019

Direct and indirect employment impact	Person-years
Investments in construction and renovations	2,028
Maintenance and upkeep services	652
Other purchased services	146
Personnel	214
Total	3,040

*SATO's values – Human to human,
Joy of succeeding together, and
Be bold, aim high – guide us in
everything we do.*

Gender distribution of personnel groups and board of directors, 31 Dec 2019



In 2019, 14% of SATO's personnel were under 30, 62% were between 30 and 50, and 24% were over 50. By personnel group, those under 30 were represented the most in the salaried employees group (22%) and in the senior salaried employees group (5%).

The 30–50 age group represented 65% of those working in senior management positions, 73% of supervisors, 66% of senior salaried employees, and 59% of salaried employees.

The over-50 age group was represented the most in senior management positions (35%), and in senior salaried employee positions (29%). One quarter of all supervisors and 19% of salaried employees are over the age of 50.

INFORMATION ABOUT PERSONNEL

GRI 102-8

Total number of personnel at end of 2019 (2018)

Number of personnel	permanent	fixed-term	men	women	men, %	women, %
Total 229 (218)	212 (203)	17 (15)	96 (76)	133 (142)	42%	58%
of which the number of personnel in Russia 12 (11)	10 (10)	2 (1)	3 (2)	9 (9)	25%	75%

During the year, the Group had an average of 223 (215) employees.

Total number and rates of new employee hires and employee turnover by age group, gender and region (GRI-401-1)

New employment contracts	total 53	under 30	30–50	over 50
permanent employment contracts	26	9	16	1
men	17	5	11	1
women	9	4	5	0
New fixed-term employment contracts	total 12	under 30	30–50	over 50
men	6	4	2	0
women	6	3	2	1

Summer trainees	total 15	under 30	30–50	over 50
men	10	9	1	0
women	5	5	0	0
Terminated employment contracts	total 30	under 30	30–50	over 50
permanent employment contracts	24	5	14	5
men	4	0	2	2
women	20	5	12	3
Employment contracts terminated by the employer	3			
Total personnel turnover, % (summer trainees excluded)	13.8			
Work accidents, occupational diseases, sick leave and deaths entire personnel (GRI 403-2)				
absentee rate (AR)	2.4%			
lost day rate	0.21%			

See [Sustainability concepts](#) for more information about how we calculated the figures.

WE CREATE WELL-BEING FOR OUR RESIDENTS AND SOCIETY

As a major housing provider, SATO has the opportunity to influence the well-being of a large number of people. Good neighbourly relations are important to us, as is developing SATO's services together with our customers. We participate in home- and housing-related projects, and we aim to prevent the segregation of residential areas.

During the year under review, we focussed in particular on promoting neighbourly living. We broadened the job description of our community manager, arranged yard parties for our residents and launched a neighbour mentor programme, which was piloted in 2018.

A RELIABLE AND SERVICE-ORIENTED HOUSING PROVIDER

SATO wants to be worthy of its residents' trust and to operate sustainably. Our Code of Conduct defines the actions of SATO and its employees.

We follow good rental practices and respect the privacy of our customers. We are particularly careful when processing personal information and payment data covered by privacy laws and regulations. Only designated employees are allowed to process customers' personal data, and only for predetermined purposes. During the reporting year, SATO received no complaints regarding the processing of customer data, and there was no misuse of customer information.

WE PROMOTE NEIGHBOURLY LIVING

During the year under review, we broadened the job description of our community manager.

The community manager's areas of responsibility cover promoting good neighbourly relations in our buildings, coordinating neighbour mentor activities and helping to arrange various events. The service managers for SATO's buildings help the community manager in fostering neighbourly living.

In 2019, we launched the neighbour mentor programme that was first piloted in 2018. Neighbour mentors help residents navigate day-to-day housing matters, and although the programme is coordinated by SATO, each mentor acts independently within their building or in the nearby area. Training is organised for mentors, as well as meetings where they can exchange experiences. There were 13 neighbour mentors in the Helsinki metropolitan area in December 2019, and two in Turku and three in Tampere. The intention is to expand the mentor activities in 2020.

Increasingly dense and compact urban structures create more diverse and multicultural neighbourhoods. The segregation of residential areas can affect the general well-being of neighbourhoods. SATO offers housing advisory services in different languages to help overcome daily living challenges.

RESIDENT OF THE YEAR

SATO's Resident of the Year for 2019 is Pekka Engblom of Soukka, Espoo. Pekka was actively involved in the 'SATOja makuja' potluck event in Soukka last summer. A record number of residents took part in the event. Pekka has also helped set up an RC aircraft club in SATO's club room and, together with his wife, is one of SATO's neighbour mentors.

BRAINSTORMING AND DEVELOPMENT WORK TOGETHER WITH CUSTOMERS

We interact with our customers via various channels and forums. We receive feedback regularly through customer satisfaction surveys, and we use the results to develop our activities. Our feedback procedure enables us to quickly address any problems that may arise. We collect and test new development ideas through the mobile SATO Pulssi resident panel, and in 2019 we continued to develop our digital services – sato.fi and OmaSATO – in close cooperation with our customers. Some 65 of our customers took part in our workshops and interviews and helped in testing the usability of our services.

WE PARTICIPATE IN PUBLIC PROJECTS

During the reporting year, we continued the #kämppäjaduuni project to help participants secure two of life's essentials – a home and a job – together with No Fixed Abode and 'Iisisti töihin', a project that aims to improve the employment opportunities of the disabled. Of the 20 participants, 11 are still part of the project.

We are a partner company in the 'Iisisti töihin' project of the National Institute for Health and Welfare and the Rehabilitation Foundation.

We participated in the BIORENT project, which aims to increase biowaste recycling and reduce food waste. The project was wrapped up in 2019.

/ CASE



SATO BACKYARD PICNIC

WE ORGANISED SATO backyard picnics together with our residents, where they spent a sunny day in good company, enjoying delicious food. SATO provided the setting for the event, and the residents provided the food. The backyard picnics were organised in a total of 14 yards, including in Pikku Huopalahti and Tapulikaupunki in Helsinki, in Soukka, Espoo, in Hakunila, Vantaa, in Martti, Turku, and in Härmälä, Tampere. More than 500 of our residents took part in the festivities.



/ GRI

TRANSPARENT SUSTAINABILITY REPORTING

SATO's Annual Report is also the company's Sustainability Report, now drawn up for the sixth consecutive year in line with the GRI guidelines. The aim of the Sustainability Report is to openly provide our stakeholders with information about our operations, to create value for them in the short, medium and long terms.

SUSTAINABILITY REPORTING PRINCIPLES

Sustainability is an integral part of SATO's business, and we have combined traditional annual report contents and corporate sustainability information into one integrated report. The aim of the Sustainability Report is to openly provide our stakeholders with information about our operations and our value creation.

SATO's annual Sustainability Report has now been drawn up for the sixth consecutive year in line with the GRI guidelines: GRI-G3 2014, GRI-G4

2015 and 2016, GRI Standards 2017–2018. The report has been prepared in accordance with the international Global Reporting Initiative Standards Core option. It is also compliant with the industry-specific guidelines for the construction and real estate sector (CRESS).

The report covers the universal standards of the GRI guidelines, as well as the topic-specific standards, which consist of descriptions of management practices and indicators for aspects identified as material for SATO. We have addi-

tionally reported on information related to SATO's own sustainability topics in accordance with the GRI Standards.

The boundaries for the calculation of key figures are mainly based on information concerning the SATO Group and the rental apartments it owns in Finland. Descriptions of management practices, reporting indicators and calculation boundaries are described in the management approach table. The report is published electronically in Finnish and in English.

SUSTAINABILITY BASED ON MATERIALITY

Our sustainable operating principles lay the foundation for sustainable and profitable business operations over the long term. Our sustainability reporting is based on the material aspects related to our business that have been identified in cooperation with our stakeholders and processed by SATO's Management Group. The effects of the material aspects on stakeholders are described in the sections Sustainable Business, Environment, Personnel and Customers. The comparison of the content of the report with the GRI standards is indicated in the GRI content index.

TRANSPARENT AND ASSURED INFORMATION

The information concerning environmental responsibility in the report has been assured by an independent third party. The following information has been assured by KPMG Oy Ab:

The indicators presented in the tables of the Annual Report's The Sustainable SATO/ Environment section:

- Energy (GRI 302-1, 302-4, CRE1)
- Water (GRI 303-1, CRE2)
- Emissions (GRI 305-1, 305-2, 305-3, 305-5, CRE3)
- Effluents and waste (GRI 306-2)
- Land degradation, contamination and remediation (CRE5)

Key indicators presented in GRI index table:

- Environmental compliance (GRI 307-1)
- Supplier environmental assessment (GRI 308-1)



MANAGEMENT APPROACH

Sustainable operations – Transparent operating practices, a sustainable procurement and service chain, and combating the grey economy

Approach

As a responsible, well-managed and profitable company, SATO is able to operate sustainably and transparently for the good of the economy, the environment, society and key stakeholders. Long-term partnerships benefit both parties. Combating the grey economy in the construction industry plays a key role in our procurement. We require our service providers to be registered with Suomen Tilaaajavastuu's Reliable Partner service. We report on our tax policies and our tax foot-print, and we pay taxes to Finland.

Main topics and key indicators to be reported

- Ethics and integrity (GRI 102-16, 102-17)
- Economic performance (GRI 201-1, 201-4)
- Procurement practices (GRI 204-1)
- Indirect economic impacts (GRI 203-1, 203-2)
- Anti-corruption and anti-bribery (GRI 205-3)
- Labour/management relations (GRI 402-1)
- Customer privacy (GRI 418-1)
- Environmental compliance (GRI 307-1)
- Supplier environmental assessment (GRI 308-1)
- Socioeconomic compliance (GRI 419-1)
- Land degradation, contamination and remediation (CRE5)

Objectives

- Transparent and up-to-date communications and reporting
- Combating the grey economy
- Responsible service and procurement chain

Operating principles, guidelines and policies

SATO complies with the Finnish Corporate Governance Code and with SATO's internal guidelines, principles and policies. The most important of these are the sustainability programme, the Code of Conduct, guidelines on personal data processing, guidelines on data privacy, guidelines on combating the grey economy, and procurement, financing, risk management and disclosure policies, communication and sponsorship policies, HR management principles, and the gender equality plan.

The procurement principles are written in the Code of Conduct, procurement policy and guidelines for combating the grey economy. The guidelines for preventing money laundering, related party guidelines, stakeholder policy, and cooperation agreements supplement the principles.

Evaluation of the management approach

The management approach is evaluated continuously as part of operations and the partnership management system. Changes that take place in the operating environment and within SATO are responded to by adjusting the operating principles, monitoring systems and resources. 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.

Boundaries

SATO Group and the most significant outsourced services related to building management, maintenance, repair and construction.

Customers and society with a high level of well-being – we take care of housing health and promote neighbourly living

Approach

We offer our customers a safe rental relationship and an excellent customer experience. We ensure healthy and safe living conditions, we place high importance on responding quickly and on communicating with our customers, and we develop our internal analyses and reporting. We promote interaction between residents and foster a sense of community. We increase knowledge of different cultures among our personnel, residents and partners.

Main topics and key indicators to be reported

- Approach to stakeholder engagement (GRI 102-43, 102-44)
- Indirect economic impacts (GRI 203-1, 203-2)
- Customer health and safety (GRI 416-1, 416-2)
- Customer service and satisfaction

Objectives

- People feel safe and enjoy healthy living in a SATO home.
- In SATO's buildings, neighbours respect one another.
- Cooperation with cities to prevent the segregation of areas.
- We participate in public projects

Operating principles, guidelines and policies

Housing health operating model, customer promises, service principles, partnership policy and principles, good rental practices

Evaluation of the management approach

The management approach is evaluated continuously as part of operations. Changes that take place in the operating environment and within SATO are responded to by adjusting the operating principles, monitoring systems and resources.

Boundaries

SATO Group customers

Taking care of personnel – a fair and inspiring workplace, evolving competence and occupational safety

Approach

SATO's organisation is developed in a way that ensures that our personnel's competence corresponds to business needs, now and going forward. We focus on personnel's overall well-being through good supervisory work and an inspiring work atmosphere. Personnel's ability to cope at work and occupational safety are well taken care of. We offer our employees services that promote well-being, and we promote practices that enable a balance between work and leisure time. We are committed to a high level of occupational safety in our operations and in our subcontracting chain, and we monitor occupational safety practices and related indicators.

Main topics and key indicators to be reported

- Employment (GRI 401-1)
- Labour/management relations (GRI 402-1)
- Occupational health and safety (GRI 403-1, 403-2, CRE-6)
- Training and education (GRI 404-1, 404-3)
- Diversity and equal opportunity (GRI 405-1, 405-2)
- Indirect economic impacts (GRI 203-2)

Objectives

- A positive employee experience throughout the organisation.
- SATO is seen as an inspiring and responsible workplace.
- Every SATO employee feels safe at work.

Operating principles, guidelines and policies

HR management is based on the company's values and sustainable operating principles. The objective of HR management is to ensure SATO's ability to achieve the company's strategic targets. The objectives, targets and measures of HR management are defined in the operating principles. The criteria for equal and non-discriminatory operations are expressed in SATO's Code of Conduct, HR management principles and gender equality plan. In the area of occupational safety, an emergency plan, comprehensive safety manual, activity-specific guidelines and crisis communications guidelines for various dangerous situations and accidents have been drawn up.

Evaluation of the management approach

The management approach is evaluated continuously as part of operations. Changes that take place in the operating environment and within SATO are responded to by adjusting the operating principles, monitoring systems and resources.

Boundaries

SATO Group personnel

Responding to climate change – Energy-efficient buildings and targeting carbon-neutrality, a sustainable life cycle for properties and environmental responsibility in day-to-day living

Approach	We work with our stakeholders to reduce the environmental load from living and to mitigate climate change. The biggest impact of SATO's environmental responsibility stems from improving energy efficiency and reducing emissions. SATO guides residents and increases recycling opportunities in order to reduce the volume of waste. In land acquisition and planning, we evaluate possible soil impurities, on the basis of which we implement remediation measures. When making new investments, we strive to situate the sites we build near good transport connections and public transport routes, and we encourage our residents to use public transport.
Main topics and key indicators to be reported	<ul style="list-style-type: none"> • Energy (GRI 302-1, 302-4, CRE1, CRE8) • Water (GRI 303-1, CRE2) • Emissions (GRI 305-1, 305-2, 305-3, 305-5, CRE3) • Effluents and waste (306-2) • Land degradation, contamination and remediation (CRE5) • Indirect economic impacts (GRI 203-1) • Location of investments • Maintenance and repair operations
Objectives	<ul style="list-style-type: none"> • Reduction in greenhouse gas emissions from operations and sights set on carbon neutrality by 2030 in terms of carbon dioxide emissions related to the energy consumption of properties. • Profitable construction and repair of buildings, taking environmental and health impacts into account over the full life cycle. • Supporting our residents in making sustainable choices in day-to-day living in terms of the environment.
Operating principles, guidelines and policies	SATO's investment criteria and planning guidelines determine the location of acquired plots, complementary construction projects and new investments. SATO's partnership policy and principles and sustainability programme guide the servicing and maintenance of properties. The sustainability programme was updated in 2019.
Evaluation of the management approach	The management approach is evaluated continuously as part of operations and the partnership management system. Energy reports are drawn up regularly on properties. Changes that take place in the operating environment and within SATO are responded to by adjusting the operating principles, monitoring systems and resources.
Boundaries	SATO Group and the most significant outsourced services related to building management, maintenance, repair and construction.

SUSTAINABILITY CONCEPTS

ENVIRONMENT

Concept or indicator	Definition
Initiatives to reduce energy consumption, and their impact	Energy-efficiency projects include all measures taken to conserve electricity, heat and water. The reduction in energy consumption through energy efficiency measures has been calculated from the reduction in heating energy compared to the previous year. For a reason independent of SATO's operations, the figures for May 2018 are not standardised. This partly distorts the energy savings achieved in 2019.
Objects covered by energy and water consumption monitoring	Properties in which SATO holds more than 50 per cent, 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 m³	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/m³/year	Electricity consumption per m ³ in all objects that have been rented for the entire year.
Water consumption intensity, litres/m³/year	Water consumption per m ³ in all objects that have been rented for the entire year.
Standardised heat consumption intensity, kWh/m³/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, tCO₂e	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 CO₂-e/m²/year	Greenhouse gas emissions per square metre. The emissions of properties within the scope of consumption monitoring have been expanded to apply to apartments owned on average during the 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

Concept or indicator	Definition
Total personnel turnover, %	Sum of terminated employment contracts in relation to the number of personnel for the last month of the previous year, summer jobs excluded.
Absentee rate, %	Hours of sick leave in relation to calculated working hours.
Injury rate, %	Number of accidents during the work commute and number of occupational diseases in relation to the number of employees.
Lost day rate, %	The percentage of work-related accidents and occupational diseases in relation to calculated working hours.
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	SATOs 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 SATOs 2016 cost structure.
TARMO	TARMO is a discussion forum for SATOs management and personnel, comprised of 8 employee representatives and 4 representatives of the employer and OHS representative.
LiiVi	LiiVi is SATOs committee for recreation and sports activities, comprised of 11 employee representatives and 1 representative of the employer.

CUSTOMER RELATIONSHIPS

Concept or indicator	Definition
NPS (Net Promoter Score)	Net Promoter Score (NPS) among customers. The strategic NPS is the NPS during living starting from 2017.
One-contact principle	The same customer service professional is responsible for the entire case, from the first enquiry all the way to resolution.

SATO'S GRI CONTENT

Standard	Disclosure	Location and additional information
Organisational profile		
102-1	Name of the organisation	Contact information
102-2	Primary activities, brands, products and services	SATOhomes, Actions and stories
102-3	Location of headquarters	Contact information
102-4	Location of operations	SATOhomes
102-5	Ownership and legal form	Information for shareholders
102-6	Markets served	SATOhomes
102-7	Scale of the organisation	Financial Statements
102-8	Information on employees and other workers	Personnel
102-9	Supply chain	Partners, Finances
102-10	Significant changes to the organisation and its supply chain	Key figures and highlights 2019, Report of the Board of Directors, Information for shareholders, Partners
102-11	Precautionary principle or approach	Risk management
102-12	External initiatives	Sustainability focus areas, Environment, Corporate governance statement
102-13	Membership of associations	Stakeholder cooperation
Strategy		
102-14	Statement from senior decision-maker	CEO's review
102-15	Key impacts, risks and opportunities	Impact of the operating environment, Stakeholder cooperation, Risk management
Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	Value creation and our strategy, Housing and customer service, Sustainability focus areas
102-17	Mechanisms for advice and concerns about ethics	Sustainability management
Governance		
102-18	Governance structure	Corporate governance statement, Sustainability management
102-19	Delegating authority for economic, environmental and social topics	Sustainability management
102-20	Executive-level responsibility for economic, environmental and social topics and reporting lines	Sustainability management
102-22	Composition of the highest governance body and its committees	Board of Directors, Corporate Management Group

102-23	The role of 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
102-24	Nominating and selecting the highest governance body	Corporate governance statement
102-26	The highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	Sustainable operating principles, Corporate governance statement, Rules of procedure of the Board of Directors
102-28	Evaluating the highest governance body's performance	Corporate governance statement, Rules of procedure of the Board of Directors
102-29	The highest governance body's role in the identification and management of risks and opportunities	Sustainable operating principles, Corporate governance statement, Rules of procedure of the Audit Committee
102-30	The highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics	Corporate governance statement, Rules of procedure of the Audit Committee
102-31	The frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	Risk management
102-35	The remuneration policies for the highest governance body and senior executives	Remuneration statement
Stakeholder engagement		
102-40	List of stakeholder groups	Stakeholder cooperation
102-41	Collective bargaining agreements	Personnel
102-42	Identifying and selecting stakeholders	Stakeholder cooperation
102-43	Approach to stakeholder engagement	Stakeholder cooperation, Sustainability focus areas, Customers, Personnel, Partners
102-44	Key topics and concerns that have been raised through stakeholder engagement	Stakeholder cooperation Sustainability focus areas
Reporting practice		
102-45	Entities included in the consolidated financial statements	Financial Statements
102-46	Defining report content and topic boundaries	Sustainability focus areas, Management approach
102-47	List of material topics	Sustainability focus areas, Management approach
102-48	Restatements of information	Reporting principles
102-49	Changes in reporting	Reporting principles, Management approach
102-50	Reporting period	2019
102-51	Date of most recent report	15/02/2019
102-52	Reporting cycle	Reporting principles
102-53	Contact point for questions regarding the report	Contact information
102-54	Claims of reporting in accordance with the GRI Standards	Reporting principles

102-55	GRI content index	GRI index
102-56	External assurance	Assurance report
Material topics		
	Topic-specific content is reported with regard to aspects identified as begin material	
Management approach		
103-1	Explanation of the material topic and its boundary	Sustainability focus areas, Management approach
103-2	The management approach and its components	Management approach
103-3	Evaluation of the management approach	Management approach
GRI 200 Economic performance		
Financial results		
201-1	Direct economic value generated and distributed	Key figures and highlights 2019, Finances
201-4	Financial assistance received from government	Construction and renovations, Finances SATO did not receive financial assistance from the government for renovations or new construction in 2019.
Indirect financial impacts		
203-1	Investments in local infrastructure and services	Environment
203-2	Significant indirect economic impacts	Value creation and our strategy, Personnel, Partners, Environment, Finances
Procurement practices		
204-1	Proportion of spending on local suppliers	Partners Local suppliers represent 95.5% of SATO’s purchases. Foreign suppliers represent 4.5% of SATO’s purchases.
Anti-corruption		
205-3	Confirmed incidents of corruption and actions taken	Sustainability management No incidents of bribery in 2019
GRI 300 Environmental standards series		
Energy		
302-1	Energy consumption within the organisation	Environment
302-4	Reduction of energy consumption	Environment
CRE1-sector supplement	Building energy intensity	Environment SATO reports the intensities in relation to apartment cubic meters.
CRE8-sector supplement	Sustainability certification for buildings	Sustainability focus areas, Environment

Water		
303-1	Total water withdrawal by source	Environment
CRE2-sector supplement	Building water intensity	Environment SATO reports the intensities in relation to apartment cubic meters.
Emissions		
305-1	Direct greenhouse gas (GHG) emissions (Scope 1)	Environment
305-2	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Environment
305-3	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Environment
305-5	Reduction of greenhouse gas (GHG) emissions	Environment
CRE3-sector supplement	Greenhouse gas emissions intensity from buildings	Environment
Effluents and waste		
306-2	Total weight of waste by type and disposal method	Environment The total amount of waste includes non-hazardous waste generated by residents. The amount of waste from SATO's own operations is marginal.
SATO	Enhance the sorting of waste from residents	Environment
SATO	Communication on the environment and open data	Environment
Environmental compliance		
307-1	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Sustainability management No fines or sanctions in 2019
Supplier environmental assessments		
308-1	Percentage of new suppliers that were screened using environmental criteria	Environment In line with our auditing process, we require that the environmental responsibility procedures of our new suppliers are fully adequate. 4% of SATO's suppliers have been audited.
Sector aspect: Land degradation, contamination and remediation		
CRE5-sector supplement	Land remediated or in need of remediation	Environment Soil contamination is the result of the actions of 3rd party.
SATO's own material topic: Location of investments		
SATO	Public transportation	Environment, Property development
SATO's own material topic: Property maintenance		
SATO	Maintenance and repair operations	Environment, Construction and renovations

GRI 400 Social standards series

Employment

401-1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Personnel
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Employee-employer relations

402-1	Minimum notice periods regarding operational changes	The Act on Co-operation within Undertakings (334/2007) applies to corporate restructuring in Finland. In all of its countries of operation, SATO complies with the local statutory periods (1–6 months)
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Occupational health and safety

403-1	Workers representation in formal joint management-worker health and safety committees	Personnel
403-2	Injuries, occupational diseases, lost days and absenteeism, work-related fatalities	Personnel, Partners Number of accidents during the work commuting in relation to a number of other occupational accidents are not known.
CRE6-sector supplement	Percentage of the organisation operating in verified compliance with an internationally recognized health and safety management system	The figure would be material in terms of the supply chain, but it is not available.

Training and education

404-1	Average hours of training per year per employee by gender, and by employee category	Personnel
404-3	Percentage of employees receiving regular performance and career development reviews	Applies to all employees; the personal data on employees in St. Petersburg is not in the system due to Russian data privacy legislation.

Diversity and equality

405-1	Diversity of governing bodies and personnel groups	Personnel
405-2	Equal remuneration of women and men	Personnel

Customer health and safety

416-1	Assessment of the health and safety impacts of product and service categories	Customers
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Customers

Customer privacy

418-1	Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Customers
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Socio-economic compliance

419-1	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Corporate governance statement No fines or sanctions in 2019
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SATO's own material topic: Customer service and satisfaction

	Multilingual customer service and communication	Customers, Housing and customer service
	Promoting a sense of community	Customers

INDEPENDENT ASSURANCE REPORT

TO THE MANAGEMENT OF SATO CORPORATION

This document is an English translation of the Finnish report

We were engaged by the Management of SATO Corporation (hereafter "SATO") to provide limited assurance on SATO's environmental data presented in SATO's Annual Report and Sustainability Report 2019 for the year ended Dec 31, 2019 (hereafter "Environmental Data").

The Environmental Data subject to assurance consists of the following indicators;

- The indicators presented in the tables of "The sustainable SATO/Environment" section in the Annual Report: Energy (GRI 302-1, 302-4, CRE1), Water (GRI 303-1, CRE2), Emissions (GRI 305-1, 305-2, 305-3, 305-5, CRE3), Waste (GRI 306-2), and Land remediated and in need of remediation (CRE5).
- The indicators presented in the table of "GRI index" section in the Annual Report: Environmental compliance (GRI 307-1) and Supplier environmental assessment (GRI 308-1).

Management's responsibilities

The Management of SATO is responsible for the preparation and presentation of the Environmental Data in accordance with the reporting criteria, i.e. *GRI Sustainability Reporting Standards*, and the information and assertions contained within it; for determining SATO's objectives in respect of sustainable development performance and reporting, including the identification of stake-

holders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our assurance engagement on Environmental Data in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board IAASB. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Environmental Data is free from material misstatement.

KPMG Oy Ab applies International Standard on Quality Control ISQC 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants IESBA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Procedures performed

A limited assurance engagement on Environmental Data consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Environmental Data, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included for example:

- Interviews with relevant staff responsible for providing the information in the Environmental Data;
- An assessment of the Environmental Data's conformity with the principles of the *GRI Sustainability Reporting Standards* for defining content and reporting quality;
- An assessment of data management processes, information systems and working methods used to gather and consolidate the presented Environmental Data, and a review of related internal documents;
- Testing of Environmental Data accuracy and completeness through samples from information systems and original numerical information.

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. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the informa-

tion being examined. Therefore, fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement is not prepared, in all material respects, in accordance with the reporting criteria *GRI Sustainability Reporting Standards*.

Helsinki, 4 March 2020
KPMG Oy Ab

Tomas Otterström
Partner, Advisory



GOVERNANCE

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SUSTAINABILITY SHOWS IN OUR DAILY WORK

Sustainability is evident in our day-to-day work in many ways. Our operations are based on legislation and our values and guidelines. We comply with approved international accounting standards and the Finnish Corporate Governance Code in general reporting. In sustainability reporting, we comply with the GRI framework and SATO's own guidelines and principles.

SATO's most important guidelines and principles include its Code of Conduct, values, sustainability programme and guidelines for combating the grey economy, as well as its procurement, financing, risk management and disclosure policies and its HR management principles. SATO's operating principles, guidelines and policies are described in [the management approach table](#).

SUSTAINABILITY MANAGEMENT

The Group's Management Team processes all key corporate management matters, such as those related to the Group's strategy, budget, investments, operational planning and financial reporting. The Management Team also carries out the Board's decisions. SATO's organisational units have their own management teams, which are responsible for the preparation and execution of matters.

The Group's Director of Marketing and Communications is responsible for sustainability issues in the Management Team. SATO's sustainability work is planned and coordinated by the sustainability working group, which meets four to six times a year and is coordinated by the corporate responsibility advisor. The working group is responsible for preparing the main guidelines and determining the target level for sustainability work, in addition to preparing a proposal for the action plan. It is also responsible for sustainability communications within SATO in cooperation with the communications department, and for preparing proposals concerning sustainability matters for the Group's Management Team. Practical measures and development goals related to sustainability are included in the action plan of each of SATO's units. The sustainability working group monitors the implementation of these measures and the achievement of these goals.

Our operations are based on legislation and our values and guidelines.



WE PREVENT RISKS

The purpose of risk management is to advance the fulfilment of SATO's strategic and business objectives. We assess opportunities and threats that arise in our operations in relation to our set objectives. We also ensure the continuity of our operations, produce information to support business decisions and maintain the organisation's understanding of the opportunities and uncertainties of our 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.

OUR APPROACH

We have laid down responsibilities for evaluating and monitoring the realisation of recognised

The purpose of risk management is to advance the fulfilment of SATO's strategic and business objectives.

risks. When required, we initiate risk management measures with the goal of preventing risks from being realised or to enhance the monitoring of a certain area. Management can also be strengthened by preparing operating models for various risk situations.

We continuously monitor changes in situations and the sufficiency of management on both the Group level and by the persons responsible for each risk area.

RISK MANAGEMENT SYSTEM

Risk evaluations and risk management

Key guidelines

- Decision-making model and authorisations
- Financial policy
- 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 disturb the development of towns and 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
The impact of economic development on price trends and the demand for apartments	A risk that the development of Finland's economy will impact housing price trends. A risk that market demand decreases significantly, resulting in a decrease in the value of SATO's housing portfolio.	<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/microlocation strategy
Reputation risk	A risk that SATO's reputation is damaged, for example, due to non-compliance with personal data protection regulations, due to partners not operating in the manner required by SATO, or due to neglected repairs causing health problems among customers. A risk that SATO does not operate responsibly 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"> • Compliance with the data protection policy in transactions carried out by the company and its partners • Expansion of the Customer First service model to partner activity • Regular updating of the long-term repair plan and compliance with the plan • Operating according to SATO's sustainability programme and focusing on themes that are estimated to be material based on the stakeholder dialogue. • 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
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
Risks related to data systems, or cyber threats	A risk that SATO's data systems are incapable of offering the usability, functionality or services required for business. 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 the wrong hands and/or is misused.	<ul style="list-style-type: none"> • Actively updating the overall architecture • Renewal of data systems to meet business needs • 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 meet SATO's financing needs in the medium term. Key risks include difficulties in the availability and price of bank financing due to developments in the market environment, and a decrease in demand in the domestic and global bond market.	<ul style="list-style-type: none"> • Diversified financing • Sufficient financial reserves • IG credit rating

CORPORATE GOVERNANCE STATEMENT 2019

The governance of SATO Corporation (hereinafter "SATO" or "the Company") is based on Finnish legislation and SATO's articles of association. As of 1 January 2020, the Company also complies with the recommendations of Corporate Governance Code issued in 2020 issued by the Finnish Securities Market Association (excluding the procedure for the remuneration of President and CEO as defined in recommendation 22) as well as SATO's internal instructions. This statement concerns year 2019 when the Corporate Governance Code 2015 was in force. The Corporate Governance Code is available on the website of the Finnish Securities Market Association www.cgfinland.fi.

Since SATO's shares are not publicly listed, the legislation does not require that SATO has neither the remuneration policy nor the remuneration report as further defined in the Corporate Governance Code. SATO will not compose the abovementioned documents, but it drafts a remuneration statement in accordance with Corporate Governance Code 2015. The parent company of SATO, Fastighets AB Balder, is a listed company in the Stockholm Stock Exchange and it will draft the instructions, policies and reports regarding the remuneration required by the Swedish legislation and Corporate Governance Code from time to time. Those documents may include also information regarding the remuneration of SATO's governing bodies.

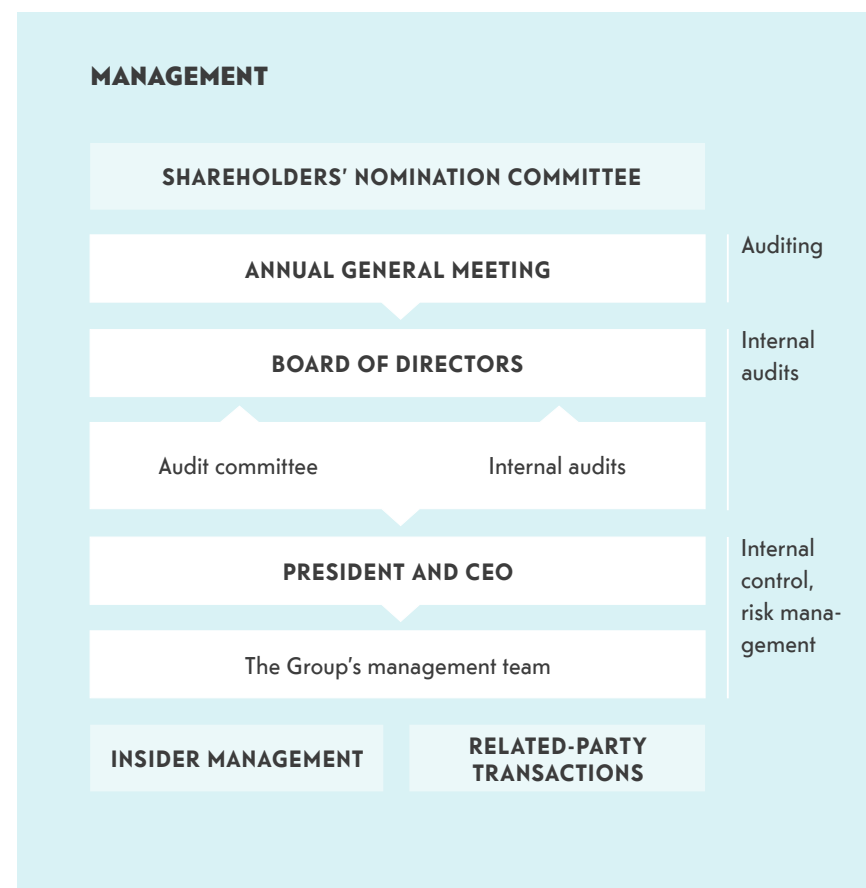
SATO has issued corporate bonds, which are listed on the Helsinki stock exchange or Irish stock exchange, and the Company complies with their rules and regulations for listed bonds as well as EU's Market Abuse Regulation, securities markets legislation and the regulations of supervisory authorities.

SATO draws up its consolidated financial statements as well as interim reports and half year financial 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 the appropriateness of the methods used to assess the values.

This statement is being published separately from the annual report of the Board of Directors. The audit committee of the board has handled the statement in its meeting.

DESCRIPTIONS CONCERNING CORPORATE GOVERNANCE

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 assistance of the Corporate Management Group. Internal audit subordinate to the Board of Directors is responsible for internal auditing and auditors are responsible for the external auditing.



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 Limited Liability Companies Act.

The annual general meeting decides on the matters due to it under the Finnish Limited Liability 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 Limited Liability Companies Act, such as share issues, acquisition of the Company's own shares and amendments 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 Limited Liability 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 Limited Liability

Companies Act also contains regulations concerning nominee-registered shareholders.

In order to ensure the dialogue between shareholders and Company bodies and to fulfil 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 April 2019. A total of 16 shareholders attended the meeting, representing 91.3% of the Company's shares and votes. The minutes of the annual general meeting can be found on the Company's website, <https://www.sato.fi/en/sato-company/yhtiokokous>.

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, <https://www.sato.fi/en/sato-company/tyojarjestykset>.

The Committee's term of office begins in October each year, when the largest shareholders have nominated 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 shareholders' Nomination Committee consists of the representatives of SATO's four largest shareholders, which have been registered in the book-entry system on 1 October and which accept the position. If a shareholder does not use its right of nomination, the right transfers to the next largest shareholder. The fourth largest shareholder of the Company, State Pension Fund, has not used its nomination right so the nomination right has transferred to the fifth largest shareholder, Finnish Construction Trade Union.

The Chair of the Company's Board of Directors serves as a specialist member of the Committee. The Committee elects one of its members to serve as Chair.

The representatives of the following shareholders have been nominated as members of the Committee:

Balder Finska Otas AB
(30,992,806 shares, 54.6%)

Erik Selin, chairman

See further information about the member below in section "Board of Directors"

Stichting Depositary APG Strategic Real Estate Pool (12,811,647 shares, 22.6%)

Hans Spikker

See further information about the member below in section "Board of Directors"

Elo Mutual Pension Insurance Company
(7,233,081 shares, 12.8%)

Hanna Hiidenpalo, Master of Economics, born 1966

Chief Investment Officer, Elo Mutual Pension Insurance Company

- No shareholdings in SATO Group companies

Finnish Construction Trade Union
(619,300 shares, 1.1 %)

Matti Harjuniemi, Bachelor of Arts, born 1958
Chairman, Finnish Construction Trade Union

- No shareholdings in SATO Group companies

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 of 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 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. 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 annual general meeting on 3 April 2019 elected seven members to the Board of Directors. All the elected members also acted as members of the Board prior to the annual general meeting. The shareholdings of the members of the Board are presented as on 31 December 2019.

Elected as chairman of the Board of Directors was Erik Selin degree in business economics
b. 1967, Managing Director, Fastighets AB Balder Swedish citizen

- no shareholdings in SATO Group companies
- in controlled corporations no shareholdings in SATO Group companies
- Erik Selin Fastigheter AB (100 % controlled by Erik Selin) owns 57,210,900 B-shares and 8,309,328 A-shares in Fastighets AB Balder which represents 36,4 % of the share capital and 49,9 % of votes. Erik Selin is the member of the Board of Directors and CEO in Fastighets AB Balder. Fastighets AB Balder is the ultimate parent company of SATO Corporation.

Elected as members of the Board of Directors were Marcus Hansson M.Sc. (Econ)
b. 1974, CFO, Fastighets AB Balder Swedish citizen

- no shareholdings in SATO Group companies
- in controlled corporations no shareholdings in SATO Group companies
- Marcus Hansson owns 156,500 B-shares in Fastighets AB Balder

Jukka Hienonen, M.Sc. (Econ.)
b. 1961, professional board member Finnish citizen

- no shareholdings in SATO Group companies
- in controlled corporations no shareholdings in SATO Group companies

Esa Lager, LL.M., M.Sc. (Econ.)
b. 1959, professional board member Finnish citizen

- no shareholdings in SATO Group companies
- in controlled corporations no shareholdings in SATO Group companies

Tarja Pääkkönen, D.Sc. (Corporate strategies), M.Sc. (Construction)
b. 1962, professional board member Finnish citizen

- no shareholdings in SATO Group companies
- in controlled corporations no shareholdings in SATO Group companies

Johannus (Hans) Spikker, Economic Geography, University of Amsterdam
s. 1959, Senior Portfolio Manager Real Estate Europe, APG Asset Management, The Netherlands Dutch citizen

- no shareholdings in SATO Group companies
- in controlled corporations no shareholdings in SATO Group companies

Timo Stenius, .Sc. (Constr. Eng.),
b. 1956, Director, Unlisted investments (real estate, infrastructure, private equity and private debt Elo Mutual Pension Insurance Company Finnish citizen

- no shareholdings in SATO Group companies
- in controlled corporations no shareholdings in SATO Group companies

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 significant 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 2019, the Board of Directors convened on ten meetings. An average of 92.9 % 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 10/10, Marcus Hansson 10/10, Jukka Hienonen 10/10, Esa Lager 10/10, Tarja Pääkkönen 9/10, Hans Spikker 8/10 and Timo Stenius 8/10.

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, <https://www.sato.fi/en/sato-company/tyojarjestykset>.

In addition to matters for decision, the Board of Directors receives up-to-date information on the Company's operations, financial position and risks at its 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:

- confirmation of the Group's business strategy and monitoring its implementation
- confirming and monitoring the annual budget and the business plan
- dealing with the financial statements and report of the Company's Board of Directors as well as the interim reports and half year financial reports
- confirming the Company's dividend policy
- organization and supervision of risk management, internal control and internal audit
- decisions regarding SATO Group's financing
- decisions on significant investments and divestments.

The Board of Directors also appoints and dismisses the Company's President and CEO and, when necessary, his/her deputy, as well as the members of the Corporate Management Group, and determines the terms of their employment and of their term of office as well as their remuneration schemes.

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

The diversity of the Board of Directors supports the Company's business, its development and thus the success of the Company. 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.

While preparing a proposal for the annual general meeting concerning the number of Board members and the persons to be elected as members and Chair the Nomination Committee must take into account the requirement for diversity. The Committee must evaluate the requirements set for the number of the members of the Board, their competence in any given situation and must also evaluate the experience of the Board members, their knowledge of SATO's business, education and distribution of age and gender. A member of the Board of Directors must have the possibility to spend sufficient time on Board work. The number of Board members must be a sufficient. Board members must have different skills to support the implementation of the Company's current strategic targets. To support and challenge SATO's management from various perspectives is also one of Board's key tasks.

The requirements for diversity has been implemented in the composition of SATO's Board of Directors. The education and experience of the members of SATO's Board supplement and

support that of other members. Each member of SATO's Board has a degree in technology, in business or economics or a Master of Laws degree. Board members have experience in management functions and board memberships in significant companies and of companies operating internationally. A wide experience in housing investment, financing and consumer business is represented in SATO's Board. Both genders (one woman and six men) are represented on the Board of Directors and the span of ages ranges from 45 to 63. The term of office of the Board members has lasted five years on average.

The committees of the Board of Directors

At the organisational meeting held after the annual general meeting, the Board of Directors appoints annually 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 SATO's website <https://www.sato.fi/en/sato-company/tyojarjestykset>.

Serving on the Audit Committee in 2019 were Marcus Hansson as Chair and members Esa Lager,

Hans Spikker and Timo Stenius. All members have been independent of the Company. Esa Lager is also independent of the significant shareholders. An average of 75 % of the members of the Audit Committee attended the committee meetings. Members of the Audit Committee participated in the meetings as follows: Marcus Hansson 3/3, Esa Lager 3/3, Hans Spikker 2/3 and Timo Stenius 1/3.

Serving on the Nomination and Remuneration Committee in 2019 were Chair Erik Selin and members Jukka Hienonen and Tarja Pääkkönen. All the members are independent of the Company and Tarja Pääkkönen and Jukka Hienonen are also independent of the significant shareholders. The members of the committee attended all the committee meetings, three meetings in the total.

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.

As of 1 September 2019, SATO's President and CEO is Sharam Rahi, who is also the Vice CEO of

Fastighets AB Balder. Until 31 August 2019 SATO's President and CEO was Saku Sipola, M.Sc. (Tech.).

The Corporate Management Group

The Corporate Management Group assists the President and CEO in the planning and management of operations and decision-making. The Corporate Management Group deals with all key issues for the management of SATO 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 has no authority under law or the articles of association; it serves as a body to assist the President and CEO. The shareholdings of the members of the Corporate Management Group are presented as on 31 December 2019.

31 December 2019 the Corporate Management Group consisted of

Sharam Rahi, President and CEO, Chair of the Management Group

(as of 1 September 2019)

b. 1973 (Swedish citizen)

- no shareholdings in SATO Group companies
- in controlled corporations no shareholdings in SATO Group companies
- Sharam Rahi owns 737,822 B-shares in Fastighets AB Balder. His controlled corporation owns 788,879 B-shares in Fastighets AB Balder

Antti Aarnio, Vice President, Investments

b. 1972, M.Sc. (Tech.)

- no shareholdings in SATO Group companies
- in controlled corporations no shareholdings in SATO Group companies

Antti Asteljoki, Vice President,

Rental Housing Business

b. 1974, M.Sc. (Econ.)

- no shareholdings in SATO Group companies
- in controlled corporations no shareholdings in SATO Group companies

Miia Eloranta, Director,

Marketing and Communications

b. 1973, M.Pol.Sc.

- no shareholdings in SATO Group companies
- in controlled corporations no shareholdings in SATO Group companies

Markku Honkasalo, CFO

b. 1964, LL.M., eMBA

- no shareholdings in SATO Group companies
- in controlled corporations no shareholdings in SATO Group companies

The Corporate Management Group convenes once every two weeks. In addition convenes the Wide Corporate Management Group when also the General Counsel; VP, Human Resources and CDO attend the meetings. The focus areas of the Corporate Management Group were in year 2019 the improvement of customer satisfaction, occupational health and safety as well as development of digital operational environment. The Corporate Management Groups convened 29 times in 2019. In addition, management groups operate in

different areas of business and financing having focus on the monitoring, development and supervision of its own field of business.

DESCRIPTIONS OF INTERNAL CONTROL PROCEDURES AND THE MAIN FEATURES OF RISK MANAGEMENT SYSTEMS

Overview of the risk management systems

SATO's risk management is based on the 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 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.

Overview of 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. In addition, SATO's activities are steered

by SATO's internal instructions such as [Code of Conduct](#). SATO's priority is that each person working for SATO Group is acquainted with rules and regulations regarding his/her own tasks and follows them. SATO organizes regularly training about internal instructions and it is an essential part of introduction for work.

The Group's internal control systems serve i.a. 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. Each of SATO's units has its own controller function to assure that the financial reporting meets with Group's instructions.

Responsibility for the arrangement of internal control is held by the Board of Directors and by the President and CEO who implement the resolutions of the Board. Board members are sent regularly report on the Group's financial position 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.

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.

OTHER INFORMATION TO BE PROVIDED IN THE CG STATEMENT

Internal audit

Internal audit supports the Board of Directors in performing its duty of supervision. Internal audit acts in accordance with the annual plan approved by the Audit Committee of the Board. Audit

objects are elected in accordance with the Group's strategic targets, estimated risks and focus areas. In year 2019 the internal audit conducted four wide audits.

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 aim of the internal audit is to give reasonable reliability of the correctness of financial and business reporting, the appropriate management of Company's assets and the legality of Company's activities. In addition, the internal audit aims to promote the development of the risk management. The person liable for the internal audit reports to the Chief Financial Officer (as the member of the organisation) and the findings of internal audit to the President and CEO as well as to the Audit Committee of the Board.

Related party transactions

Persons as defined in detail in the SATO Corporation Related Party Instructions must report the related party transactions to the Company in writing.

The report must be submitted for approval prior to completing the related party transaction. In the case of major transactions, the Board of Directors will decide 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. No approval is required in case of ordinary contracts concerning lease of apartments.

In consideration 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 EU's Market Abuse Regulation (596/2014, "MAR"), the Finnish Securities Markets Act and they comply with the standards of the Financial Supervisory Authority and the guidelines of the Helsinki and Irish stock exchanges where these apply to an issuer of listed bonds.

The insider guidelines include, among other things, guidelines concerning trading in SATO's financial instruments. SATO has no permanent insiders and it does not maintain a list of permanent 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 issued bonds.

In SATO managers (as specified in MAR) are the members of the Board of Directors and the President and CEO. SATO maintains a list of them and persons closely associated to them according to MAR. SATO's managers are prohibited from trading in SATO's financial instruments during the closed period starting 30 days prior to the publication of SATO's financial statement or interim report and ending at the closing of the publication day. Also persons who participate in the preparation of the financial statements or interim reports or their publication are prohibited from trading in SATO's financial instruments during the closed period. A separate record is maintained of these persons. Managers and their closely associated persons must notify SATO and Finnish Financial Supervision Authority of all transactions conducted by SATO's financial instruments within three working days of the transaction.

Audit

The annual general meeting elects a single auditor for the Company, which must be an audit firm approved by the Finnish Patent and Registration Office. The auditor's term of office is the financial year and its duties end at the closing of the annual general meeting following the one at which it was elected.

The auditor for the financial year 1 January to 31 December 2019 was Deloitte Oy with Eero Lumme, M.Sc. (Econ.), APA as the auditor in charge. The audit examines the accounts, financial statements and administration of the Company and group.

In 2019, the auditor Deloitte Oy was paid auditing fees of EUR 199,000, fees for other assignments related to auditing EUR 82,000 and for other services EUR 9,000 (including all companies belonging to the same group or chain).

REMUNERATION STATEMENT

MEMBERS OF SATO'S BOARD OF DIRECTORS

Decision-making procedure

Remuneration payable to the members of the Board of Directors of SATO Corporation (hereinafter "SATO") is resolved by the SATO'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 ("AGM") held on 3 April 2019 made the resolution that the following annual remuneration be paid for the term starting at the close of the AGM and ending at the close of the AGM in year 2020:

- 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 the fees paid to members of the Board of Directors during the previous term of office.

Fees paid to members of the Board of Directors in 2019

The following fees were paid to members of SATO's Board of Directors during the financial period of 1 January–31 December 2019:

Erik Selin, chairman of the Board of Directors	EUR 42,500
Jukka Hienonen, deputy chairman of the Board of Directors	EUR 28,500
Marcus Hansson	EUR 24,500
Esa Lager	EUR 24,500
Tarja Pääkkönen	EUR 24,000
Johannus (Hans) Spikker	EUR 22,500
Timo Stenius	EUR 22,500

A total of EUR 189,000 was paid in fees to members of the Board of Directors in 2019. During the financial period, no shares or share-based rights were issued to members of the Board of Directors as fees.

THE PRESIDENT AND CEO AND OTHER MANAGERS OF THE GROUP

Decision-making procedure

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 of SATO's President and CEO and employment of the members of the Group's management team. Board of Directors also makes resolution on their salaries, the criteria of annual bonus schemes and long-term incentive schemes, as well as the amount of bonuses payable based on the schemes, the payment method and date.

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

The President and CEO's service contract

A written service contract has been signed between SATO and its President and CEO Sharam Rahi, according to which the President and CEO receives a monthly salary divided into a monetary component and customary fringe benefits. The President and CEO is within the scope of the annual bonus and long-term incentive schemes in case the board of directors so decides

The period of notice for the President and CEO is six months if the service contract is terminated by the President and CEO. Since the CEO service contract has been signed only for the period of recruitment of the permanent CEO, no specific notice period shall be followed and no severance pay will be paid to the President and CEO will in case SATO terminates the service contract.

REMUNERATION SCHEMES

The objective of 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 the long-term financial success.

In 2019, the following incentive scheme concerning year 2019 was effective in SATO:

Members of the Group's management team and separately appointed key individuals of the Group are within the scope of an annual bonus scheme. The joint objectives defined for year 2019 were related to the Group's profit and the value development of the company. In addition, targets

related to the successful performance of own tasks were set for individuals within the scheme.

The Board of Directors approves the criteria for annual bonuses, the individuals within the scope of bonus scheme and the payment of bonuses. The annual bonuses are paid in two parts: first part in the year following the earnings period and the second part two years after the earnings period for those individuals employed by SATO at the moment of payment.

SALARIES AND FEES PAID TO THE PRESIDENT AND CEO AND MEMBERS OF THE GROUP'S MANAGEMENT TEAM IN 2018

For the period starting on 1 September 2019 President and CEO Sharam Rahi received EUR 103,000 in salary, of which monetary salary accounted for EUR 102,920 and fringe benefits made up EUR 80. For the period ending on 31 August 2019 the President and CEO Saku Sipola received EUR 221,434 in salary, of which monetary salary accounted for EUR 210,119 and fringe benefits made up EUR 11,315. In addition, the President and CEO Saku Sipola was paid bonuses for year 2018 EUR 258,855 and on the basis of previous long-term incentive schemes EUR 49,394. Since President and CEO Saku Sipola's service contract was expired on his own initiative, no severance pay was paid to him.

In 2019, other members of the Group's management team received EUR 644,496 in salaries and fringe benefits, EUR 27,914 in bonuses based on long-term incentive schemes, and EUR 522,305 in bonuses based on the annual bonus scheme. In addition to the President and CEO, the Group's management team consisted of four individuals.

BOARD OF DIRECTORS



ERIK SELIN

born 1967, Business school economist, CEO and Board Member, Fastighets Ab Balder, Board member since 2015, Chairman of the Board since March 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, Hedin Bil: member of the Board of Directors, Ernström & Co: member of the Board of Directors



MARCUS HANSSON

born 1974, M.Sc.(Econ.), CFO, Fastighets Ab Balder, Board member since March 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, Husvärden AB: Member of the Board, SHH Bostad AB: Member of the Board



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

Juuri Partners Oy: Chairman of the Board of Directors, Stockmann Oyj Abp: Chairman of the Board of Directors, Silmäasema Oyj: Chairman of the Board of Directors, Hartela Oy: Chairman of the Board of Directors, Silmäasema Oyj: Chairman 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

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, Stockmann Oyj: member of the Board of Directors

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

United Bankers Oyj: member of the Board of Directors and member of Remuneration Committee, 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, GRK Infra Oy: member of the Board of Directors, Qentinel Oy: member of the Board of Directors, Spinverse Oy: member of the Board of Directors, Mobile software company Sunduka Oy: member of the Board of Directors, "CTO of the Year": member of the jury, member of Marketing Executives Group Inc and Director's Institute Finland



JOHANNUS (HANS) SPIKKER

born 1959, Economic Geography, University of Amsterdam, Senior Portfolio Manager Real Estate Europe, APG Asset Management, Amsterdam, The Netherlands, Board member since 2017, independent of the Company, non-independent of the main shareholders

Primary working experience

Senior Portfolio Manager Real Estate, Structured Investments, Pensionfund PGGM, 1997–2007, Asset manager German real estate, SPP Investment Management, 1994–1997, Property manager commercial real estate Germany, Shell Pensionfund 1991–1994, Market researcher MAB Groep BV, a Dutch property development company, 1986–1991

Main positions of trust

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TIMO STENIUS

born 1956, M.Sc. (Constr. Eng.), Director, Unlisted investments (real estate, infrastructure, private equity and private debt) 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 5.7 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 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, Exilion Capital Oy: member of Board of Directors

CORPORATE MANAGEMENT GROUP



SHARAM RAHI

President and CEO
born 1973, has worked for SATO since 2019

Primary working experience

Fastighets AB Balder, vice President since 2005

Main positions of trust

Member of the Board for several Balder companies, Serena Properties AB, AMA Group I Borås AB, SHG Courthotel Lindhagensplan AB, Viared Stormen 1 AB, Guldfiber AB, Skaven Förvaltning AB, Bronsporten Invest AB

Until 31 August 2019 SATO's President and CEO was Saku Sipola, M.Sc. (Tech.).



ANTTI ASTELJOKI

Vice President/Rental Housing Business
born 1974, M.Sc.(Econ.), has worked for SATO since 2016, until 4 February 2020

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



ANTTI AARNIO

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

Primary working experience

SATO Corporation: 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 Corporation, Housing investments: 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

CORPORATE MANAGEMENT GROUP



MIIA ELORANTA

Director of Marketing and Communications
born 1973, M.Soc.Sc., 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

Member of the Editorial Board for Locus magazine



MARKKU HONKASALO

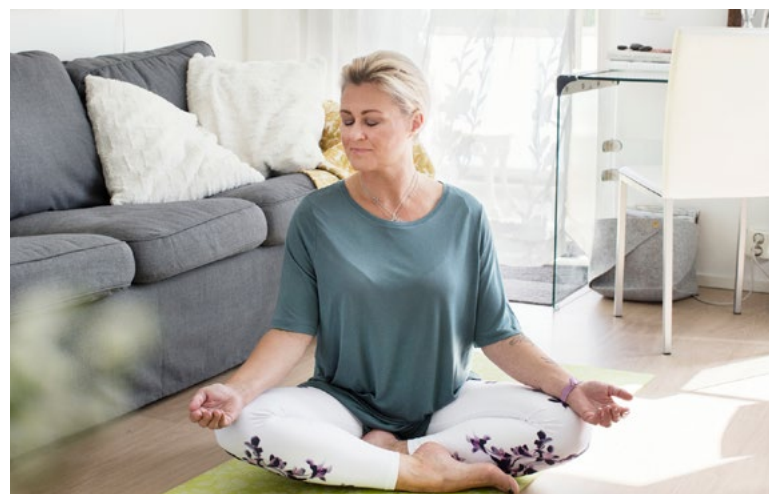
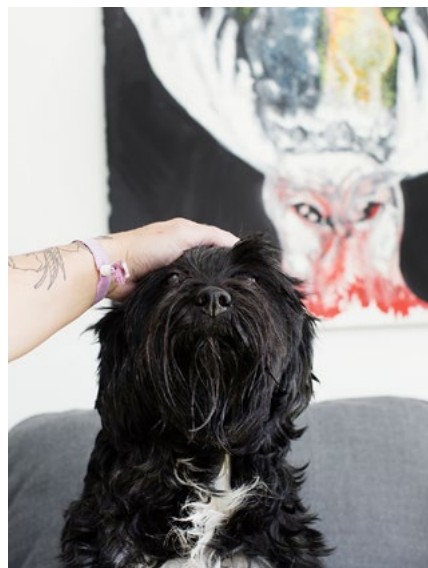
Chief Financial Officer
born 1964, LL.M., eMBA, has worked for SATO since 2016

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



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REPORT OF THE BOARD OF DIRECTORS

1 JANUARY–31 DECEMBER 2019

OPERATING ENVIRONMENT

SATO's operating environment is defined by strong urbanisation and growth in the popularity of rental housing. In the Helsinki metropolitan area, Tampere and Turku, nearly half of the permanently occupied apartments are already made up of rental apartments.

Finland's economic growth is projected to decelerate clearly and, for 2019, is expected to remain well below two per cent. Consumers' expectations weakened, particularly with respect to Finland's economic development and employment situation.

Dense urban living along good public transport connections is becoming increasingly popular in Finland. The Helsinki metropolitan area, Tampere and Turku continue to enjoy strong growth, while according to Statistics Finland's population projection, Finland's population will start decreasing in 2031. The Helsinki metropolitan area is expected to grow by well over 200,000 new residents by 2040. Close to 80 per cent of the area's residents already live in one- to two-person homes, and the amount of small households continue to increase. As a result of immigration, the proportion of foreigners living in the Helsinki metropolitan area is predicted to grow from the current 17 per cent to 25 per cent by 2030. The aging population is moving closer to growth centres and the services they offer, and housing-related services are increasingly expected.

The change in the population structure and development in the prices of owner-occupied

apartments create a stable foundation for demand for rental housing, especially in the Helsinki metropolitan area, Tampere and Turku. Outside of growth centres, the real prices of apartments are declining, which makes acquiring an owner-occupied home in growth centres even more challenging for those coming outside growth centres.

Rents in privately financed apartments have increased 1.7 per cent in recent years in the Helsinki metropolitan area, and elsewhere in Finland the increase has been 1.2 per cent annually. KTI Property Information Ltd.'s index illustrating rents under new rental agreements increased 3.3 per cent in a year, between September 2018 and 2019, in the capital city area. In other large cities, the rents under new agreements increased at the same time by an average of 2.4 per cent.

The number of construction permits experienced a downswing in 2019, with permits for apartment buildings experiencing the greatest decline. The number of completed apartments started to decline in the summer. Throughout Finland, following the record figures (45,600 apartments) of 2018, production settled at a more normal level (38,000 apartments) during the reporting year.

Thanks to the low interest rate level, housing remains an appealing investment. Housing investors have concluded roughly half of the new housing transactions, and they are especially interested in small apartments. Interest among foreign investors towards Finnish rental apartments has grown.

At the end of 2019, large-scale housing investors increased their investments, whereas interest among private investors waned. Builders responded to the growing investor demand by selling whole buildings as rental apartments to investors. Planned changes in housing company loans and how the real estate investments of foreign funds are taxed are, however, increasing the uncertainty for some actors related to housing investments. The production of owner-occupied apartments and the volume of presales declined at the end of the year.

Mitigating emissions from the construction sector plays a significant role in achieving both national and international climate targets, as construction and operating buildings currently account for over a third of Finland's greenhouse gas emissions. In addition to energy consumption during use, the sector has started to pay attention to the carbon footprint of buildings throughout their life cycle. Finland targets carbon neutrality by 2035.

STRATEGY

As cities and people change, we believe that housing also needs to change. SATO's goal is to build thriving and vibrant cities and neighbourhoods where people enjoy a high level of well-being. We offer our residents homes in cities, along good transport connections, and we develop services to make their daily lives easier.

Our customers are at the heart of our strategy, and we want to develop homes with increasingly better services for them. In addition to services

to help them day to day, we look after their well-being and support good neighbourly relations. We pay attention to home health and energy efficiency.

Sustainability guides our operations, and during the reporting year we released our sustainability programme for 2019–2022. The programme emphasises carbon-neutral cities and the well-being of residents and neighbourhoods.

We operate profitably and with a long-term view. We increase the value of our housing stock by investing in homes in good locations and near convenient traffic connections, and through systematic repairs. SATO's strategy focusses on expanding its housing stock in the Helsinki metropolitan area, Tampere and Turku – all areas where demand for apartments is the highest and the increase in value is expected to be stable over the longer term.

SATO's operations are guided by its strategic development programmes: **Customer First, digital development, and diverse housing solutions.**

SATO has set the strengthening of its investment grade rating as a strategic goal, and this goal was met in 2019. Our return on equity target is 12 per cent. In addition, our strategic goal is to achieve a continuously improving Net Promoter Score (NPS) among our residents.

According to SATO's dividend policy, a maximum of 40 per cent of the cash earnings will be paid

in annual dividends, depending on the market situation, investment level, and the development of the equity and solvency ratios.

NET SALES AND PROFIT

In 2019, consolidated net sales were EUR 295.6 (290.4) million.

Operating profit was EUR 725.6 (273.3) million. Operating profit without the change in the fair value of investment properties was EUR 173.3 (171.4) million. The change in fair value was EUR 552.2 (102.0) million. SATO Corporation switched to the yield-based valuation method to determine the value of the company's investment properties in its financial statements as of 31 December 2019. The effect of the change of valuation method on the fair value of investment properties was approximately EUR 430 million. (The adoption of the IFRS 16 *Leases* standard improved the review period's operating profit by EUR 3.0 million. The Group applies IFRS 16 using the modified retrospective approach, without the restatement of comparative information.)

Financial income and expenses totalled EUR -55.1 (-42.5) million. The adoption of the IFRS 16 standard increased the review year's financial expenses by EUR 3.1 million. The financial expenses include a one-off cost item of MEUR 11.8, due to the repurchase of outstanding bonds in May 2019 with a maturity in 2020 and 2021.

Profit before taxes was EUR 670.5 (230.8) million. Cash flow from operations (free cash flow after taxes excluding changes in fair value) amounted to EUR 91.2 (97.9) million.

Earnings per share was 9.45 (3.26) euros.

FINANCIAL POSITION AND FINANCING

The consolidated balance sheet totalled EUR 4,718.2 (3,922.4) million at the end of December. Equity was EUR 2,055.8 (1,554.5) million. Equity per share was EUR 36.31 (27.46).

The Group's equity ratio was 43.6 (39.6) per cent at the end of the year. The adoption of IFRS 16 reduced the equity ratio by 0.5 percentage points. EUR 657.2 million in new long-term financing was withdrawn, and the solvency ratio was 44.4 (50.5) per cent at the end of December. The strengthening of the equity ratio and the solvency ratio is the result of a rise in the value of investment properties and a long period of good earnings performance.

The Group's return on equity was 29.6 (12.4) per cent. The return on investment was 18.9 (7.9) per cent.

Interest-bearing liabilities at the end of December totalled EUR 2,098.4 (1,982.2) million, of which loans subject to market terms accounted for EUR 1,830.1 (1,650.1) million. The loan itemisation is in note 26 of the financial statements. At the end of 2019, the average loan interest rate was 1.7 (2.1) per cent. Net financing costs totalled EUR -55.1 (-42.5) million, of which the impact of the adoption of the IFRS 16 standard was EUR -3.1 million. The average maturity of loans was 4.0 (4.4) years.

The calculated impact of changes in the market value of interest hedging on equity was EUR -5.3 (1.0) million.

During the reporting year, SATO increased the proportion of loans without asset-based securities to 77.3 per cent of all loans. At the end of the year, the proportion of unencumbered assets was 80.8 per cent of total assets.

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 25 (26) subsidiaries engaged in business operations. Mergers took place during the year in order to streamline the Group structure.

SATO Corporation's majority shareholder is Balder Finska Otas AB, whose parent company is Fastighets AB Balder, which is quoted on the Stockholm Stock Exchange.

HOUSING BUSINESS

Our housing business includes rental activities, customer service, life-cycle management and maintenance. Effective rental activities and digital services provide home-seekers with quick access to a home, and the Group with a steadily increasing cash flow. High-quality maintenance operations ensure the comfort of residents and that the apartments stay in good condition and retain their value. We serve our customers in daily housing issues through our customer-oriented service organisation.

SATO had approximately 50,000 customers at the end of the reporting year. The net promoter score measuring customer satisfaction, NPS, improved by 4 percentage points, and was 6 in the reporting year.

Due to an improved economic occupancy rate, rental income rose by 1.8 per cent and was EUR 295.6 (290.4) million. The economic occupancy rate of apartments in Finland was 98.1 (97.9) per cent on average, and the external tenant turnover was 29.6 (29.5) per cent. The rise in the economic occupancy rate was, above all, the result of measures based on the Customer First strategy.

The average monthly rent for SATO's rental apartments in Finland at the end of the reporting year was EUR 17.25 (16.86) per m².

Net rental income from apartments was EUR 207.1 (198.5) million.

INVESTMENT PROPERTIES

On 31 December 2019, SATO owned a total of 26,074 (25,893) apartments. Altogether 321 rental apartments were acquired or completed. The total number of divested rental apartments and shared ownership apartments redeemed by the owner-occupants was 140.

Fair value

The development of the value of rental apartments is a key factor for SATO. Its housing stock is concentrated in areas and apartment sizes which are expected to be the focus of increasing rental apartment demand over the longer term. The allocation of building repairs is based on life-cycle plans and repair need specifications.

At the end of December, the fair value of investment properties came to a total of EUR 4,657.9 (3,875.1) million. The change in the value of investment properties, including the investments and divestments during the year under review, was EUR 782.78 (242.6) million.

SATO Corporation switched to the yield-based valuation method to determine the value of the company's investment properties in its financial statements as of 31 December 2019. The sales prices of owner occupied apartments as well as investment apartments have grown significantly over the past years, whilst the interest rates have decreased to all time low level. The low interest rates have also decreased investor's yield require-

ments, and in many locations investment apartments are being paid more than those that are owner occupied. This development has been monitored in SATO for a long period of time, and we have now switched our valuation method in order to increase transparency and comparability. The switch of the valuation method increased the average square price of the apartments by 10 per cent.

The effect of the change of valuation method on the fair value of investment properties was approximately EUR 430 million. An external expert, JLL, issues quarterly a statement on the valuation of SATO's investment properties. The latest valuation statement was issued on the valuation prepared on 31 December 2019. The criteria for determining fair value are presented in the Notes to the Financial Statements.

In addition, the change in value was affected by investments and divestments, the adoption of the IFRS 16 standard, as well as the changes in the market prices and in the value of the rouble.

Of the value of apartments, the Helsinki metropolitan area accounted for 82 per cent, Tampere and Turku made up 12 per cent, Jyväskylä and Oulu 3 per cent, and St. Petersburg covered 3 per cent at the end of the year.

Investments, divestments and property development

Investment activities are used to manage the housing portfolio and prepare the ground for growth. Since 2000, SATO has invested more than EUR 2.0 billion in non-subsidised rental apartments. SATO acquires and builds entire rental buildings and single rental apartments. Property development allows for new investments in rental apartments in Finland. The rental potential and value of rental apartments owned by SATO are developed through renovation activities.

Investments in rental apartments amounted to EUR 185.9 (143.5) million. Investments in the Helsinki metropolitan area represented 93 per cent of all investments during the review year. Investments in new apartments represented 72 per cent of the investments. On 31 December 2019, binding purchase agreements in Finland totalled EUR 40.9 (107.9) million.

During the year under review, 29 (98) rental apartments were divested in Finland. Their total value was EUR 5.9 (12.7) million.

The book value of plot reserves totalled EUR 63.1 (40.9) million at the end of December. The value of new plots acquired by the end of December totalled EUR 37.0 (19.0) million.

The permitted building volume for approximately 2,800 apartments is being developed for the plots in the company's housing portfolio. This allows SATO to utilise existing infrastructure, create a denser urban structure and thus bring more customers closer to services and public transport connections.

In Finland, a total of 321 (403) rental apartments and 32 (0) owner-occupied apartments were completed. On 31 December 2019, a total of 769 (985) rental apartments and 99 (131) owner-occupied apartments were under construction.

A total of EUR 73.9 (53.6) million was spent on repairing apartments and improving their quality.

At the end of the year, SATO owned 534 (534) apartments in St. Petersburg. The economic occupancy rate of rental apartments in St. Petersburg was 92.8 (93.1) per cent on average. For the time being, SATO will refrain from making new

investment decisions into Russia. The share of investments in Russia is limited to a maximum of 10 per cent of the Group's housing assets.

SUSTAINABILITY

During the reporting year, we released our sustainability programme for 2019–2022. The programme emphasises carbon-neutral cities and the well-being of residents and neighbourhoods.

With the help of artificial intelligence, we improved housing comfort and further reduced energy consumption. We installed more than 6,000 sensors in our apartments to measure temperature and humidity. During the review year, electricity used in SATO's buildings was produced by wind power and thus, emission free.

We improved our residents' recycling opportunities by bringing plastic recycling to roughly 10,000 SATO homes, which brings the percentage of households in our buildings who have plastic recycling to 69 per cent. During the reporting year, we also took the decision to purchase rugs, pillow cases, and curtains made from recycled materials for the shared spaces in SATO buildings. We launched a neighbour mentor programme that aims to help residents get to know one another. By the end of the reporting year, already 18 SATO residents were volunteering as neighbour mentors.

In 2019, we continued to develop an operating model related to housing health and safety. The operating model focusses particularly on a quick response rate, keeping customers informed, and the flow of information.

During the reporting year, we collaborated on a project with the non-profit organisations No Fixed Abode and the Rehabilitation Foundation

to help participants in the project find two of life's essentials – a home and a job. By the end of the reporting year, 11 people who had participated in the project were living in a SATOhome.

We were again successful in the Global Real Estate Sustainability Benchmark (GRESB), scoring four out of five stars.

SATO reports its corporate sustainability annually in accordance with the Global Reporting Initiative (GRI) reporting guidelines. The environmental performance indicators presented in the report have been verified by an independent third party, KPMG Oy Ab.

The Corporate Governance Statement is published separately from the Report of the Board of Directors. SATO's Corporate Governance Statement, Code of Conduct and sustainability programme are available at sato.fi.

ENVIRONMENTAL IMPACTS

We reduce the load on the environment by regularly taking care of and repairing homes and properties according to the life-cycle principle, and by building properties in existing urban environments and near good transport connections.

Legislation governing the energy efficiency of residential buildings requires an energy efficiency figure of 90 for new buildings. SATO is committed to building remarkably more energy-efficient buildings, with our energy efficiency figure target being below 81 for new buildings.

We are committed to the targets in the Energy Efficiency Agreement for the property sector, aiming for a reduction in the total consumption of electricity and heat by 10.5 per cent between 2015 and 2025.

During the reporting year, we continued to make significant energy-efficiency and water-conservation investments in SATOhomes, and we also encouraged our residents to save energy and water.

During the year under review, our standardised heating consumption decreased by 2.2 per cent, specific electricity consumption by 0.8 per cent and water consumption by 0.5 per cent compared to 2018. Rated emissions from SATO's apartments decreased 15.4 per cent compared to 2018 and amounted to 28.1 (33.2) carbon dioxide equivalent kilograms per square metre. Emissions are calculated according to the absolute consumption of district heating. Electricity was produced by wind power, and did not produce any emissions.

The Group's environmental programme is included in the sustainability programme, which is available in its entirety at sato.fi.

DEVELOPMENT ACTIVITIES

SATO's development activities were focussed during the reporting year on further improving our customer-care processes. During the year under review, we introduced a new operating model, in which SATO House Experts assume some of the tasks of maintenance companies. The first five SATO House Experts started working in December 2019.

We also placed a high priority on developing new housing concepts. We launched a new form of part ownership housing, called FlexHome, which opens the door to home ownership within a period of five years with a small initial capital outlay. First FlexHome building will be completed in Helsinki Tali area in summer 2020.

In the reporting year, we introduced a planning principle, according to which studios are no longer bordered with supporting walls. This means that apartment distribution in the building can later be modified by joining studios with one- or two-bedroom apartments if demand shifts to larger apartments.

In digital development, we unified our online services for our customers for even more fluent service. In 2019, building-specific digital noticeboards, SATO's customer benefits and home temperature data were added to OmaSATO, the online service for residents that was launched in 2018.

Development activities also concentrated on strategy development and IT systems development.

A total of EUR 1.2 (1.7) million was spent on development, corresponding to 0.4 per cent of net sales.

EVENTS AFTER THE REVIEW PERIOD

SATO's EVP, Rental Housing Business, Antti Asteljoki left the company on 4th February 2020. SATO's EVP, Investments Antti Aarnio, was appointed also as the head of Rental Housing Business as of 5th February 2020.

RISK MANAGEMENT

Risk management is used to ensure that risks impacting the company's business are identified, managed and monitored.

The main risks of SATO's business are risks related to the business environment and financial risks.

The most significant risks in the renting of apartments are related to economic cycles and fluctuations in demand. A clear weakening in the housing market could have a negative impact

on the market value of SATO's housing portfolio. In accordance with its strategy, SATO focusses its investments on growth centres, thus ensuring the rental potential of its apartments and the development of their value.

Changes in official regulations and legislation and uncertainty stemming from them can have a significant impact on the reliability of the investment environment and thus on SATO's business. SATO monitors and anticipates these changes and also calls attention to what it considers to be negative impacts of regulation.

The management of financial risks is steered by the Group's financial policy. Our financing related risk management principles have been defined in the financing policy approved by SATO's Board of Directors. Our most significant financial risks relate to liquidity, refinancing and interest rates. We manage our liquidity and refinancing risks by diversifying the financing sources and maturity of our loan portfolio, and by holding sufficient liquidity reserves in the form of committed credit facilities and other long-term financing commitments. In 2019, the company has established an EMTN (Euro Medium Term Notes) programme of 1.5 billion euros.

The means for managing the liquidity risk at SATO include cash assets, a bank account limit, committed credit facilities of EUR 400 million, and a commercial paper programme of EUR 400 million. We increase the amount of reserves as the funding requirements grow. Our objective is to keep the liquidity requirements of the next 12 months covered by committed agreements.

Floating rate loans form an interest rate risk which we manage by balancing the share of fixed and

floating rate loans either by fixed rate loans or by interest rate hedges. According to our financing policy, our objective is to keep the ratio of fixed rate loans at over 60 per cent of debt portfolio after interest hedging.

In our operations in St. Petersburg, we are exposed to risks related to the business environment, including currency risk. The consolidation of foreign currency-denominated assets in the consolidated financial statements also involves a translation risk. Possibilities of hedging the translation risk are evaluated in accordance with our financing policy. For the time being, SATO will refrain from making new investments in Russia.

A more detailed description of risks and risk management is available on the Group's website www.sato.fi.

PENDING LEGAL PROCEEDINGS

SATO has no such proceedings with public authorities, litigations or arbitration proceedings pending that would have a 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 2019, SATO Corporation's share capital amounted to EUR 4,442,192.00 and the number of shares was 56,783,067. The company has one series of shares. The shares are included in the book-entry system maintained by Euroclear Finland Oy.

SATO Corporation holds 160,000 treasury shares, representing 0.3 per cent of all shares and votes.

On 31 December 2019, the Board of Directors had no authorisation to acquire company's own shares or issue shares in SATO.

On 31 December 2019, the Board members or the CEO of SATO Corporation did not hold any shares in the company.

PERSONNEL

At the end of 2019, the Group had 229 (218) employees. There were 212 (203) permanent employees and 17 (15) employees with a fixed-term employment contract. During the year, the Group had an average of 223 (215) employees. The Group's salaries and remunerations in 2019 totalled EUR 15.8 (17.2) million.

SHAREHOLDERS' NOMINATION COMMITTEE

The Shareholders' Nomination Committee consists of representatives of SATO's four largest shareholders registered in the book-entry system on 1 October. If a shareholder chooses not to exercise its nomination right, the right will pass on to the next largest shareholder. The State Pension Fund, the company's fourth largest shareholder, did not exercise its nomination right, and the right was passed on to the Finnish Construction Trade Union, the fifth largest shareholder. The Committee consisted of representatives of the following shareholders: Balder Finska Otas AB (Erik Selin), Stichting Depositary APG Strategic Real Estate Pool (Hans Spikker), Elo Mutual Pension Insurance Company (Hanna Hiidenpalo) and the Finnish Construction Trade Union (Matti Harjuniemi).

BOARD OF DIRECTORS, CEO AND AUDITORS

The Annual General Meeting held on 3 April 2019 confirmed that the Board of Directors consists of seven members.

In 2019, the members of SATO's Board of Directors were Chairman Erik Selin, Deputy Chairman Jukka Hienonen and ordinary members Marcus Hansson, Esa Lager, Tarja Pääkkönen, Johannes (Hans) Spikker and Timo Stenius.

The Board of Directors convened 10 times in 2019. The Board's work is supported by two committees: the Nomination and Remuneration Committee and the Audit Committee.

SATO Corporation's CEO until 31 August 2019 was Saku Sipola, and as of 1 September 2019, SATO's CEO has been Sharam Rahi. Rahi is the company's interim CEO until a permanent CEO is appointed. Mr. Rahi is the Vice CEO at Fastighets AB Balder, the main owner of SATO.

The Annual General Meeting elected as the company's auditor the audit firm Deloitte Oy, which appointed APA Eero Lumme as the auditor in charge. The auditor's term in office is the financial year, and the auditor's duties end at the closing of the next Annual General Meeting.

MEMBERS OF THE MANAGEMENT TEAM

During the financial year 2019, members of the management team were CEO Saku Sipola (until 31 August 2019), CEO Sharam Rahi (since 1 September 2019), Antti Aarnio (EVP, Investments), Antti Asteljoki (EVP, Rental Housing Business), Miia Eloranta (EVP, Marketing and Communications) and Markku Honkasalo (CFO).

OUTLOOK

In the operating environment, SATO's business activities are mainly affected by urbanisation, housing policies, 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 its growth path, but growth is projected to slow down. Interest rates are expected to remain low in 2020, which will have a positive impact on SATO's financing costs.

Continuous urbanisation provides good long-term conditions for sustained investments in SATO's main operating areas in Finland. Net migration is expected to represent the largest share of the population increase in SATO's operating areas. Some 80 per cent of SATO's housing stock is located in the Helsinki metropolitan area, where the price development is expected to be more positive than in the rest of Finland.

According to estimates by Pellervo Economic Research (PTT), prices and rents will continue to rise.

The historically high rate of housing construction is expected to decrease in the coming years.

According to the Bank of Finland's forecast, economic growth will slow down in 2020. Finland's most important trading partner's economic growth has already slowed down, and this reflects to Finland's economic growth. In Finland, the confidence of business and consumers has already grown weaker for long, which shows as moderate growth of consumption. Also, the employment is not expected to improve much.

In order to align its policy with that of its majority shareholder, SATO Corporation will not publish guidance on its 2020 earnings. The parent company of Balder Finska Otas AB is Fastighets AB Balder, which is quoted on the Stockholm Stock Exchange.

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE DISTRIBUTION OF PROFIT

On 31 December 2019, the parent company's distributable funds amounted to EUR 312,114,835.06, of which profit for the period was EUR 37,539,322.79. The company had 56,623,067 outstanding shares entitling to dividends for year 2019.

According to our dividend policy, annual dividends are at most 40 per cent of our operational cash flow, depending on the market situation, investment level, as well as the development of our equity and solvency ratios.

The Board of Directors proposes to the Annual General Meeting that dividends EUR 0.50 per share be paid in dividends for the 2019 financial period (EUR 0.50 per share for 2018), and that EUR 9,227,789.29 be transferred to retained earnings.

No material changes have taken place in the company's financial position since the end of the financial year. The company's liquidity is good, and in the Board of Directors' view, the proposed distribution of profit will not compromise the company's solvency.

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

CONSOLIDATED INCOME STATEMENT, IFRS

MEUR	note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Net sales	3	295.6	290.4
Property maintenance expenses		-88.5	-91.9
Net rental income		207.1	198.5
Fair value change of investment properties, realised	4, 13	1.0	3.8
Fair value change of investment properties, unrealised	13	552.2	102.0
Sales, marketing and administrative expenses	6, 7, 8, 9	-32.6	-33.4
Other operating income	5	1.9	3.8
Other operating expenses	5	-4.3	-1.3
Share of profit of associated companies and joint ventures		0.2	0.0
Operating profit		725.6	273.3
Financial income	10	0.9	0.9
Financial expenses	10	-56.0	-43.5
		-55.1	-42.5
Profit before tax		670.5	230.8
Income tax expenses	11	-135.5	-46.5
Profit for the period		534.9	184.3
Profit for the period attributable to			
Equity holders of the parent		535.0	184.3
Non-controlling interests		0.0	0.0
Profit for the period		534.9	184.3
Earnings per share attributable to equity holders of the parent	12		
Basic, EUR		9.45	3.26
Diluted, EUR		9.45	3.26
Average number of shares, million		56.6	56.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

MEUR	note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Other comprehensive income			
Remeasurement of defined benefit liability, net of tax		0.0	0.0
Related tax		0.0	0.0
Items that will never be reclassified to income statement		0.0	0.0
Cash flow hedges	27	-6.7	1.2
Translation differences		0.1	-0.1
Related tax		1.3	-0.2
Items that may be reclassified subsequently to income statement		-5.2	0.9
Other comprehensive income, net of tax		-5.2	0.9
Total comprehensive income		529.7	185.2
Comprehensive income attributable to			
Equity holders of the parent		529.7	185.2
Non-controlling interest		0.0	0.0
		529.7	185.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

MEUR	note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Investment property	13	4,657.9	3,875.1
Tangible assets	14	3.2	2.4
Intangible assets	9, 15	3.7	2.6
Investments in associated companies	17	0.2	0.0
Other non-current investments	18, 19	1.1	1.9
Other right-of-use assets	16	7.7	0.0
Non-current receivables	20, 27	6.3	8.5
Deferred tax assets	21	14.2	12.9
Total		4,694.4	3,903.4
Current assets			
Account and other receivables	22	10.9	11.9
Current tax assets		7.9	1.7
Cash and cash equivalents	18, 23	5.0	5.4
Total		23.8	19.0
TOTAL ASSETS		4,718.2	3,922.4
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		4.4	4.4
Fair value and other reserves		-29.8	-24.4
Reserve fund		43.7	43.7
Reserve for invested non-restricted equity		114.8	114.8
Retained earnings		1,922.8	1,416.1
Total	24	2,055.9	1,554.6
Non-controlling interests		-0.2	-0.1
TOTAL SHAREHOLDERS' EQUITY		2,055.8	1,554.5

MEUR	note	31 Dec 2019	31 Dec 2018
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	21	387.4	273.2
Provisions	28	1.6	2.0
Lease liabilities	16	53.0	0.0
Derivative liabilities	18, 27	46.7	39.7
Long-term non-interest bearing liabilities	25	0.0	1.3
Long-term interest bearing liabilities	18, 26	1,673.8	1,635.0
Total		2,162.4	1,951.3
Current liabilities			
Accounts payable and other liabilities	29	65.3	64.4
Provisions	28	2.8	2.7
Lease liabilities	16	4.7	0.0
Current tax liabilities		2.6	2.3
Short-term interest bearing liabilities	18, 26	424.6	347.2
Total		500.0	416.6
TOTAL LIABILITIES		2,662.4	2,367.9
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		4,718.2	3,922.4

CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

MEUR	note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Cash flow from operating activities			
Profit for the period		534.9	184.3
Adjustments:			
Non-cash items included in the profit	31	-549.3	-102.1
Gains and losses on sales of investment properties and fixed assets		-1.1	-3.9
Other adjustments		0.4	0.0
Interest expenses and other financial expenses	10	56.0	43.5
Interest income	10	-0.8	-0.9
Dividend income		0.0	0.0
Income taxes	11	135.5	46.5
Cash flow before change in net working capital		175.6	167.4
Change in net working capital:			
Changes in accounts receivable and other receivables		2.3	0.9
Change in accounts payable and other liabilities		0.2	5.7
Interest paid		-58.8	-45.2
Interest received		0.7	1.0
Taxes paid		-27.3	-29.2
Net cash flow from operating activities		92.8	100.6
Cash flow from investing activities			
Disposals of subsidiaries, net of disposed cash		0.0	1.6
Investments in investment properties		-211.3	-153.2
Net investment in tangible and intangible assets		-3.4	-2.4
Repayments of loans receivable		0.8	2.3
Payments of granted loans		0.0	0.0
Disposals of investment property		28.1	20.5
Net cash flow from investing activities		-185.9	-131.2

MEUR	note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Cash flow from financing activities			
Repayments (-) / withdrawals (+) of current loans		50.1	42.0
Withdrawals of non-current loans		657.2	257.1
Repayments of non-current loans		-583.9	-249.0
Repayments of lease liabilities		-2.5	0.0
Repayment of capital and dividends paid	24	-28.3	-28.3
Net cash flow from financing activities		92.6	21.9
Change in cash and cash equivalents		-0.5	-8.8
Cash and cash equivalents at the beginning of period		5.4	14.2
Effect of exchange rate fluctuations on cash held		0.1	0.0
Cash M&A		0.0	0.0
Cash and cash equivalents at the end of period		5.0	5.4

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY, IFRS

MEUR	Attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Share capital	Fair value and other reserves	Reserve fund	Reserve for invested non-restricted equity	Retained earnings			
Shareholders' equity 1 Jan 2018	4.4	-25.4	43.7	114.8	1,260.2	1,397.7	-0.1	1,397.6
Comprehensive income:								
Cash flow hedges, net of tax	-	1.0	-	-	-	1.0	-	1.0
Translation differences	-	-	-	-	-0.1	-0.1	-	-0.1
Profit for the period	-	-	-	-	184.3	184.3	0.0	184.3
Total comprehensive income	0.0	1.0	0.0	0.0	184.2	185.2	0.0	185.2
Transactions with shareholders:								
Dividend	-	-	-	-	-28.3	-28.3	-	-28.3
Transaction with shareholders, total	0.0	0.0	0.0	0.0	-28.3	-28.3	0.0	-28.3
Other adjustments	0.0	-	-	-	-	0.0	-	0.0
Total of equity movements	0.0	1.0	0.0	0.0	155.9	156.9	0.0	156.8
Shareholders' equity 31 Dec 2018	4.4	-24.4	43.7	114.8	1,416.1	1,554.6	-0.1	1,554.5

MEUR	Attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Share capital	Fair value and other reserves	Reserve fund	Reserve for invested non-restricted equity	Retained earnings			
Shareholders' equity 1 Jan 2019	4.4	-24.4	43.7	114.8	1,416.1	1,554.6	-0.1	1,554.5
Comprehensive income:								
Cash flow hedges, net of tax	-	-5.3	-	-	-	-5.3	-	-5.3
Translation differences	-	-	-	-	0.1	0.1	-	0.1
Profit for the period	-	-	-	-	535.0	535.0	0.0	534.9
Total comprehensive income	0.0	-5.3	0.0	0.0	535.1	529.7	0.0	529.7
Transactions with shareholders:								
Dividend	-	-	-	-	-28.3	-28.3	-	-28.3
Transaction with shareholders, total	0.0	0.0	0.0	0.0	-28.3	-28.3	0.0	-28.3
Other adjustments	-	0.0	-	-	0.0	0.0	-	0.0
Total of equity movements	0.0	-5.3	0.0	0.0	506.7	501.4	0.0	501.4
Shareholders' equity 31 Dec 2019	4.4	-29.8	43.7	114.8	1,922.8	2,055.9	-0.2	2,055.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

I. ACCOUNTING PRINCIPLES

General company information

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 consolidated financial statements on 26 February 2020. A copy of the consolidated financial statements may be obtained from the abovementioned address and at www.sato.fi.

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 on 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.

General accounting 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 2019. The notes to the consolidated 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.

New accounting standards and changes in accounting principles

From the beginning of the year 2019, the Group has adopted new or amended IFRS's and IFRIC interpretations, as described in the section "New and amended standards applied in financial year ended".

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 and has the ability to affect those returns through its power over 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, in which the rights of control over specified apartments are determined by shareholdings, are treated as joint operations in the consolidated financial statements. In a joint operation, SATO has rights to the assets and obligations for the liabilities of the arrangement. Joint operations are accounted for in the consolidated financial statements in the manner prescribed in the IFRS 11 *Joint Arrangements* standard, by recognising SATO's assets and liabilities in the arrangement, including its share of joint assets and liabilities, and its revenue and expenses, including its share of joint revenue and expenses. Joint ventures, in which the Group and another party have joint control in the arrangement and which give the Group rights to the net assets of the arrangement, are consolidated in SATO's consolidated financial statements in accordance with IFRS 11, i.e. by the equity method.

In SATO's consolidated financial statements, 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 to obtain rental income or appreciation in value and which are not occupied for use by the Group or for its operations, nor for sale in the ordinary course of business. From 1 January 2019, investment properties also include right-of-use assets that are classified as investment property based on their nature (right-of-use investment property), such as land leases. Housing companies that own so-called shared ownership apartments are treated by the Group as structured entities and thus not classified as investment property under IAS 40.

At initial recognition, owned investment properties are measured at acquisition value, which includes transaction costs. Subsequently, investment properties are valued at fair value in accordance with IFRS 13 *Fair value measurement*. 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 SATO's 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 financed with ARAVA or interest-subsidised loans are measured at the original acquisition cost, including the transaction costs. Subsequently, they are valued at the original acquisition cost, plus accumulated investments and less accumulated depreciation and impairments. Unbuilt land and development projects, whose realisation is uncertain, are valued at cost or probable value, whichever is lower, if their fair value cannot be determined reliably.

Right-of-use investment properties are measured at cost upon their recognition, and subsequently at fair value in accordance with IFRS 16 and IAS 40 standards. The valuation is based on the present value of future contractual lease payments, which is

deemed to represent the fair value of the right-of-use assets arising from the lease agreements.

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

- the income value method is used for investment properties that can be sold without restrictions or that can be sold as entire properties and to a restricted group of buyers;
- sales comparison method is used for the investment properties in St. Petersburg (valuation prepared by an external appraiser); and
- the fair values of properties funded with ARAVA or interest-subsidised loans, as well as unbuilt land and development projects, whose realisation is uncertain, are estimated to be same as the remaining acquisition cost.

For the financial period ended 31 December 2018 and previous periods, SATO used the sales comparison method as the primary valuation method for properties in Finland that can be sold without restrictions. For the year ended 31 December 2019, SATO decided to change the valuation approach for these investment properties to the income value method. Since it constitutes a change in an accounting estimate, the change of valuation method is not applied retrospectively. See further information in notes 2 and 13.

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.

Tangible assets

Tangible assets are valued at the original acquisition cost less accumulated depreciation and impairments. Other tangible assets 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 the asset is identifiable, its cost can be measured reliably and it is likely that an expected economic benefit attributable to the asset will flow to the Group.

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

Lease agreements (SATO as lessee)

Accounting principles applied from the beginning of 2019 (IFRS 16)

From 1 January 2019, SATO applies IFRS 16 *Leases*

in its accounting for lease agreements. The Group makes assessment of whether an agreement is a lease agreement in the scope of the standard, and recognises, at the commencement date of the lease, a right-of-use asset and a lease liability (except for short-term leases and leases of low-value assets).

Based on their purpose, right-of-use assets are recognised either in investment properties, to the extent that they are classified as investment property, or in other right-of-use assets.

Other right-of-use assets than those classified as investment property are recognised in the statement of financial position at the amount of the lease liability, including any initial direct costs and excluding any lease incentives received, and they are depreciated over their expected economic lives. The economic life is estimated separately for each asset, based on the duration of the lease and other key terms of the contract, such as extension or purchase options, if applicable. The right-of-use assets classified as investment property are subsequently measured at fair value (see section "Investment property" above). The lease liability is recognised in the statement of financial position at an amount equal to the discounted present value of future lease payments.

If any extension or purchase options are included in the contract, the Group assesses whether such an option is reasonably certain to be exercised and considers its effect on the economic life and cost of the asset.

The Group applies the recognition exemptions allowed by IFRS 16 and does not recognise short-term lease agreements and lease agreements of low-

value assets in the statement of financial position. Leases with a duration of 12 months or less are considered short-term. The lease payments from these agreements are expensed in profit and loss over the lease term.

Further information of the initial application of IFRS 16 can be found below in section "New and amended standards applied in financial year ended".

Accounting principles applied before 2019 (IAS 17)

Lease agreements, in which SATO is a lessee, were classified until 31 December 2019 as either financial or other leases at inception, as required by IAS 17 *Leases*.

According to IAS 17, a lease was classified as a financial lease, if the risks and benefits of ownership had been substantially transferred to SATO, whereby it was recognised, at the commencement of the lease term, on the balance sheet as an asset and liability at fair value or at the present value of the minimum lease payments, if lower. The leased asset was depreciated over the economic life of the asset or over the duration of the lease agreement. The lease payment was divided into interest expense recorded in profit and loss and repayment of the lease liability.

A lease was classified as other lease if the characteristic risks and benefits of ownership had not been transferred substantially. Rental payments of other lease agreements were recorded as expense in profit and loss over the lease period.

Lease agreements (SATO as lessor)

Rental income from investment properties is recognised in profit and loss over the lease period and presented in net sales in the income statement.

As a lessor, SATO has no agreements classified as financial lease agreements.

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.

Financial instruments

SATO's financial assets are classified, in accordance with IFRS 9 *Financial Instruments*, into the following categories: financial assets at fair value through profit and loss (FVTPL), financial assets at fair value through other comprehensive income (FVTOCI) and financial assets at amortised cost. The classification is made at the time of the initial recognition and is based on the contractual terms of the instrument and the Group's business model for the type of financial instruments.

Financial liabilities are classified to financial liabilities at amortised cost and financial liabilities at fair value through profit and loss under IFRS 9. The instruments are classified at the time of the initial recognition, based on 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 IFRS 9 is not applied and are hence classified in trading portfolio. These instruments are valued at fair value and gains and losses arising from changes in the fair value, both realised and unrealised, are recognised in the income statement for the period.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are principally stocks and shares, and they are presented in the statement of financial position in other non-current investments. Investments in listed securities are valued in the financial statements at the prices quoted in an active market at the closing date of the reporting period. Unlisted shares, the fair value of which cannot be determined reliably, are valued at acquisition cost. Unrealised changes in the value of the assets in this class are booked in other comprehensive income, with allowance for the deferred tax. Accumulated changes in fair value are not booked from the fair value reserve to profit and loss until the investment is sold.

Financial assets at amortised cost

Financial assets at amortised cost are non-derivative assets, for which the cash flows consist of payments of principal and interest, as applicable, and which are not held for trading purposes. On the statement of financial position, they are included in non-current receivables, accounts receivable and other receivables or cash and cash equivalents, according to their terms.

At initial recognition, loan receivables are measured at fair value including any transaction costs, and they are subsequently measured at amortised cost, using the effective interest rate method. Short-term accounts receivable are initially measured at the transaction value. For impairment of accounts receivable, the Group applies the simplified approach allowed by IFRS 9, whereby it makes an assessment of the lifetime expected credit losses for its accounts receivable at each reporting date, and based on this assessment, recognises the impairment through profit and loss.

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 credit 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 recognised at fair value of the proceeds less transaction expenses. Subsequently, 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 at each reporting date. 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 IFRS 9 is not applied. Changes in value of derivatives subject to hedge accounting are recorded 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 recorded in profit and loss.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past

events, it is probable that settling the obligation will require a payment or cause an economic loss, and the amount can be reliably estimated.

The Group recognises a provision for statutory 10-year guarantees related to new apartments sold. The 10-year provision is measured based on prior experience of the realisation of these obligations. In addition, a warranty provision is recognised upon the recognition of revenue from the project. The amount of the warranty provision is based on prior experience of the actual warranty costs and the specific risks related to the project.

A provision for onerous contracts is recognised when the unavoidable costs of settling the obligations exceed the benefits received from the contract.

Principles of income recognition

SATO recognises those income items that are not in the scope of any other standard, according to the revenue recognition principles of IFRS 15 *Revenue from Contracts with Customers*. In addition, the rules in IAS 40 regarding disposals are applied to sale of investment properties. Under IFRS 15, a five-step model is applied to determine when, and at which amount, revenue is recognised. SATO makes an assessment of the performance obligations included in the contract, after which income is recognised when (or as) control is transferred, either over time or at a point in time.

Principles of income recognition for sales of investment property

Sales of the Group's investment property normally consist of a single performance obligation, for which income is recognised at a point in time, when control of the asset is transferred to the buyer. SATO assesses for each transaction whether the contract

includes other performance obligations, such as a material financing component, and determines the expected income from them. Income from any additional performance obligations are recognised over time or at a point in time, depending on their nature.

Principles of income recognition for sales of new homes

Income from sales of new homes is recognised at a point in time, when control of the sold asset is transferred to the buyer. The sale of an apartment is considered to form a single performance obligation. In respect of the homes sold during the 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 property management, is recognised as the service is performed.

Borrowing costs

Borrowing costs are capitalised as part of an asset's acquisition cost when they are due to acquisition, construction or manufacture of a qualifying asset. A qualifying asset is one for which the completion for its intended use or sale will necessarily take a substantial period of time. Other borrowing costs are expensed in the financial year when they have been incurred. Direct transaction costs from the raising of loans, which can be attributed to a particular loan, are included in the cost of the loan and amortised as an interest expense using the effective interest rate method.

Public grants

For SATO, the main form of public support is state-supported interest-subsidised loans and ARAVA loans, in which state-backed housing is funded by low-interest debt subsidised by the government. The real interest on these loans is lower than the interest expenses would be on loans with market terms. The interest benefit 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 separately presented as interest income.

Other direct public grants, such as investment grants, are recorded as reductions in the book values of the subsidised assets. The grants received therefore reduce the original acquisition cost of those assets.

Pension arrangements

SATO's current pension arrangements are classified as defined-contribution arrangements. Contributions to defined-contribution pension arrangements are recorded as expenses in profit and loss for the period when they are incurred. 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.

Income taxes

Income taxes include the taxes based on the taxable profit for the current year, adjustments to previous years' taxes, and changes in deferred taxes. Deferred tax assets and liabilities are calculated from the differences between the taxational values of assets and liabilities and their carrying values under IFRS. The tax rate approved by the financial statement date is used to determine the deferred

taxes. For SATO, 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 other comprehensive income. Deferred tax assets are recorded up to the amount, for 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 sum of net sales less property maintenance expenses.

Operating profit

Operating profit is the net sum obtained from net operating income, by adding gains from divestments of investment properties, the share of the profit of joint ventures and associated companies, and other operating income, and deducting the sales, marketing and administrative expenses, losses from divestments of investment properties and other operating expenses. Also, it includes the gain or loss from unrealised fair value changes of investment properties. Exchange gains and losses are included in operating profit when they arise from items related to ordinary business operations. Exchange gains and losses attributable to financing are recorded in financial income and expenses.

New and amended standards applied in financial year ended

SATO has applied from 1 January 2019 the following new and amended standards that have become effective:

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their

treatment in the financial statements for both lessors and lessees. The new standard replaced the previous IAS 17 *Leases* standard and related interpretations.

(a) General impact of application of the standard

Due to the new standard, lessees will recognise most of the leases on the balance sheet and there will no longer be a distinction between operating and finance leases. Under IFRS 16, a lease asset (i.e. right-of-use asset), representing the right to use the underlying item, and a lease liability, representing an obligation to make lease payments, will be recognised. The new standard includes certain optional exemptions in respect of short-term leases and leases of low-value items.

Lessor accounting remains similar compared to the prior IAS 17 standard. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

(b) Transition principles

The Group has applied IFRS 16 using the modified retrospective application, without restatement of comparatives. At the date of initial application of the standard, i.e. 1 January 2019, lease liabilities and right-of-use assets have been recognised, for leases classified as operating leases under the previous standard. The right-of-use assets are measured at

the same amount as the related lease liabilities at the date of initial application.

The accounting for short-term lease agreements and lease agreements of low-value assets remained unchanged and these leases are not capitalised. Leases with a duration of 12 months or less are considered short-term.

The Group will make use of the following practical expedients on transition to IFRS 16, with respect to the leases that were classified as operating leases under IAS 17:

- The Group has elected not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 continues to apply to those leases entered to or modified before 1 January 2019.
- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

At the date of initial application of IFRS 16, SATO did not have leases that were classified as finance leases under IAS 17.

(c) Impact on consolidated financial statements

SATO has recognised right-of-use assets arising from leases in the scope of the standard under the balance sheet item "Investment property" and under a new balance sheet item "Other right-of-use assets". The right-of-use assets recorded in investment properties consist entirely of land lease agreements, related to several of the Group's residential investment properties. The other right-

of-use assets include leases for premises in SATO's own use and they are presented in the item "Other right-of-use assets" in the statement of financial position. The lease liabilities arising from the lease agreements are presented in non-current and current liabilities in the statement of financial position, under the line item "Lease liabilities". These liabilities are measured by discounting the future fixed lease payments of the leases to their present value, using a discount rate that represents the management's estimate of the Group's incremental borrowing rate at the transition date.

The fair value change of right-of-use assets classified as investment property is presented in the income statement under item "Fair value change of investment properties, unrealised". Depreciation charges of other right-of-use assets are included in the sales, marketing and administration expenses. The financial expense component of lease payments, arising from the discounting of lease liabilities, is included in finance expenses.

The discount rate used in the measurement of lease liabilities at the date of initial application was 6.27% for land leases and 2.05% for other leases. The discount rates are based on an estimate made by SATO of the incremental borrowing rates. At the transition date 1 January 2019, the average maturity of the Group's land leases was 19.0 years and the average maturity of other leases recognised in the balance sheet was approximately four years.

The impact of the initial application of the standard to SATO's financial performance in the period of 1 January to 31 December 2019 and to the statement of financial position at 1 January 2019 were as follows:

CONSOLIDATED INCOME STATEMENT

MEUR	1 Jan–31 Dec 2019
Property maintenance expenses	3.6
Net operating income	3.6
Fair value change of investment properties, unrealised	-0.7
Sales, marketing and administrative expenses	0.1
Operating profit	3.0
Financial expenses	-3.1
Profit before tax	-0.1
Deferred taxes	0.0
Profit for the period	0.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MEUR	1 Jan 2019
Investment property	47.3
Other right-of-use assets	7.6
Non-current assets	54.9
Total assets	54.9
Lease liabilities	49.6
Non-current liabilities	49.6
Lease liabilities	5.3
Current liabilities	5.3
Total liabilities	54.9

The effect of initial application of IFRS 16 to the Group's net cash flow from operating and financing activities amounted to EUR 2.5 million and EUR -2.5 million, respectively, in the period 1 January–31 December 2019.

Further information on the impact of IFRS 16 on the consolidated financial statements can be found in note 16.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation brings clarity to the accounting for income tax treatments that have yet to be accepted by tax authorities. The interpretation requires entities to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept the tax treatment selected by the entity. When considering this the assumption is that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment.

The interpretation has no significant impact on SATO's consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

The amendments enable entities to measure some financial assets that include a prepayment feature with so-called negative compensation at amortised cost. The amendments have no impact on SATO's consolidated financial statements

Amendments to IAS 19: Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify the calculation of service costs and the measurement of the defined benefit liability (asset) in defined benefit plans. The amendments have no impact on SATO's consolidated financial statements.

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

The amendments clarify that IFRS 9 *Financial Instruments*, including its impairment requirements, applies to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The amendments have no impact on SATO's consolidated financial statements.

Annual Improvements to IFRSs (2015–2017 cycle)

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 amendments relate to four standards: IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*. The amendments have no impact on SATO's consolidated financial statements.

Adoption of new and amended standards and interpretations applicable in upcoming 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.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective for financial years beginning on or after 1 January 2020)

The objective of the amendments is to respond to the effects that the reform of IBOR benchmark interest rates will have on financial reporting of entities. They concern entities that apply the

hedge accounting requirements of IFRS 9 or IAS 39 to hedging relationships directly affected by the interest rate benchmark reform. The amendments modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the reform. The changes will mandatorily apply to all hedging relationships that are directly affected by the reform. The amendments are not intended to provide relief from any other consequences arising from the reform. If a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amended standards, then discontinuation of hedge accounting is still required. The amendments are applied retrospectively to those hedging relationships that existed at the beginning of the reporting period in which an entity first applies the amendments or were designated thereafter, and to the gain or loss recognised in other comprehensive income that existed at the beginning of the reporting period in which an entity first applies the amendments. The amendments are expected to have no impact on SATO's consolidated financial statements.

IFRS 17 Insurance Contracts* (effective for financial years beginning on or after 1 January 2021)

The new standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. This standard replaces the IFRS 4 standard. The standard is expected to have no impact on SATO's consolidated financial statements.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The amendments are expected to have no impact on SATO's consolidated financial statements.

Amendments to IFRS 3: Definition of a Business

The amendments in Definition of a Business (Amendments to IFRS 3) bring clarifications to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3. The amendments are effective for business combinations for which the acquisition date is on or after the begin-

ning of the first annual reporting period beginning on or after 1 January 2020. The amendments are expected to have no impact on SATO's consolidated financial statements.

Amendments to IAS 1 and IAS 8: Definition of Material (effective for financial years beginning on or after 1 January 2020)

The amendments to IAS 1 and IAS 8 clarify the definition of "material" and align the definition used in the Conceptual Framework and the standards. The amendments are expected to have no impact on SATO's consolidated financial statements.

* not yet endorsed for use by the European Union as of 31 December 2019.

Changes in accounting principles

From the beginning of 2019, the Group changed its accounting principle regarding the treatment of property taxes. According to the new principle, property taxes are expensed, based on IFRIC 21 *Levies* interpretation, at their full amount when the obligation for payment arises. The change had no effect on the consolidated financial statements of 31 December 2019 or 31 December 2018.

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 assets. 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 a tangible asset. Investment property comprises land and buildings (primarily housing units) that are not occupied for use by the Group or for its operations, 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. Property in tangible assets comprises other than investment property and they are occupied for use by the Group or for its operations.

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 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. For the majority of the Group's investment property, the fair value measurement is done with income value method, where the most significant estimates and assumptions concern the forecasted net rental income of the properties and the yields used in the capitalisation.

For the financial period ended 31 December 2018 and previous periods, SATO used the sales comparison method as the primary valuation method for properties in Finland that can be sold without restrictions. For the year ended 31 December 2019, SATO decided to change the valuation approach for these investment properties to the income value method. The income value method is a generally accepted valuation method in the real estate industry, and it is widely used by other market participants. SATO considers that using the income value method provides for improved comparability of valuations within the industry, as opposed to the sales comparison method.

More information of the methods and assumptions used by the Group in fair value measurement of investment property are set out in note 13.

- The amount of provisions recognised on property development projects requires estimates of the obligations arising from the projects. The amounts recorded as provisions are based on the 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.

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 per cent or more of SATO's revenues.

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Net sales by geographical region		
Finland	289.3	284.4
Russia	6.2	6.0
Total	295.6	290.4

MEUR	31 Dec 2019			31 Dec 2018		
	Finland	Russia	Total	Finland	Russia	Total
Non-current assets by geographical region						
Investment property*	4,533.8	124.0	4,657.9	3,770.3	104.8	3,875.1
Tangible assets	3.2	0.1	3.2	2.3	0.0	2.4
Intangible assets	3.7	0.0	3.7	2.6	0.0	2.6
Other right-of-use assets*	7.7	-	7.7	-	-	-
Investments in associated companies	0.2	-	0.2	0.0	-	0.0
Total	4,548.6	124.1	4,672.8	3,775.3	104.8	3,880.1

* SATO has, from 1 January 2019, recognised right-of-use assets in the statement of financial position under IFRS 16 *Leases*. Since the Group has initially applied IFRS 16 using the modified retrospective application, no restatement of comparatives has been made. For further information, see notes 1 and 16.

4. RESULT ON DISPOSAL OF INVESTMENT PROPERTIES

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Gains and losses on sales of investment properties		
Gains on sales of investment properties	1.6	4.3
Losses on sales of investment properties	-0.7	-0.4
Total	1.0	3.8

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.

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Sale of residential investment properties		
Proceeds from disposal of residential investment properties	9.0	15.4
Carrying value of investment properties sold	-9.1	-14.9
Total	0.0	0.4

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Sale of land plots		
Sales income, land plots	12.1	10.0
Carrying value of land plots sold	-11.1	-6.7
Total	1.0	3.4

5. OTHER OPERATING INCOME AND EXPENSES

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Other operating income		
Sales income, new production	13.3	1.0
New production expenses	-11.8	-0.1
Proceeds from disposal of subsidiaries	0.0	1.7
Carrying value of subsidiaries divested	0.0	-0.2
Other income	0.4	1.5
Total	1.9	3.8

Proceeds from disposal of subsidiaries are related to the divestment of SATO HotelliKoti Oy in February 2018.

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Other operating expenses		
Bad debts expensed in the period	-3.6	-2.4
Post-collection income	1.3	1.3
Other expenses	-1.9	-0.2
Total	-4.3	-1.3

6. PERSONNEL EXPENSES

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Personnel expenses		
Salaries and wages	13.3	14.3
Defined contribution pension plans	2.2	2.5
Other personnel expenses	0.3	0.4
Total	15.8	17.2

Management employee benefits are presented in note 33. Related party transactions. Average

number of personnel during the period has been 223 (215).

7. AUDITORS' FEES

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Auditors' fees		
Audit	0.2	0.1
Other audit related assignments	0.1	0.0
Tax advisory	0.0	0.0
Other services	0.0	0.0
Total	0.3	0.1

Deloitte Oy, Authorised Public Accountants, have acted as SATO's auditors.

financial statements of the Group. Other audit related assignment fees include assurance and other services related to audit.

The audit fees include fees relating to audits of SATO, its subsidiaries and the consolidated

8. DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES

MEUR	note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Depreciation, amortisation and impairment charges by asset class:			
Tangible assets	14	0.7	0.5
Intangible assets	15	0.9	0.8
Other right-of-use assets	16	1.8	0.0
Total		3.4	1.3

Depreciation of other right-of-use assets is related to the right-of-use assets recognised, according to IFRS 16 *Leases*, in the statement of financial position from 1 January 2019. Since the Group has initially

applied IFRS 16 using the modified retrospective application, no restatement of comparatives has been made.

9. RESEARCH AND DEVELOPMENT

Research and development expenses during 2019 were EUR 0.2 (0.2) million and capitalised development costs were EUR 1.0 (1.5) million.

10. FINANCIAL INCOME AND EXPENSES

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Financial income		
Interest income on loans and other receivables	0.7	1.0
Dividend income on other non-current investments	0.0	0.0
Foreign exchange gain	0.1	-0.1
Total	0.9	0.9

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Financial expenses		
Interest expense on financial liabilities measured at amortised cost	-23.9	-27.3
Interest expense on effective cash flow hedges	-11.7	-11.6
Interest expense on non-hedge accounted derivatives	0.0	0.0
Interest expense on lease liabilities*	-3.1	0.0
Change in fair value, non-hedge accounted derivatives	0.0	0.0
Other financial expenses**	-17.3	-4.6
Total	-56.0	-43.5
Financial income and expenses, net	-55.1	-42.5

* Includes the financial expense component from lease agreements recognised in accordance with IFRS 16 *Leases*. See notes 1 and 16 for further information.

** Includes a one-off cost of EUR 11.8 million due to the repurchase of outstanding bonds with maturities in 2020 and 2021.

II. INCOME TAXES

MEUR	note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Income taxes recognised in income statement:			
Current tax from accounting period		20.6	24.4
Current tax from previous period		0.7	0.9
Changes in deferred tax assets and liabilities	21	114.2	21.2
Total		135.5	46.5

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

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Profit before taxes	670.5	230.8
Income tax calculated with domestic corporate tax rate of the parent	134.1	46.2
Non-deductible expenses and tax-exempt income	0.1	-0.4
Effect of different tax rates in foreign operations	0.9	0.7
Taxes from prior periods	-0.2	-0.1
Other items	0.6	0.2
Total adjustments	1.4	0.4
Income tax expense in income statement	135.5	46.5
Effective tax rate, per cent	20.2	20.2

12. EARNINGS PER SHARE

Undiluted earnings per share is calculated by dividing parent company profit attributable to equity holders with weighted average number of shares

outstanding. The total number of SATO's shares at 31 December 2019 was 56,783,067. At the end of the reporting period, SATO held 160,000 of its own shares.

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Profit attributable to equity holders of the parent	535.0	184.3
Weighted average of shares	56.6	56.6
Earnings per share (EUR)		
Basic	9.45	3.26
Diluted	9.45	3.26

13. INVESTMENT PROPERTIES

MEUR	note	2019	2018
Fair value of investment properties, 1 January (without right-of-use investment properties)		3,875.1	3,632.5
Effect of initial application of IFRS 16*	16	47.3	0.0
Fair value of investment properties, 1 January (with right-of-use investment properties)		3,922.4	3,632.5
Acquisitions of properties		31.1	5.6
New construction and other investments in properties		180.0	155.0
Disposals of investment properties		-32.2	-21.7
Capitalised borrowing costs	34	2.6	1.7
Reclassified from other items		0.8	0.1
Gains and losses from changes in fair value**		552.2	102.0
Remeasurement of right-of-use investment properties, no P/L effect	16	0.9	0.0
Fair value of investment properties, 31 December		4,657.9	3,875.1

* Includes land lease contracts accounted for as right-of-use assets under IFRS 16, which are recognised in investment property and measured at fair value in accordance with IAS 40 from 1 Jan 2019. Since the Group has initially applied the standard using the modified retrospective application, no restatement of comparatives has been made.

** Gains and losses from changes in fair value include foreign exchange gains and losses of EUR 14.8 (-15.3) million, and for 2019, the effect of the change of valuation method, approx. EUR 430 million.

Significant acquisitions of investment properties during the period:

SATO did not make significant acquisitions of completed investment properties during the reporting period. The most significant of other acquisitions during the period was the acquisition of a property under development in Oulunkylä, Helsinki from VR Group, which took place in December 2019.

Significant disposals of investment properties during the period:

In total, 31 (98) rental apartments and commercial premises were divested in Finland, with a combined value of EUR 9.1 (12.7) million. Of other property divestments, the most significant were the sales of owner-occupied HITAS apartments in

Jätkäsaari, Helsinki, and the sales of plots in Kirkkonummi (to Avain Group and T2H) and Kangasala (to Pohjola Rakennus).

Valuation methods

SATO's investment properties mainly comprise of residential properties. In addition, the investment properties include commercial and parking space, unbuilt land and development projects as well as right-of-use investment properties.

The housing properties are located in the largest growth centres, with approximately 80.0 per cent of them located in the Helsinki region. The quality of investment properties is maintained by renovation and repair activities based on their lifecycle and

repair plans. Change 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, and the change in valuation method (see below section "Income value method").

Some of the residential 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 rents and divestment of apartments, and they are fixed-term.

The valuation of investment properties in SATO's ownership is based on a method which has been prepared by SATO in co-operation with a third party expert (currently: JLL). 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 third party expert (JLL). The principles and methods used in the fair value measurement 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 recorded through profit and loss are reported to the Corporate Management Group and Board of Directors.

At inception, owned investment properties are recognised at acquisition value, which includes transaction costs. Thereafter, they are recorded at fair value. Gains and losses from changes in fair value are recorded through profit and loss in the period when they are incurred. Fair value of an investment property represents the price that, according to the Group's estimate, 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. Unbuilt land and development projects, whose realization is uncertain, are valued at cost or probable value, whichever is lower, if their fair value cannot be determined reliably. The valuation methods for SATO's owned investment properties are income value method, sales comparison method and acquisition cost method.

SATO's right-of-use investment properties include land plots leased for residential construction. From 1 January 2019, the land lease agreements, which were previously treated as other lease agreements, are accounted for as right-of-use assets classified as investment property and measured at fair value in accordance with the IFRS 16 *Leases* and IAS 40 *Investment property* standards. They are valued at the present value of future lease payments of the underlying agreements, which is considered to be equivalent to their fair value. Further details about the Group's lease portfolio are presented in note 16.

Income value method

Most of the Group's investment properties that are currently let to tenants are valued using the income value method. SATO has, from 31 December 2019, changed its valuation method from sales comparison method to income value method, for investment properties located in Finland that can be sold without restrictions, or can be sold as entire

properties and to a restricted group of buyers. The effect of the change of valuation method on the fair value of investment properties was approximately EUR 430 million. Since it constitutes a change in an accounting estimate, the change of valuation method is not applied retrospectively. Income value is determined by capitalising forecasted net rental income with a yield percentage. The yields are determined based on location, age and technical condition of the properties. The determination of the fair value of investment property requires estimates and assumptions in relation to the future development of yield requirements, maintenance expenses, vacancy and rent levels.

SATO's weighted average yield requirements by region, at 31 December 2019, were as follows: Helsinki metropolitan area 4.35 %, other regions in Finland

4.98 % and weighted average for the entire Group 4.46 %. An external expert (JLL) has issued a statement regarding the SATO's valuation method, and the statement is consistent with the valuation of investment properties in the consolidated financial statements.

Sales comparison method

SATO's investment properties located in St. Petersburg are valued by an external expert (JLL) with sales comparison method.

Acquisition cost

Properties funded with ARAVA or interest-subsidised loans are valued at cost less any impairments, which is estimated to represent their fair value. Unbuilt land and development projects, whose realization is uncertain, are valued at cost or probable value, whichever is lower, if their fair value cannot be determined reliably.

MEUR	note	2019	2018
Investment property by valuation classes			
Income value method		4,226.6	516.2
Sales comparison method		124.0	3,138.0
Acquisition cost		257.5	220.8
Owned investment properties, total		4,608.1	3,875.1
Right-of-use investment properties	16	49.7	0.0
Total		4,657.6	3,875.1

Sensitivity analysis of investment properties

MEUR	-10%		-5%		5%		10%	
	Change	Change, %	Change	Change, %	Change	Change, %	Change	Change, %
Properties measured by income value								
Yield requirement	469.6	11.1%	222.5	5.3%	-201.3	-4.8%	-384.2	-9.1%
Net rental income	-422.7	-10.0%	-211.3	-5.0%	211.3	5.0%	422.7	10.0%

All SATO's investment properties are classified in 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

14. TANGIBLE ASSETS

2019

MEUR	note	Machinery and equipment	Other tangible assets	2019 total
Acquisition cost, 1 January		4.9	1.4	6.4
Additions		1.5	0.2	1.6
Disposals		-0.3	0.0	-0.3
Transfers between items		0.0	0.0	0.0
Acquisition cost, 31 December		6.1	1.6	7.7
Accumulated depreciation, 1 January		3.4	0.6	4.0
Disposals		-0.2	0.0	-0.2
Depreciation and impairments for the period	8	0.6	0.1	0.7
Transfers between items		0.0	0.0	0.0
Accumulated depreciation, 31 December		3.8	0.7	4.5
Carrying value, 1 January		1.5	0.8	2.4
Carrying value, 31 December		2.3	0.9	3.2

2018

MEUR	note	Machinery and equipment	Other tangible assets	2018 total
Acquisition cost, 1 January		4.7	1.3	6.0
Additions		0.7	0.0	0.8
Disposals		-0.4	0.0	-0.4
Transfers between items		-0.1	0.1	0.0
Acquisition cost, 31 December		4.9	1.4	6.4
Accumulated depreciation, 1 January		3.6	0.3	3.8
Disposals		-0.4	0.0	-0.4
Depreciation for the period	8	0.3	0.1	0.5
Transfers between items		-0.2	0.2	0.0
Accumulated depreciation, 31 December		3.4	0.6	4.0
Carrying value, 1 January		1.1	1.1	2.2
Carrying value, 31 December		1.5	0.8	2.4

15. INTANGIBLE ASSETS

2019

MEUR	note	Intangible rights	Other intangible assets	2019 total
Acquisition cost, 1 January		0.0	8.2	8.2
Additions		0.0	2.0	2.0
Disposals		0.0	0.0	0.0
Transfers between items		0.0	0.0	0.0
Acquisition cost, 31 December		0.0	10.2	10.2
Accumulated amortisation, 1 January		0.0	5.6	5.6
Disposals		0.0	0.0	0.0
Amortisation for the period	8	0.0	0.9	0.9
Transfers between items		0.0	0.0	0.0
Accumulated amortisation, 31 December		0.0	6.5	6.5
Carrying value, 1 January		0.0	2.6	2.6
Carrying value, 31 December		0.0	3.7	3.7

2018

MEUR	note	Intangible rights	Other intangible assets	2018 total
Acquisition cost, 1 January		0.3	6.9	7.2
Additions		0.0	1.7	1.7
Disposals		-0.3	-0.4	-0.7
Transfers between items		0.0	-0.1	-0.1
Acquisition cost, 31 December		0.0	8.2	8.2
Accumulated amortisation, 1 January		0.3	5.1	5.4
Disposals		-0.3	0.0	-0.3
Amortisation for the period	8	0.0	0.8	0.8
Transfers between items		0.0	-0.4	-0.4
Accumulated amortisation, 31 December		0.0	5.6	5.6
Carrying value, 1 January		0.0	1.8	1.8
Carrying value, 31 December		0.0	2.6	2.6

16. LEASES

Right-of-use assets

MEUR	note	Right-of-use investment properties*	Other right-of-use assets	2019 total
Carrying value, 1 January		47.3	7.6	54.9
Additions		2.1	0.2	2.3
Remeasurement of lease agreements		0.9	1.8	2.8
Changes of fair value in profit and loss	13	-0.7	-	-0.7
Depreciation for the period	8	-	-1.8	-1.8
Carrying value, 31 December		49.7	7.7	57.5

* Right-of-use investment properties are measured at fair value and presented under investment properties in the statement of financial position. See further details in note 13.

SATO applies the IFRS 16 *Leases* standard from 1 January 2019. SATO has recognised right-of-use assets in scope of the standard under investment properties, to the extent that they are classified as investment property (right-of-use investment properties, see note 13), and otherwise under a new balance sheet item "Other Right-of-use assets". Since the Group has initially applied IFRS 16 using the modified retrospective application, no restatement of comparatives has been made.

The right-of-use investment properties include land lease agreements, which are related to residential investment properties. At the end of reporting period, the average remaining lease term of the Group's land leases was 19.6 (19.0) years. Their lease payments are index dependent. Other Right-of-use assets include leases for premises in SATO's own

use. All lease agreements for SATO's own premises mature in less than ten years and their lease payments are index-based.

The Group has sublet office premises at Panuntie, Helsinki, in 2019 and 2018. The rental income recognised in the income statement from these sublease agreements amounted to EUR 0.4 (0.4) million.

In the current period, the Group has recorded EUR 0.2 million of lease expenses from short-term lease agreements in the sales, marketing and administrative expenses. Total cash outflows for the Group's leases during the period amounted to EUR 5.7 million.

For further information on the initial application of IFRS 16, see note 1.

Lease liabilities

MEUR	31 Dec 2019
Non-current	
From land lease agreements	46.4
From other lease agreements	6.6
Total	53.0
MEUR	31 Dec 2019
Current	
From land lease agreements	3.5
From other lease agreements	1.2
Total	4.7
Total	57.7

At 1 January 2019, SATO recognised lease liabilities arising from the leases taken to the statement of financial position under IFRS 16. Since the Group has initially applied the standard using the modified retrospective application, no restatement of comparatives has been made.

The following table presents a reconciliation between the off-balance sheet lease commitments disclosed according to the IAS 17 standard in the financial statements at 31 December 2018 and the lease liabilities recognised at 1 January 2019 under IFRS 16.

MEUR

Minimum rents to be paid on the basis of other lease agreements at 31 Dec 2018	125.3
Optional relief regarding short-term leases	-0.1
Other adjustments	0.2
Lease liabilities, nominal amount at 1 Jan 2019	125.5
Discounting	-70.6
Lease liabilities, amount recognised at 1 Jan 2019	54.9

Lease commitments from other lease agreements (IAS 17)

MEUR	31 Dec 2018
Minimum rents to be paid on the basis of other lease agreements:	
Within one year	5.6
Within two to five years	20.0
Over five years	99.8
Total	125.3

17. INTERESTS IN OTHER ENTITIES

Group composition

SATO has 25 (26) 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, in which the rights of control over specified apartments are determined by shareholdings, are treated as joint operations in the consolidated financial statements. None of these entities is individually material to the Group. Joint operations are accounted for in the consolidated financial statements in the manner prescribed in the IFRS 11 *Joint Arrangements* standard, by recognising SATO's assets and liabilities in the arrangement, including its share of joint assets and liabilities, and its revenue and expenses, including its share of joint revenue and expenses.

A list of all entities owned by the Group or the parent company is presented in note 36.

Significant restrictions

The non-profit subsidiaries are subject to regulatory restrictions limiting distribution of profit from those entities. More information of 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 not included in the consolidated financial statements insofar as they are considered to be arrangements external of SATO's operations, and their purpose is to act on behalf of the people who have invested in shared ownership apartments.

The Group's interests in unconsolidated structured entities are estimated to entail no significant risks to the Group. For more information on the shared ownership entities, please refer to accounting principles (note 1). Information on the Group's loan receivables from, and purchase commitments related to, these entities is presented in notes 20 and 32, respectively. The structured entities do not have a significant impact on other items in the consolidated financial statements.

Joint ventures and associated companies

SATO did not have joint ventures or associated companies material to the Group in 2019 or 2018.

18. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

31 Dec 2019

31 Dec 2019					Fair value hierarchy		
		Fair value, other com- prehensive income	Assets and liabilities at amortised cost	2019 Carrying amount total			
MEUR	note				Level 1	Level 2	Level 3
Non-current financial assets							
Other non-current investments	19	1.1	-	1.1	-	1.1	-
Loans receivable	20	-	6.3	6.3	-	6.3	-
Derivative assets	20, 27	0.0	-	0.0	-	0.0	-
Total		1.1	6.3	7.4			
Current financial assets							
Accounts receivable	22	-	6.0	6.0	-	6.0	-
Cash and cash equivalents	23	-	5.0	5.0	-	5.0	-
Total		0.0	11.0	11.0			
Non-current financial liabilities							
Corporate bonds	26	-	546.5	546.5	537.0	24.0	-
Other loans	26	-	1,127.3	1,127.3	-	1,127.3	-
Derivative liabilities	27	46.7	-	46.7	-	46.7	-
Total		46.7	1,673.8	1,720.5			
Current financial liabilities							
Corporate bonds	26	-	100.0	100.0	101.0	-	-
Other loans	26	-	324.6	324.6	-	324.6	-
Derivative liabilities	27	1.9	-	1.9	-	1.9	-
Accounts payable	29	-	6.0	6.0	-	6.0	-
Total		1.9	430.6	432.5			

The cash flow hedging derivatives are valued at fair value through other comprehensive income.

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.

31 Dec 2018

31 Dec 2018					Fair value hierarchy		
		Fair value, other com- prehensive income	Assets and liabilities at amortised cost	2018 Carrying amount total			
MEUR	note				Level 1	Level 2	Level 3
Non-current financial assets							
Other non-current investments	19	1.9	-	1.9	-	1.9	-
Loans receivable	20	-	8.4	8.4	-	8.4	-
Derivative assets	20, 27	0.0	-	0.0	-	0.0	-
Total		1.9	8.4	10.3			
Current financial assets							
Accounts receivable	22	-	7.0	7.0	-	7.0	-
Cash and cash equivalents	23	-	5.4	5.4	-	5.4	-
Total		0.0	12.4	12.4			
Non-current financial liabilities							
Corporate bonds	26	-	647.0	647.0	643.4	24.0	-
Other loans	26	-	987.9	987.9	-	991.8	-
Derivative liabilities	27	39.7	-	39.7	-	39.7	-
Total		39.7	1,635.0	1,674.7			
Current financial liabilities							
Corporate bonds	26	-	100.0	100.0	100.9	-	-
Other loans	26	-	247.2	247.2	-	247.2	-
Derivative liabilities	27	1.1	-	1.1	-	1.1	-
Accounts payable	29	-	4.9	4.9	-	4.9	-
Total		1.1	352.2	353.2			

19. OTHER NON-CURRENT INVESTMENTS

MEUR	31 Dec 2019	31 Dec 2018
Other non-current investments		
Other holdings	1.1	1.9
Total	1.1	1.9

SATO presents its other non-current investments categorised into quoted shares and other holdings. Unrealised valuation gains and losses from other non-currents investments 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 if their fair value cannot be reliably determined.

20. NON-CURRENT RECEIVABLES

MEUR	note	31 Dec 2019	31 Dec 2018
Non-current receivables			
Derivatives	18, 27	0.0	0.0
Loans receivable	18	6.3	8.4
Non-current receivables total		6.3	8.5

The loans receivable are mainly receivables from housing companies that own shared ownership apartments. They are valued at amortised cost

in the consolidated financial statements and, according to the Group's assessment, they are not exposed to significant credit risk.

21. CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES

MEUR	1 Jan 2019	Recognised through profit or loss	Transfers between items	Recognised through other comprehensive income	31 Dec 2019
Deferred tax assets					
Valuation of financial instruments at fair value	6.6	0.0	-	1.3	7.9
Periodisation and temporary differences	6.3	0.0	-	-	6.3
Total	12.9	0.0	0.0	1.3	14.2
Deferred tax liabilities					
Valuation of investment properties at fair value	215.2	118.4	-	-	333.6
Valuation of financial instruments at fair value	1.0	0.2	-	0.0	1.2
Reclassification of housing provisions and depreciation differences	55.4	-4.4	-	-	51.0
Periodisation and temporary differences	0.0	-	-	-	0.0
Allocated acquisition costs	1.6	-	-	-	1.6
Total	273.2	114.2	0.0	0.0	387.4

At 31 Dec 2018, SATO changed its accounting principle concerning the measurement of deferred tax on investment property. The impact of the stand-

ard on the Group's deferred tax liabilities amounted to EUR 12.1 million at 1 January 2018, as compared to prior reporting practice.

MEUR	1 Jan 2018	Recognised through profit or loss	Transfers between items	Recognised through other comprehensive income	31 Dec 2018
Deferred tax assets					
Valuation of financial instruments at fair value	6.8	0.1	-	-0.2	6.6
Periodisation and temporary differences	6.4	-0.1	-	-	6.3
Total	13.2	0.0	0.0	-0.2	12.9
Deferred tax liabilities					
Valuation of investment properties at fair value	191.4	23.8	-	-	215.2
Valuation of financial instruments at fair value	1.1	-0.1	-	-	1.0
Reclassification of housing provisions and depreciation differences	58.0	-2.6	-	-	55.4
Periodisation and temporary differences	0.0	-	-	-	0.0
Allocated acquisition costs	1.6	-	-	-	1.6
Total	252.1	21.2	0.0	0.0	273.2

22. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

MEUR	note	31 Dec 2019	31 Dec 2018
Accounts receivable and other receivables			
Accounts receivable	18	6.0	7.0
Prepaid expenses and accrued income		2.2	0.9
Other receivables		2.7	4.0
Total		10.9	11.9

MEUR	31 Dec 2019			31 Dec 2018		
	Gross amount	Expected credit loss	Carrying amount	Gross amount	Expected credit loss	Carrying amount
Aging structure of accounts receivable						
Not due and less than one month overdue	3.7	-0.3	3.4	3.8	-0.2	3.6
1 to 6 months overdue	2.0	-0.6	1.4	2.0	-0.4	1.6
More than 6 months overdue	2.6	-1.4	1.2	3.5	-1.6	1.9
Total	8.2	-2.2	6.0	9.2	-2.2	7.0

SATO recognises the allowance for bad debts for accounts receivable according to IFRS 9. For measurement of the impairment of accounts receivable, the Group applies the simplified approach allowed by the standard, whereby it makes an assessment of the lifetime expected credit losses

for its accounts receivable at each reporting date, and based on this assessment, recognises the impairment through profit and loss. The recorded allowance for bad debts amounted to EUR 2.2 (2.2) million at the end of period.

MEUR	31 Dec 2019	31 Dec 2018
Specification of prepaid expenses and accrued income		
Prepaid expenses and accrued income related to rental services	0.2	0.0
Prepaid expenses and accrued income related to new constructions	0.1	0.1
Prepayments	0.2	0.1
Purchase price receivable	1.1	0.1
Interest receivables	0.2	0.2
Other	0.5	0.3
Total	2.2	0.9

23. CASH AND CASH EQUIVALENTS

MEUR	note	31 Dec 2019	31 Dec 2018
Cash and bank balances	18	5.0	5.4
Total		5.0	5.4

The cash assets of group companies subject to non-profit restrictions are kept separately from other companies' cash assets. At the reporting date,

such restricted companies' cash assets totalled EUR 1.2 (1.0) million.

24. SHAREHOLDERS' EQUITY

MEUR	31 Dec 2019	31 Dec 2018
The following dividend and repayment of capital were declared and paid by the company:		
Dividends, EUR 0.50 (0.50) per share	-28.3	-28.3
Total	-28.3	-28.3

No capital repayments were made by SATO in 2019 or 2018.

Description of items in shareholders' equity

Shares and share capital

As at 31 December 2019, the share capital of SATO Corporation totalled EUR 4,442,192, fully paid and divided to 56,783,067 shares. The number of own shares held by the company at the reporting date was 160,000. SATO has one class of shares, each of which entitles to one vote at the Annual General Meeting. The shares do not have a nominal value.

During the period, there were no changes in the number of the company's shares or the number of own shares held. At the reporting date 31 December 2019, the Board of Directors did not have authorisations for arrangement of new share issues.

Reserve fund

Reserve fund includes 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 2019, the Board of Directors has proposed dividend distribution of EUR 0.50 per share (2018: dividend of EUR 0.50 per share).

Restrictions concerning SATO's shareholders' equity

SATO's retained earnings at the end of period, EUR 1,922.8 (1,416.1) million, included distribution-restricted capital totalling EUR 292.7 (185.2) 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 a 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 40 per cent. At the end of period, SATO's equity ratio measured at fair value was 43.6 (39.6) per cent. 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 (see note 30). SATO complied with the capital structure and profitability covenants during the reporting period.

MEUR

	31 Dec 2019	31 Dec 2018
Current		
Corporate bonds	100.0	100.0
Commercial papers	233.0	182.9
Bank loans	33.4	26.3
Interest-subsidised loans	51.4	31.5
State-subsidised ARAVA loans	6.8	6.5
Total	424.6	347.2

During the reporting period, a total of EUR 657.2 (257.1) million of new long-term debt was drawn. At the reporting date, the average interest on the SATO debt portfolio was 1.7 (2.1) per cent.

For purposes of short-term financing, SATO has a commercial paper programme of EUR 400 (400) million, committed credit limits of EUR 400 (400) million, of which EUR 400 (400) million were unused, and a non-committed current overdraft limit of EUR 5 (5) million, of which EUR 1.5 (5) million were unused.

SATO established a EUR 1,500 million Euro Medium Term Note (EMTN) programme in May 2019, under which SATO issued EUR 350 million in unsecured bonds on 31 May 2019. The cash proceedings were used to repurchase SATO's EUR 300 million bonds issued in 2016 and 2015. The amount of notes issued in 2016 accepted for purchase pursuant to the tender offer was set at an aggregate principal amount of EUR 150 million and the amount of notes issued in 2015 accepted for purchase pursuant to

the tender offer was set at an aggregate principal amount of EUR 200 million.

Corporate bonds include the following bonds issued by SATO Corporation: EUR 350 million unsecured bond maturing on 31 May 2024 and carrying a fixed annual coupon of 1.375 per cent, EUR 100 million unsecured bond maturing on 10 September 2020 and carrying a fixed annual coupon of 2.25 per cent and EUR 150 million unsecured bond maturing on 24 March 2021 and carrying a fixed annual coupon of 2.375 per cent. The bonds are listed on the Irish Stock Exchange and have a public BBB credit rating from Standard & Poor's. The bonds maturing in 2020 and 2021 are guaranteed by a subsidiary. Corporate bonds also include the secured bonds issued by SATO Corporation. The EUR 24 million and EUR 25 million secured bonds issued in 2013 will mature in June 2023 and December 2022, and they both carry an annual interest consisting of a margin and a floating Euribor rate. The secured bonds are listed on Nasdaq Helsinki Ltd, and they do not have credit ratings.

25. LONG-TERM NON-INTEREST-BEARING LIABILITIES

The long-term non-interest-bearing liabilities, EUR 0.0 (1.3) million, are related entirely to the Group's property development projects.

26. FINANCIAL LIABILITIES

MEUR	31 Dec 2019	31 Dec 2018
Non-current		
Corporate bonds	546.5	647.0
Bank loans	917.2	693.9
Interest-subsidised loans	166.9	243.9
State-subsidised ARAVA loans	43.2	50.2
Total	1,673.8	1,635.0

27. DERIVATIVES

Fair values of derivative instruments

MEUR	Positive	Negative	31 Dec 2019 net	Positive	Negative	31 Dec 2018 net
Non-current						
Interest rate swaps, cash flow hedge	-	-32.7	-32.7	-	-25.7	-25.7
Cross-currency and interest rate swaps, cash flow hedge	-	-14.0	-14.0	-	-14.0	-14.0
Foreign exchange forward contracts, cash flow hedge	-	-	0.0	-	-	-
Non-current derivatives, total	0.0	-46.7	-46.7	0.0	-39.7	-39.7
Current						
Interest rate swaps, cash flow hedge	-	-1.9	-1.9	0.0	-1.1	-1.1
Cross-currency and interest rate swaps, cash flow hedge	-	-	0.0	-	-	0.0
Foreign exchange forward contracts, cash flow hedge	0.0	-	0.0	-	-	-
Current derivatives, total	0.0	-1.9	-1.9	0.0	-1.1	-1.1
Derivatives, total	0.0	-48.6	-48.6	0.0	-40.8	-40.8

MEUR	31 Dec 2019	31 Dec 2018
Nominal values of derivative instruments		
Interest rate swaps, cash flow hedge	658.4	775.5
Cross-currency and interest rate swaps, cash flow hedge	73.4	73.4
Foreign exchange forward contracts	0.6	-
Total	732.4	848.9

Change in fair value of designated interest rate hedges, booked to hedge reserve in other comprehensive income, totalled EUR -5.3 (1.0) million and that of foreign exchange hedges totalled EUR 0.0 (0.0) million. Interest rate swaps are used to hedge interest cash flows against fluctuation in market interest rates. SATO also hedges the interest rate risk

with forward start swaps. On the reporting date, the forward start swaps amounted to EUR 115.0 (275.0) million in nominal value. 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 within one 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.

28. PROVISIONS

MEUR	Provision for refund claims	Other provisions	Total
Total provisions, 1 January 2019	2.9	1.8	4.7
Increases	0.7	-	0.7
Provisions used	-0.4	0.0	-0.4
Reversals	-0.6	-	-0.6
Total provisions, 31 December 2019	2.6	1.8	4.4

MEUR	31 Dec 2019	31 Dec 2018
Non-current provisions	1.6	2.0
Current provisions	2.8	2.7
Total	4.4	4.7

The provision for refund claims includes guarantees related to new construction business and a 10-year warranty period after completion of the work. The provision for refund claims is measured based on

previous claims and an assessment of previous experience. The provision for refund claims will be used, if applicable, within 10 years from the reporting date.

29. ACCOUNTS PAYABLE AND OTHER LIABILITIES

MEUR	note	31 Dec 2019	31 Dec 2018
Accounts payable and other liabilities			
Advances received		19.5	17.6
Accounts payable	18	6.0	4.9
Other liabilities		2.9	3.2
Accrued expenses and prepaid income		36.9	38.6
Total accounts payable and other liabilities		65.3	64.4

MEUR	note	31 Dec 2019	31 Dec 2018
Accrued expenses and prepaid income			
Personnel expenses		5.5	6.2
Interest expenses		10.3	13.2
Derivative instruments	27	1.9	1.1
Accrued expenses and prepaid income related to new constructions		6.6	8.2
Accrued expenses and prepaid income related to rental services		8.7	9.6
Other accrued expenses		3.4	0.3
Other		0.4	0.0
Total accrued expenses and prepaid income		36.9	38.6

30. 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 organising 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, 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. At 31 December 2019, the fixed rate portion of the loan portfolio after hedging is 62.0 (68.9) per cent, the average maturity being 4.0 (4.4) 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 in the "sensitivity analysis" table below.

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 3.50 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 from 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 an 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.

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, which are accounted for as cash flow hedges. On the financial statement date, SATO didn't have any 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. The operations in St. Petersburg are limited to maximum 10 per cent of the Group's total assets.

The Group's foreign currency-denominated loans are exposed to foreign exchange risk, which is fully hedged with cross-currency and interest rate swaps. The effect of changes in foreign exchange rates on net financial expenses is examined in the "sensitivity analysis" table below.

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. The majority of SATO's accounts receivable consists of rent receivables. SATO has over 26,000 tenants, so the risk entailed in a single receivable is insignificant. The use of security deposit decreases the credit risk associated with rent receivables. SATO's actual credit losses have averaged the equivalent of 1.2 (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 arise from investment activities.

Liquidity is managed with the commercial paper programme of EUR 400 (400) million, committed credit limits EUR 400 (400) million, and non-committed credit limits, EUR 5 (5) million. At 31 December 2019, the commercial papers issued amounted to EUR 233.0 (183.0) million in nominal value. The credit facilities in use were EUR 3.5 million (EUR 0 in use at 31 December 2018). In liquidity manage-

ment, 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.

Standard & Poor's has assigned SATO with BBB credit rating with stable outlook. With the invest-

ment grade credit rating, SATO aims to widen the investor base and to further limit dependency on any single financing counterparties.

SATO's funding agreements contain covenant clauses relating to the Group's capital structure and interest payment capacity. These clauses set a ratio of unencumbered assets to total assets at least

42.5 per cent, a solvency ratio maximum of 65 per cent, a secured solvency ratio maximum 45 per cent and interest coverage ratio of at least 1.8. At the reporting date, the ratio of unencumbered assets was 80.8 (74.1) per cent, the solvency ratio was 44.4 (50.5) per cent, the secured solvency ratio was 10.2 (17.5) per cent and the interest coverage ratio was 3.3 (4.4).

Sensitivity analysis, interest rate risk

MEUR	2019				2018			
	Profit and Loss		Equity		Profit and Loss		Equity	
	0.1%	-0.1%	0.1%	-0.1%	0.1%	-0.1%	0.1%	-0.1%
Floating rate loans	-0.5	0.5	-	-	-0.7	0.7	-	-
Cross-currency and interest rate swaps	0.1	-0.1	0.1	-0.1	0.1	-0.1	0.2	-0.2
Interest rate swaps	0.5	-0.5	3.2	-3.2	0.4	-0.4	3.4	-3.4
Total	0.0	0.0	3.3	-3.3	-0.2	0.2	3.6	-3.6

Sensitivity analysis, currency risk

MEUR	2019				2018			
	Profit and Loss		Equity		Profit and Loss		Equity	
	10%	-10%	10%	-10%	10%	-10%	10%	-10%
Foreign currency-denominated loans	5.7	-7.0	-	-	5.8	-7.1	-	-
Cross-currency and interest rate swaps	-5.7	7.0	-	-	-5.8	7.1	-	-
Foreign exchange forward contracts	-	-	0.0	-0.1	-	-	-	-
Total	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0

Maturity analysis on financial instruments

31 Dec 2019

MEUR	Within 1 year	2–5 years	6–10 years	11–15 years	After 15 years	2019 total
Financial liabilities						
Market-based loans	-384.4	-1,003.4	-515.6	-20.7	-18.6	-1,942.7
Interest-subsidised loans	-52.7	-81.3	-38.4	-44.6	-11.9	-228.9
State-subsidised ARAVA loans	-7.1	-20.9	-17.4	-2.9	-0.2	-48.5
Accounts payable	-6.0	-	-	-	-	-6.0
Financial liabilities total	-450.2	-1,105.6	-571.5	-68.2	-30.7	-2,226.2
Derivative contracts						
Interest rate derivatives	-11.4	-24.7	-4.6	-	-	-40.7
Derivative contracts total	-11.4	-24.7	-4.6	0.0	0.0	-40.7
Lease liabilities						
From land lease agreements	-3.6	-14.4	-17.8	-17.7	-70.8	-124.2
From other lease agreements	-1.3	-4.3	-2.9	0.0	0.0	-8.4
Lease liabilities total	-4.9	-18.6	-20.6	-17.7	-70.8	-132.7
Total	-466.5	-1,149.0	-596.7	-85.8	-101.5	-2,399.6

31 Dec 2018

MEUR	Within 1 year	2–5 years	6–10 years	11–15 years	After 15 years	2018 total
Financial liabilities						
Market-based loans	-329.5	-1,034.4	-348.4	-29.5	-36.9	-1,778.6
Interest-subsidised loans	-40.6	-142.5	-38.5	-42.9	-34.8	-299.2
State-subsidised ARAVA loans	-7.1	-23.8	-20.4	-4.2	-3.6	-59.2
Accounts payable	-4.9	-	-	-	-	-4.9
Financial liabilities total	-382.1	-1,200.7	-407.3	-76.6	-75.2	-2,141.9
Derivative contracts						
Interest rate derivatives	-10.7	-27.9	-6.9	-	-	-45.5
Derivative contracts total	-10.7	-27.9	-6.9	0.0	0.0	-45.5
Total	-392.8	-1,228.6	-414.2	-76.6	-75.2	-2,187.4

The above figures represent contractual, non-discounted cash flows, including interest payments.

31. NOTES TO THE CASH FLOW STATEMENT

MEUR	note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Non-cash items included in the profit			
Depreciation and amortisation	8	3.4	1.3
Gains and losses from changes in fair value of investment properties	13	-552.2	-102.0
Change in provisions	28	-0.3	-1.4
Share of profit of associated companies and joint ventures		-0.2	0.0
Total		-549.3	-102.1
MEUR		2019	2018
Changes in interest-bearing debt during the period			
Interest-bearing debt, 1 Jan		1,982.2	1,931.7
Cash changes in interest-bearing debt during the period, total		123.4	50.2
Non-cash changes:			
Change in foreign exchange rates		-1.2	0.1
Interest accrued by the effective interest rate method		1.3	0.7
Transfers of debt to buyers upon disposals of investment property and other adjustments		-7.3	-0.5
Interest-bearing debt, 31 Dec		2,098.4	1,982.2

32. COLLATERAL, COMMITMENTS AND CONTINGENCIES

MEUR	31 Dec 2019	31 Dec 2018
Mortgages and pledges for secured borrowings		
Secured borrowings	466.2	671.2
Pledges and mortgages provided, fair value	905.9	1,015.4
Guarantees for others		
Shared ownership apartment purchase commitments	5.9	7.8
Rs-guarantees	3.7	4.2
Other collateral provided		
Mortgages provided to secure payment of rent and street maintenance	6.9	6.9
Guarantees and mortgages provided to secure payments of land use contracts	18.2	9.1
Binding purchase agreements		
For acquisitions of investment properties	40.9	107.9
Commitments for land use payments on zoned plots	4.3	0.8
Commitments to cleaning and removal charges	0.0	0.0
Letters of intent on land for which there is a zoning condition	9.2	39.3

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 13.5 (21.8) million.

33. RELATED PARTY TRANSACTIONS

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

Shareholders that are considered as SATO's related party in 2019 are Balder Finska Otas AB, Erik Selin Fastigheter AB and Balder-group companies (owner: Fastighets Ab Balder, 100 per cent), Stichting

Depository APG Strategic Real Estate Pool (owner: Stichting Pensioenfonds ABP, >95 per cent; manager: APG Asset Management NV) and Elo Mutual Pension Insurance Company.

The members of the Board of Directors of SATO, the CEO and the members of the Extended Corporate Management Group and their close family members and the entities controlled or jointly controlled by them and joint venture SV-Asunnot Oy are considered as SATO's related party. The Extended Corporate Management Group comprises of SATO Corporation's President and CEO, Vice Presidents, Director of Marketing and Communications, Chief Financial Officer, Chief Digital Officer, Director of Human Resources and General Counsel.

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 2019	1 Jan–31 Dec 2018
Transactions with related parties		
Rental agreements	0.0	0.0
Other transactions	0.0	0.0
Total	0.0	0.0

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Management employee benefits		
Salaries and other short-term employee benefits	1.2	1.9
Other long-term employee benefits	0.1	0.1
Total	1.3	2.1

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Salaries and remuneration paid		
President and CEO	0.6	0.5
Members of the Board of Directors	0.2	0.2
Total	0.8	0.7

Thousand EUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Compensation paid to the members of the Board of Directors and the President & CEO		
Saku Sipola (until 31 Aug 2019)	530	531
Sharam Rahi (from 1 Sep 2019)	103	0
Erik Selin	43	42
Jukka Hienonen	29	28
Esa Lager	25	24
Tarja Pääkkönen	24	24
Timo Stenius	23	25
Marcus Hansson	25	25
Hans Spikker	23	24
Total	822	722

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.

In addition to the members of the Corporate Management Group, the PRP system covers around 80 SATO employees in executive, managerial and

expert roles. The terms and conditions of the PRP system and the payment of performance bonuses are approved by the Board of Directors. The aim of the PRP system is to harmonise the objectives of shareholders, management and key persons, bolster the commitment of key persons, improve competitiveness and promote long-term financial success.

34. BORROWING COSTS

	note	31 Dec 2019	31 Dec 2018
Capitalised expenses of borrowing costs during the period, MEUR	13	2.6	1.7
Financial expense index, %		2.1	2.4

35. SUBSEQUENT EVENTS

SATO's EVP, Rental Housing Business, Antti Asteljoki left the company on 4 February 2020. SATO's EVP, Investments Antti Aarnio, was appointed also as the head of Rental Housing Business as of 5 February 2020.

36. SUBSIDIARIES OWNED BY THE GROUP AND PARENT COMPANY

31 Dec 2019	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
Sato-Rakennuttajat Oy	100.0	100.0
SATOkoti Oy	100.0	100.0
SATOkoti 18 Oy	100.0	100.0
SATOkoti 21 Oy	100.0	100.0
SATOkoti 23 Oy	100.0	100.0
SATOkoti 24 Oy	100.0	100.0
Suomen Vuokrakodit 3 Oy	100.0	100.0
Suomen Satokodit 19 Oy	100.0	100.0
Suomen Satokodit 21 Oy	100.0	100.0
Suomen Satokodit 22 Oy	100.0	100.0
Suomen Satokodit 24 Oy	100.0	100.0
Sato VK 18 Oy	100.0	100.0
Sato VK 19 Oy	100.0	100.0
Sato VK 20 Oy	100.0	100.0
Sato VK 21 Oy	100.0	100.0
Sato VK 22 Oy	100.0	100.0
Vatrotalot 2 Oy	100.0	100.0
Vatrotalot 3 Oy	100.0	100.0
Vatrotalot 5 Oy	100.0	100.0
Sato KT-Asunnot Oy	100.0	100.0
Uusi Sarfvik Oy	60.0	18.3
Sarfvikin Vesialue Oy	60.0	18.3
Vantaan Sato-Kartano KOy	100.0	100.0

31 Dec 2019	Group's holding, %	Parent company's holding, %
Joint ventures and associated companies		
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	6.8	2.2
Companies held by subsidiaries		
Sato-Asunnot Oy		
Sato-Pietari Oy	100.0	100.0
Sato-Neva Oy	100.0	100.0
OOO SATO RUS	100.0	100.0
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 4 linja 24	33.6	33.6
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	73.7	73.7
Espoon Elosalama As Oy (Uudisosa)	26.3	26.3

31 Dec 2019	Group's holding, %	Parent company's holding, %	31 Dec 2019	Group's holding, %	Parent company's holding, %
Espoon Hassel As Oy	4.4	4.4	Espoon Paratiisiomena As Oy	18.3	18.3
Espoon Heinjoenpolku As Oy	100.0	100.0	Espoon Perkkankuja 3 As Oy	100.0	100.0
Espoon Henttaan puistokatu 6 As Oy	100.0	100.0	Espoon Porarinkatu 2 D-E As Oy	100.0	100.0
Espoon Henttaan puistokatu 8 As Oy	100.0	100.0	Espoon Porarinkatu 2 F As Oy	100.0	100.0
Espoon Honkavaarantie 5 As Oy	10.3	10.3	Espoon Puikkarinmäki As Oy	100.0	100.0
Espoon Hopeavillakko As Oy	100.0	100.0	Espoon Puropuisto As Oy (VA)	58.4	55.8
Espoon Interior As Oy	11.4	11.4	Espoon Pyhäjärventie 1 As Oy	100.0	100.0
Espoon Jousenkaari 5 As Oy	100.0	100.0	Espoon Rastaspuistonpolku As Oy	22.6	22.6
Espoon Kala-Maija 4 As Oy	100.0	100.0	Espoon Rastaspuistontie 8 As Oy	7.3	7.3
Espoon Kaupinkalliontie 5 As Oy (Sato-Asunnot)	48.7	48.7	Espoon Rummunlyöjäkatu 11 D - E As Oy	100.0	100.0
Espoon Kilvoituksentie 1 Asunto Oy	100.0	100.0	Espoon Runoratsunkatu 5 As Oy	100.0	100.0
Espoon Kiskottajankuja 4 As Oy	100.0	100.0	Espoon Ruorikuja 4 As Oy	3.8	3.8
Espoon Kivenhakkaajankuja 3 As Oy	2.3	2.3	Espoon Ruusulinna As Oy	100.0	100.0
Espoon Kuunkierros 2 As Oy	13.5	13.5	Espoon Satokallio As Oy	11.6	11.6
Espoon Kuunsirppi As Oy	100.0	100.0	Espoon Saunalyhty As Oy	6.8	6.8
Espoon Kyyhkysmäki 16 As Oy	100.0	100.0	Espoon Sepetlahdentie 6 As Oy	100.0	100.0
Espoon Kyyhkysmäki 9 As Oy	100.0	100.0	Espoon Siniheinä As Oy	100.0	100.0
Espoon Lansantie 3 As Oy	100.0	100.0	Espoon Sokerilinnantie 1 As Oy	5.8	4.3
Espoon Likusterikatu 1 D As Oy	100.0	100.0	Espoon Soukanniementie 1 As Oy	100.0	100.0
Espoon Linnustajantie 17 As Oy	100.0	100.0	Espoon Suvikäytävä As Oy	29.9	29.9
Espoon Lounaismeri As Oy	100.0	100.0	Espoon Taivalmäki 5 As Oy	100.0	100.0
Espoon Magneettikatu 8 As Oy	100.0	100.0	Espoon Taivalrinne As Oy	100.0	100.0
Espoon Matinniitynkujat 8 As Oy	100.0	100.0	Espoon Tähtimötie As Oy	100.0	100.0
Espoon Merituulentie 38 As Oy	100.0	100.0	Espoon Vanharaide As Oy	90.1	90.1
Espoon Myötätuulenmäki As Oy	8.5	8.5	Espoon Vasaratörmä As Oy	5.2	5.2
Espoon Niittyhuippu As Oy	28.1	28.1	Espoon Viherlaaksonranta 3-5 As Oy	100.0	100.0
Espoon Niittymaantie 1 As Oy	100.0	100.0	Espoon Viherlaaksonranta 7 As Oy	100.0	100.0
Espoon Niittymaantie 3 As Oy	100.0	100.0	Espoon Yläkartanonpiha As Oy	10.9	10.9
Espoon Niittysillankulma 2 C-D As Oy	100.0	100.0	Espoon Zanseninkuja 6 As Oy	100.0	100.0
Espoon Numersinkatu 11 As Oy	18.8	18.8	Etelä-Hämeen Talo Oy (Sato-as.)	81.3	81.3
Espoon Omenapuu As Oy	16.0	16.0	Eura III As Oy	100.0	100.0

31 Dec 2019	Group's holding, %	Parent company's holding, %	31 Dec 2019	Group's holding, %	Parent company's holding, %
Fredrikinkatu 38 As Oy	2.7	2.7	Helsingin Ida Aalbergin tie 3 A As Oy	100.0	100.0
Haagan Pappilantie 13 As Oy	2.6	2.6	Helsingin Isopurje As Oy	3.2	3.2
Haagan Talontie 4 As Oy	3.1	3.1	Helsingin Juhani Ahon tie 12-14 As Oy	100.0	100.0
Hakaniemenranta As Oy	2.5	2.5	Helsingin Junonkatu 4 As Oy	100.0	100.0
Hannanpiha As Oy	19.1	19.1	Helsingin Kaarenjalka 5 As Oy	100.0	100.0
Harjulehmus As Oy	14.1	14.1	Helsingin Kaivonkatsojantie 2 As Oy	16.4	16.4
Helkalax As Oy	1.3	1.3	Helsingin Kalevankatu 53 As Oy	30.5	30.5
Helsingin Akaasia As Oy	13.9	13.9	Helsingin Kallioliina As Oy	0.8	0.8
Helsingin Aleksis Kiven katu 52-54 As Oy	0.5	0.5	Helsingin Kanavaranta As Oy	8.8	8.8
Helsingin Ansaritie 1 As Oy	100.0	100.0	Helsingin Kangaspellontie 1-5 As Oy	100.0	100.0
Helsingin Ansaritie 2-4 As Oy	100.0	100.0	Helsingin Kangaspellontie 4 As Oy	10.0	10.0
Helsingin Ansaritie 3 As Oy	100.0	100.0	Helsingin Kaustisenpolku 1 As Oy	100.0	100.0
Helsingin Apollonkatu 19 As Oy	38.2	38.2	Helsingin Kerttulinkuja 1 As Oy	7.5	7.5
Helsingin Arabian Kotiranta As Oy	4.2	4.2	Helsingin Kiillekuja 4 As Oy	100.0	100.0
Helsingin Arabiankatu 3 As Oy	13.4	13.4	Helsingin Kirjala As Oy	100.0	100.0
Helsingin Aurinkotuulenkatu 6 As Oy	100.0	100.0	Helsingin Kilaavuntie 8-10 As Oy	100.0	100.0
Helsingin Casa Canal As Oy	13.3	13.3	Helsingin Kokkosaarenkatu 4 As Oy	20.8	20.8
Helsingin Castreninkatu 3 As Oy	100.0	100.0	Helsingin Koralli As Oy	4.1	4.1
Helsingin Cirrus As Oy	1.7	1.7	Helsingin Koroistentie As Oy	9.4	9.4
Helsingin Corona As Oy	17.0	17.0	Helsingin Korppaanmäentie 17 As Oy	100.0	100.0
Helsingin Eiranrannan Estella As Oy	30.8	30.8	Helsingin Korppaanmäentie 21 As Oy	100.0	100.0
Helsingin Eliel Saarisen tie 10 As Oy	96.1	96.1	Helsingin Kristianinkatu 11-13 As Oy	100.0	100.0
Helsingin Finniläntalo As Oy	80.2	80.2	Helsingin Kultareuna 1 As Oy	39.0	39.0
Helsingin Gadolininkatu 1 As Oy	100.0	100.0	Helsingin Kutomotie 10a KOy	75.5	75.5
Helsingin Gerbera As Oy	12.7	12.7	Helsingin Kutomotie 12a As Oy	100.0	100.0
Helsingin Graniittitie 8 ja 13 As Oy	100.0	100.0	Helsingin Kutomotie 14 A As Oy	100.0	100.0
Helsingin Hakaniemenkatu 9 As Oy	100.0	100.0	Helsingin Kutomotie 8a As Oy	100.0	100.0
Helsingin Happiness As Oy	22.2	22.2	Helsingin Kuusihovi As Oy	25.4	25.4
Helsingin Heikkiläntie 10 K Oy	100.0	100.0	Helsingin Kyläkirkontie 13 As Oy	68.5	68.5
Helsingin Hildankulma As Oy	80.1	80.1	Helsingin Köysikuja 2 As Oy	9.5	9.5
Helsingin Hämeenpenger As Oy	100.0	100.0	Helsingin Laponia As Oy	100.0	100.0

31 Dec 2019	Group's holding, %	Parent company's holding, %	31 Dec 2019	Group's holding, %	Parent company's holding, %
Helsingin Lauttasaarentie 19 KOy	58.3	58.3	Helsingin Piispantie 7 As Oy	100.0	100.0
Helsingin Leikopiha As Oy	9.6	9.6	Helsingin Piispantie 8 As Oy	100.0	100.0
Helsingin Leikosaarentie 31 As Oy	18.7	18.7	Helsingin Pirta As Oy	17.1	17.1
Helsingin Leikovuori As Oy	9.1	9.1	Helsingin Porthaninkatu 4 As Oy	0.7	0.7
Helsingin Leirikuja 3 As Oy	100.0	100.0	Helsingin Puuskarinne 1 As Oy	98.2	98.2
Helsingin Lontoonkatu 9 As Oy	100.0	100.0	Helsingin Päivöläntie 72 As Oy	7.7	7.7
Helsingin Lönnrotinkatu 32 As Oy	55.1	55.1	Helsingin Pääskylänrinne As Oy	100.0	100.0
Helsingin Malagankatu 7 As Oy	100.0	100.0	Helsingin Reginankuja 4 As Oy	11.8	11.8
Helsingin Mariankatu 19 As Oy	1.0	1.0	Helsingin Rikhard Nymanin tie 3 As Oy	100.0	100.0
Helsingin Mechelininkatu 12-14 As Oy	100.0	100.0	Helsingin Riontähti As Oy	100.0	100.0
Helsingin Merenkävijä As Oy	5.1	5.1	Helsingin Rosas As Oy	9.6	9.6
Helsingin Meripellonhovi KOy	98.3	98.3	Helsingin Rusthollarinkuja 2 As Oy	100.0	100.0
Helsingin Mestari As Oy	100.0	100.0	Helsingin Ruusutarhantie 2-4 As Oy	30.7	30.7
Helsingin Minna Canthinkatu 24 As Oy	1.1	1.1	Helsingin Ruusutarhantie 7 As Oy	19.7	19.7
Helsingin Myllypellonpolku 4 As Oy	5.1	5.1	Helsingin Sateenkaari As Oy	100.0	100.0
Helsingin Mylläri As Oy	2.3	2.3	Helsingin Satoaalto As Oy	8.6	8.6
Helsingin Nautilus As Oy	26.0	26.0	Helsingin Satorinne As Oy	8.5	8.5
Helsingin Navigatortalo KOy	44.7	44.7	Helsingin Serica As Oy	3.8	3.8
Helsingin Nils Westermarckin kuja 18 As Oy	100.0	100.0	Helsingin Siltavoudintie 20 As Oy	100.0	100.0
Helsingin Nukkeruusunkuja 3 As Oy	15.5	15.5	Helsingin Snellmaninkatu 23 As Oy (asunnot)	85.2	85.2
Helsingin Näyttelijäntie 24 As Oy	100.0	100.0	Helsingin Snellmaninkatu 23 As Oy (muut tilat)	14.9	14.9
Helsingin Otto Brandtin polku 4 As Oy	4.4	4.4	Helsingin Solarus As Oy (ASSI)	5.9	5.9
Helsingin Näkinkuja 6 As Oy	100.0	100.0	Helsingin Solnantie 22 As Oy	71.0	71.0
Helsingin Pajamäentie 6 As Oy	100.0	100.0	Helsingin Solnantie 22 As Oy (LT)	27.0	27.0
Helsingin Pajamäentie 7 As Oy	100.0	100.0	Helsingin Stenbäckinkatu 5 KOy	60.0	60.0
Helsingin Pakilantie 17 As Oy	52.7	52.7	Helsingin Ståhlbergintie 4 As Oy	93.5	93.5
Helsingin Pakilantie 17 As Oy (uudisosa)	47.3	47.3	Helsingin Sähköttäjänkatu 6 As Oy	100.0	100.0
Helsingin Pasilantornit As Oy	53.4	53.4	Helsingin Tapaninkulo As Oy	4.7	4.7
Helsingin Perustie 16 As Oy	56.0	56.0	Helsingin Tila As Oy (Sato-As.)	24.5	13.1
Helsingin Piispantie 3 As Oy	100.0	100.0	Helsingin Tilkankatu 15 As Oy	100.0	100.0
Helsingin Piispantie 5 As Oy	100.0	100.0	Helsingin Tilkankatu 2 As Oy	100.0	100.0

31 Dec 2019	Group's holding, %	Parent company's holding, %	31 Dec 2019	Group's holding, %	Parent company's holding, %
Helsingin Tilkankatu 6 As Oy	100.0	100.0	Jyväskylän Yliopistonkatu 18 ja Keskustie 17 As Oy	100.0	100.0
Helsingin Topeliuksenkatu 29 As Oy	4.6	4.6	Jyväskylän Äijälänrannan Ansaritie 4 As Oy	100.0	100.0
Helsingin Tulvaniitynpolku 5 As Oy	4.1	4.1	Järvenpään Alhonorinne As Oy	18.4	18.4
Helsingin Tunturinlinna As Oy	9.5	9.5	Järvenpään Kotokartano As Oy	100.0	100.0
Helsingin Töölön Oscar As Oy	25.3	25.3	Kaarenkunnas As Oy	100.0	100.0
Helsingin Vanha viertotie 16 As Oy	68.8	68.8	Kaarinan Auranpihat As Oy	100.0	100.0
Helsingin Vanha viertotie 18 As Oy	42.8	42.8	Kaarinan Katariinanrinne As Oy	12.2	6.9
Helsingin Vanha viertotie 6 As Oy	100.0	100.0	Kaarinan Verkapatruuna As Oy	17.4	5.2
Helsingin Vanha Viertotie 8 As Oy	100.0	100.0	Kaidanpääty As Oy	100.0	100.0
Helsingin Venemestarin tie 4 As Oy	100.0	100.0	Kajaneborg Bost. Ab	7.3	7.3
Helsingin Vervi As Oy	100.0	100.0	Kangasalan Kukkapiisto As Oy	6.3	6.3
Helsingin Vetelintie 5 As Oy	100.0	100.0	Kasarmikatu 14 As Oy	12.2	12.2
Helsingin Villa Kuuhu As Oy	25.6	25.6	Kangasalan Unikkoniitty KOy	100.0	100.0
Helsingin Viulutie 1 As Oy	100.0	100.0	Kapellimestarinparkki KOy	9.1	9.1
Helsingin Vuosaaren Helmi As Oy	100.0	100.0	Kasarminkatu 10 As Oy	26.7	26.7
Helsingin Välskärinkatu 4 KOy	100.0	100.0	Kastevuoren Palvelutalo As Oy	100.0	100.0
Hervannan Juhani As Oy	14.9	14.9	Kaukotie 10–12 As Oy	3.1	3.1
Hiihtomäentie 34 As Oy	3.7	3.7	Kauniaisten Ersintie 9–11 As Oy	5.5	5.5
Humalniementie 3–5 As Oy	1.1	1.1	Kauniaisten Konsuli As Oy Bost. Ab	7.4	7.4
Hämeenlinnan Aaponkuja 3 As Oy	33.4	33.4	Kauniaisten Ratapolku 6 As Oy	100.0	100.0
Iidesranta 42 Tampere As Oy	9.9	6.6	Keravan Papintie 1 As Oy	100.0	100.0
Jukolanniitty As Oy	7.7	7.7	Ketturinne As Oy	1.3	1.3
Jukolantanner As Oy	7.8	7.8	Kilonkallionkuja 5 As Oy	100.0	100.0
Jussinhovi As Oy	3.5	3.5	Kirkkonummen Sarvikinrinne 4 As Oy	100.0	100.0
Jyväskylän Ailakinraitti As Oy	100.0	100.0	Kirkkosalmentie 3 As Oy	0.9	0.9
Jyväskylän Harjukartano As Oy	23.0	23.0	Kivisaarentie As Oy	2.7	2.7
Jyväskylän Harjunportti As Oy	18.7	18.7	Kolehmaisentori As Oy	11.6	11.6
Jyväskylän Lyseonlinna As Oy (asunnot)	6.8	4.6	Kotipiennar As Oy	2.8	2.8
Jyväskylän Taitoniekansato As Oy	17.4	17.4	Kristianinkatu 2 As Oy	1.7	1.7
Jyväskylän Tanhurinne As Oy	24.1	24.1	Kuhakartano As Oy	1.3	1.3
Jyväskylän Torihovi As Oy (asunnot)	2.7	2.7	Kukkolan Koivu As Oy	4.3	4.3

31 Dec 2019	Group's holding, %	Parent company's holding, %	31 Dec 2019	Group's holding, %	Parent company's holding, %
Kulmakatu 12 As Oy	2.1	2.1	Mannerheimintie 148 As Oy	2.5	2.5
Kulmavuorenpiha As Oy	100.0	100.0	Mannerheimintie 170 KOy	63.3	16.1
Kulmavuorenrinne As Oy	1.0	1.0	Mannerheimintie 170 KOy	63.3	47.2
Kupittaa Kotka, Turku As Oy	10.9	10.9	Mannerheimintie 77 As Oy	1.2	1.2
Kupittaa Kurki, Turku As Oy	6.1	6.1	Mannerheimintie 83–85 As Oy	0.7	0.7
Kupittaa Kyyhky, Turku As Oy	100.0	100.0	Mannerheimintie 93 As Oy	0.3	0.3
Kupittaa Satakieli As Oy	6.1	6.1	Mariankatu 21 As Oy	1.3	1.3
Kuuselanpuisto As Oy	23.0	23.0	Matinkylän Poutapilvi As Oy	100.0	100.0
Kuusihalme As Oy	2.3	2.3	Matinraitti 14 As Oy	1.0	1.0
Kuusitie 15 As Oy	1.5	1.5	Meiramikuja As Oy	0.0	0.0
Kuusitie 3 As Oy	1.8	1.8	Mellunsusi As Oy	1.5	1.5
Kuusitie 9 As Oy	2.3	2.3	Merimiehenkatu 41 As Oy Bost. Ab	1.6	1.6
Kvarnhyddan Bost. Ab	1.8	1.8	Messeniuksenkatu 8 As Oy	2.0	2.0
Laajalahdentie 26 As Oy	6.5	6.5	Messilä As Oy	70.0	70.0
Lahden Jyrkkärinteenpuisto As Oy	41.2	41.2	Minna Canthin katu 22 As Oy	2.4	2.4
Lahden Kauppakatu 36 As Oy	7.9	3.6	Muotialantie 31 As Oy	7.0	7.0
Lahden Mesisurri As Oy	100.0	100.0	Mursu As Oy	0.5	0.5
Lahden Nuolikatu 9 As Oy	100.0	100.0	Myllysalama As Oy	59.8	59.8
Lahden Roopenkuja As Oy	25.6	25.6	Myyrinhaukka As Oy	100.0	100.0
Lapinniemen Pallopurje As Oy	1.9	1.9	Naantalin Kastovuorenrinne As Oy	16.7	16.7
Lapintalo As Oy	1.0	1.0	Nekalanpuisto KOy	2.9	2.9
Lappeenrannan Kanavansato 2 As Oy	12.5	12.5	Nervanderinkatu 9 As Oy	2.6	2.6
Lauttasaarentie 11 As Oy	1.6	1.6	Neulapadontie 4 As Oy	1.2	1.2
Lempäälän Moisionaukea 25 As Oy	100.0	100.0	Niittaajankadun Klaava As Oy	100.0	100.0
Lielahdentie 10 As Oy	9.1	9.1	Niittyhovi K Oy	100.0	100.0
Linjala 14 As Oy	4.2	4.2	Niittykummun Huippuparkki K Oy	36.5	36.5
Läntinen Brahenkatu 8 As Oy	0.8	0.8	Nokian Miharintie 38–40 As Oy	32.4	32.4
Lönegropen Bost. Ab, Skidbacksvägen 18	1.6	1.6	Nokian Virran Ritari As Oy	100.0	100.0
Malmeken Ömsesidiga Fastighet	12.8	12.8	Nordenskiöldinkatu 8 As Oy	2.5	2.5
Mannerheimintie 100 As Oy	0.9	0.9	Näkinukuja 2 As Oy	2.5	2.5
Mannerheimintie 108 As Oy	3.0	3.0	Näsinlaine As Oy	1.0	1.0

31 Dec 2019	Group's holding, %	Parent company's holding, %	31 Dec 2019	Group's holding, %	Parent company's holding, %
Näyttelijäntien Pistetalot As Oy	1.4	1.4	Puistokaari 13 As Oy	1.9	1.9
Oskelantie 5 As Oy	4.1	4.1	Puolukkasato As Oy	5.9	5.9
Oskelantie 8 As Oy	2.1	2.1	Puolukkavarikko As Oy	33.9	33.9
Otavantie 3 As Oy	0.6	0.6	Raikukuja II As Oy	100.0	100.0
Otavantie 4 As Oy	1.8	1.8	Raikurinne 1 As Oy	1.3	1.3
Oulun Aleksanteri As Oy	100.0	100.0	Raisio Tasontorni As Oy	39.3	39.3
Oulun Aleksinranta As Oy	100.0	100.0	Raisio Toripuisto As Oy	56.9	20.8
Oulun Arvolankartano As Oy	2.1	2.1	Rantasentteri As Oy	1.5	1.5
Oulun Arvolanpiha As Oy	0.0	0.0	Risto Rytin tie 28 As Oy Bost. Ab	1.5	1.5
Oulun Arvolanpuisto As Oy	9.0	9.0	Ristolantie 7 As Oy	2.5	2.5
Oulun Hoikantie 14–22 As Oy	100.0	100.0	Rivihkola As Oy	4.4	4.4
Oulun Kalevalantie As Oy	100.0	100.0	Ryytikuja 5 As Oy	0.8	0.8
Oulun Laamannintie 1 As Oy	12.8	12.8	Saarenkeskus As Oy	0.4	0.4
Oulun Laanila I As Oy	100.0	100.0	Salpakolmio As Oy	31.3	31.3
Oulun Laanila IV As Oy	100.0	100.0	Sammon Parkki K Oy	21.2	21.2
Oulun Laaniranta As Oy	6.0	6.0	Satakallio As Oy	0.2	0.2
Oulun Marsalkka As Oy	5.7	5.7	Satokaunokki As Oy	7.5	7.5
Oulun Notaarintie 1 As Oy	24.4	24.4	Satosorsa As Oy	19.9	19.9
Oulun Notaarintie 3 As Oy	5.0	5.0	Satosyppi As Oy	12.1	12.1
Oulun Paalikatu 23 As Oy	100.0	100.0	Satulaparkki KOy	53.3	53.3
Oulun Peltolantie 18 B As Oy	100.0	100.0	Savilankatu 1 b As Oy	33.3	33.3
Oulun Rautatienkatu 74 As Oy	100.0	100.0	Solnantie 32 As Oy	0.9	0.9
Oulun Rautatienkatu 78 Asunto Oy	100.0	100.0	Spargäddan Bost. Ab As Oy	1.3	1.3
Oulun Tullikartano As Oy	17.0	17.0	Sulkaolku 6 As Oy	0.4	0.4
Oulun Tulliveräjä As Oy	40.7	40.7	Säästökartano As Oy	0.3	0.3
Peltohuhta As Oy	1.2	1.2	Taapuri As Oy	2.5	2.5
Pengerkatu 27 As Oy	2.6	2.6	Tallbergin puistotie 1 As Oy	2.0	2.0
Pihlajatie N:o 23 As Oy	3.0	3.0	Tammitie 21 As Oy	0.9	0.9
Pohjankartano As Oy	0.0	0.0	Tampereen Aitolahdentie 22 As Oy	100.0	100.0
Pohjanpoika As Oy	8.0	8.0	Tampereen Aitolahdentie 24 As Oy	100.0	100.0
Poutuntie 2 As Oy	3.7	3.7	Tampereen Alapeussonkatu 6 As Oy	100.0	100.0

31 Dec 2019	Group's holding, %	Parent company's holding, %	31 Dec 2019	Group's holding, %	Parent company's holding, %
Tampereen Atanvylä 4A As Oy	100.0	100.0	Terhokuja 3 As Oy	100.0	100.0
Tampereen Atanvylä 4B As Oy	100.0	100.0	Terhokuja 6 As Oy	11.3	11.3
Tampereen Charlotta As Oy (ASSI)	2.0	2.0	Tikkamatti As Oy	9.8	9.8
Tampereen Hannulanpolku 10 As Oy	100.0	100.0	Tohlopinkontu Koy (Sato-As.)	100.0	60.0
Tampereen Hervannan Puistokallio As Oy	100.0	100.0	Turun Asemanlinna As Oy	20.9	20.9
Tampereen Härmälänrannan Aurinkokallio KOy	100.0	100.0	Turun Eteläranta II As Oy	3.2	3.2
Tampereen Härmälänrannan Sisu As Oy	100.0	100.0	Turun Eteläranta III As Oy	2.9	2.9
Tampereen lidesranta 18 As Oy	100.0	100.0	Turun Eteläranta IV As Oy (ASSI)	3.0	3.0
Tampereen Jankanpuisto As Oy	100.0	100.0	Turun Fregatinranta As Oy	4.7	4.7
Tampereen Kanjoninkatu 15 As Oy	56.3	56.3	Turun Föörinranta II As Oy	1.0	1.0
Tampereen Kauppa-aukio As Oy	100.0	100.0	Turun Gränsbackankuja 3 As Oy	100.0	100.0
Tampereen Kokinpellonrinne 2 As Oy	86.9	86.9	Turun Hehtokatu As Oy	39.4	19.1
Tampereen Kristiina As Oy	19.1	19.1	Turun Ipnoksenrinne As Oy (ASSI)	6.7	6.7
Tampereen Kuikankatu 2 As Oy	9.7	9.7	Turun Joutsenpuisto 7 As Oy	100.0	100.0
Tampereen Kyyhky As Oy	11.1	8.1	Turun Kaivokatu 10 As Oy	100.0	100.0
Tampereen Linnanhera As Oy	100.0	100.0	Turun Kivimaanrivi As Oy	6.5	6.5
Tampereen Pappilan Herra As Oy	100.0	100.0	Turun Kiviniemenpuisto As Oy	1.1	1.1
Tampereen Puistofasaani As Oy	100.0	100.0	Turun Kupittaan Peippo, As Oy	34.6	34.6
Tampereen Rotkonraitti 6 As Oy	48.2	48.2	Turun Linnanhuippu As Oy	1.1	1.1
Tampereen Ruovedenkatu 11 As Oy	100.0	100.0	Turun Linnankatu 37 a As Oy	1.7	1.7
Tampereen Sammon Kalervo As Oy	100.0	100.0	Turun Linnanpuisto As Oy	8.8	8.8
Tampereen Siirtolapuutarhankatu 12 As Oy	5.6	5.6	Turun Marmoririnne 2 As Oy	100.0	100.0
Tampereen Strada As Oy	46.6	46.6	Turun Metallikatu As Oy	100.0	100.0
Tampereen Tarmonkatu 6 As Oy	100.0	100.0	Turun Mietoistenkuja As Oy	9.4	9.4
Tampereen Tieteenkatu 14 As Oy	100.0	100.0	Turun Pernon Kartanonlaakso As Oy	42.3	42.3
Tampereen Tuiskunkatu 7 As Oy	100.0	100.0	Turun Pryssinkatu 13 As Oy	100.0	100.0
Tampereen Waltteri As Oy (ASSI)	23.9	23.9	Turun Pulmussuonpuisto As Oy	7.6	7.6
Tapiolan Itäkartano, Espoo As Oy	53.6	53.6	Turun Puutarhakatu 50 As Oy	13.1	13.1
Tapiolan Tuuliniitty, Espoo As Oy (ASSI)	6.8	6.8	Turun Ratavahdinrinne As Oy	100.0	100.0
Tarkkampusjankatu 14 As Oy	44.1	44.1	Turun Rauhankatu 8 As Oy	100.0	100.0
Tasatuomo As Oy	1.3	1.3	Turun Sato-Koto As Oy	100.0	100.0

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Turun Seiskarinkulma As Oy	24.0	14.0	Vantaan Kivivuorentie 8 C As Oy	100.0	100.0
Turun Sipimetsä As Oy	8.5	8.5	Vantaan Krassipuisto As Oy	100.0	100.0
Turun Sukkulakoti As Oy	100.0	100.0	Vantaan Kukinkuja 2 As Oy	100.0	100.0
Turun Tallgreninkartano As Oy	37.1	37.1	Vantaan Kärjäkuja 3 As Oy	19.8	19.8
Turun Tervaporvari As Oy	100.0	100.0	Vantaan Leksankuja 3 As Oy	100.0	100.0
Turun Uudenmaanlinna As Oy (SATOhousing)	100.0	100.0	Vantaan Liesitorin palvelutalo As Oy (ASSI)	2.5	2.5
Turun Veistämöntori As Oy	100.0	100.0	Vantaan Lummepiha As. Oy	100.0	100.0
Turun Westparkin Tuija As Oy	100.0	100.0	Vantaan Maarinrinne As Oy	12.0	12.0
Turuntie 112 As Oy	1.4	1.4	Vantaan Maarukanrinne 6 As Oy	14.6	14.6
Turuntie 63 As Oy	1.6	1.6	Vantaan Martinpääsky As Oy	100.0	100.0
Tykkikuja 7 As Oy	100.0	100.0	Vantaan Minkkikuja As Oy	49.0	49.0
Työväen Asunto-osakeyhtiö Rauha	10.2	10.2	Vantaan Myyrinmutka As Oy	100.0	100.0
Töölön Estradi, Helsinki As Oy	63.0	63.0	Vantaan Oritie 1 As Oy	100.0	100.0
Töölön Gaala As Oy	50.3	50.3	Vantaan Orvokkikuja 1a As Oy	100.0	100.0
Ulpukkaniemi As Oy	25.4	25.4	Vantaan Orvokkikuja 1b As Oy	100.0	100.0
Ulvilantie 11 b As Oy	0.6	0.6	Vantaan Orvokkitie 17 As Oy	14.3	14.3
Urheilukatu 38 As Oy	56.0	56.0	Vantaan Pakkalanportti As Oy	100.0	100.0
Vaasankatu 15 As Oy	0.8	0.8	Vantaan Pakkalanrinne 3 As Oy	41.8	41.8
Vallikallionpolku KOy	100.0	100.0	Vantaan Pakkalanrinne 5–7 As Oy	100.0	100.0
Vallinkyyhky As Oy	6.0	6.0	Vantaan Pakkalanruusu As Oy	3.1	3.1
Valtapolku As Oy	1.2	1.2	Vantaan Peltolantie 14 As Oy	100.0	100.0
Vantaan Aapramintie 4 As Oy	100.0	100.0	Vantaan Pronssikuja 1 As Oy	100.0	100.0
Vantaan Albert Petreliuksen katu 8 As Oy	7.7	7.7	Vantaan Raikukuja 4B As Oy	100.0	100.0
Vantaan Havukoskenkatu 20 As Oy	100.0	100.0	Vantaan Ravurinmäki As Oy	33.2	33.2
Vantaan Heporinne 4 As Oy	100.0	100.0	Vantaan Ruostekuja 3 As Oy	100.0	100.0
Vantaan Horsmakuja 4a As Oy	100.0	100.0	Vantaan Solkikuja 2 As Oy	100.0	100.0
Vantaan Kaarenlehmus As Oy	100.0	100.0	Vantaan Solkikuja 5 As Oy	100.0	100.0
Vantaan Kesäniitty As Oy	100.0	100.0	Vantaan Sompakuja 2–4 As Oy	100.0	100.0
Vantaan Kevätpuro As Oy	100.0	100.0	Vantaan Talvikkitie 38 As Oy	96.1	96.1
Vantaan Kilterinpuisto As Oy	56.2	56.2	Vantaan Tammiston Tringa As Oy	8.3	8.3
Vantaan Kivivuorentie 8 A-B As Oy	100.0	100.0	Vantaan Tammistonkatu 29 As Oy	29.1	29.1

31 Dec 2019	Group's holding, %	Parent company's holding, %
Vantaan Tempo Koy	100.0	100.0
Vantaan Teodora KOy	100.0	100.0
Vantaan Tuurakuja 4 As Oy	34.1	34.1
Vantaan Tykkikuja 11 As Oy	100.0	100.0
Vantaan Tähkiö As Oy	33.2	33.2
Vantaan Uomarinne 5 As Oy	100.0	100.0
Vantaan Vihvilätie 3 As Oy	100.0	100.0
Viides linja 16 As Oy	1.1	1.1
Viikinkisankari As Oy	31.1	31.1
Vilhonvuorenkatu 8 As Oy – Bost. Ab		
Vilhelmsbergsgatan 8	1.1	1.1
Vuomeren-Salpa 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	0.0	0.0
Ylöjärven Soppeenkatja As Oy	100.0	100.0
Ylöjärven Viljavainio As Oy	100.0	100.0
Sato-Rakennuttajat Oy		
Helsingin Tila As Oy (SATO-Rak.)	24.5	11.4
Helsinki, Kalasataman Huvilat As Oy	0.0	0.0
Oulun Peltopyy As Oy	100.0	100.0
Oulun Peltokerttu As Oy	100.0	100.0
Puutorin Pysäköinti KOy	51.6	51.6
Uudenmaantulli KOy	24.3	24.3
Uusi Sarfvik Oy	60.0	41.7
Sarfvikin Vesialue Oy	60.0	41.7

31 Dec 2019	Group's holding, %	Parent company's holding, %
SATOkoti Oy		
Ida Aalbergintie 1 KOy	100.0	100.0
Tohlopinkontu Koy (SATOkoti)	100.0	40.0
SATOkoti 18 Oy		
Espoon Jousenkaari 7 As Oy	100.0	100.0
Vantaan Hiekkaharjuntie 16 As Oy	100.0	100.0
SATOkoti 21 Oy		
Helsingin Keinulaudantie 7 As Oy	100.0	100.0
Suomen Vuokrakodit 3 Oy		
Turun Westparkin Eeben As Oy	100.0	100.0
Vantaan Piparminttu As Oy	100.0	100.0
Vantaan Rubiinikehä 1B As Oy	100.0	100.0
Suomen Satokodit 19 Oy		
Pellervon Pysäköinti KOy	16.0	16.0
Suomen Satokodit 21 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
Suomen Satokodit 22 Oy		
Vantaan Kortteeri As Oy	6.4	6.4
Sato VK 18 Oy		
Espoon Ristinientie 22 As Oy	8.2	5.4
Helsingin Mustankivenraitti 5 As Oy	94.6	94.6
Helsingin Pasuunatie 8 As Oy	9.4	5.8

31 Dec 2019	Group's holding, %	Parent company's holding, %
Helsingin Taimistontie 9 As Oy	2.8	2.8
Helsingin Tulisuoentie 20 As Oy	100.0	100.0
Kuovi As Oy	100.0	100.0
Tampereen Haapalinnan Antintalo As Oy	66.7	50.7
Sato VK 19 Oy		
Jyväskylän mlk:n Kirkkotie 3 As Oy	61.6	12.1
Kaarinan Katariinankallio As Oy	35.8	23.5
Kaarinan Kultarinta As Oy	39.8	26.5
Tampereen Rantatie 13 E-G As Oy	44.7	41.6
Turun Merenneito As Oy	24.7	14.6
Turun Meripoika As Oy	40.8	26.0
Tuusulan Naavankierto 10 As Oy	29.2	5.3
Sato VK 20 Oy		
Espoon Säterinkatu 10 As Oy	75.4	6.1
Helsingin Lintulahdenpuisto As Oy	100.0	100.0
Helsingin Vanhanlinnantie 10 As Oy	14.0	10.2
Oulun Laamannintie As Oy	96.4	43.5
Sato VK 21 Oy		
Espoon Zanseninkuja 4 As Oy	77.7	17.4
Jyväskylän Vaneritori 4 As Oy	85.9	19.8
Kaarinan Mattelpiha As Oy	93.0	36.0
Turun Unikkoniitty As Oy	82.4	13.9
Vantaan Herttuantie 3 As Oy	82.5	31.2
Sato VK 22 Oy		
Espoon Numersinkatu 6 As Oy	80.6	9.2
Kaarinan Kiurunpuisto As Oy	86.3	29.6
Oulun Laamannintie 14 ja 17 As Oy	96.2	61.9

31 Dec 2019	Group's holding, %	Parent company's holding, %
Tampereen Kyläleni As Oy	96.3	70.7
Turun Maarianportti As Oy	100.0	100.0
Sato-Osaomistus Oy		
Espoon Nostoväenkuja 1 As Oy (VA)	3.8	3.8
Espoon Numersinkatu 6 As Oy (OOA)	80.6	71.4
Espoon Puropuisto As Oy (VA)	58.4	2.5
Espoon Ristinientie 22 As Oy (VA)	8.2	2.8
Espoon Sokerilinnantie 1 As Oy (VA)	5.8	1.6
Espoon Säterinkatu 10 As Oy (OOA)	75.4	69.3
Espoon Zanseninkuja 4 As Oy (OOA)	77.7	60.3
Helsingin Pasuunatie 8 As Oy (OOA)	9.4	3.6
Helsingin Taavetinaukio 4 As Oy (VA) 1	3.9	3.9
Helsingin Vanhanlinnantie 10 As Oy (OOA)	14.0	3.8
lidesranta 42 Tampere As Oy (VA)	9.9	3.4
Jyväskylän mlk:n Kirkkotie 3 As Oy (OOA)	61.6	49.5
Jyväskylän Vaneritori 4 As Oy (OOA)	85.9	66.0
Kaarinan Katariinankallio As Oy (OOA)	35.8	12.3
Kaarinan Katariinanrinne As Oy (VA)	12.2	5.3
Kaarinan Kiurunpuisto As Oy (OOA)	86.3	56.7
Kaarinan Kultarinta As Oy (OOA)	39.8	13.4
Kaarinan Mattelpiha As Oy (OOA)	93.0	56.9
Kaarinan Verkapatruuna As Oy (VA)	17.4	12.2
Lahden Kauppakatu 36 As Oy (VA)	7.9	4.3
Oulun Laamannintie 14 ja 17 As Oy (VA)	96.2	34.3
Oulun Laamannintie As Oy (OOA)	96.4	52.9
Raisio Siirinsopukka As Oy (VA)	15.3	15.3
Raisio Toripuisto As Oy (VA)	56.9	36.2
Tampereen Haapalinnan Antintalo As Oy (OOA)	66.7	16.0
Tampereen Kyläleni As Oy (OOA)	95.3	24.6
Tampereen Kyyhky As Oy (VA)	11.1	3.0

31 Dec 2019	Group's holding, %	Parent company's holding, %
Tampereen Rantatie 13 E-G As Oy (OOA)	44.7	3.0
Turun Hehtokatu As Oy (VA)	51.2	32.1
Turun Merenneito As Oy (OOA)	24.7	10.1
Turun Meripoika As Oy (OOA)	40.8	14.8
Turun Pakanpoika As Oy	50.0	50.0
Turun Seiskarinkulma As Oy (VA)	24.0	10.0
Turun Unikkoniitty As Oy (OOA)	82.4	68.5
Tuusulan Naavankierto 10 As Oy (OOA)	29.2	23.9
Vantaan Herttuantie 3 As Oy (OOA)	82.5	51.3
Vatrotalot 2 Oy		
Sato-Osaomistus Oy	100.0	100.0
Vatrotalot 3 Oy		
Kirkkonummen Riihipolku As Oy	100.0	100.0
Kylänpäänpelto As Oy	43.8	43.8
Nurmijärven Kylänpäänniitty As Oy	35.2	35.2
Nurmijärven Kylänpäänpääkaari As Oy	45.0	45.0

31 Dec 2019	Group's holding, %	Parent company's holding, %
Vatrotalot 5 Oy		
Helsingin Laivalahdenportti 5 As Oy	75.5	75.5
Helsingin Toini Muonan katu 8 As Oy	10.6	10.6
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 Ravurinpuisto As Oy	61.1	61.1

FINANCIAL STATEMENTS OF THE PARENT COMPANY, FAS

PARENT COMPANY INCOME STATEMENT, FAS

MEUR	note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Net sales	2	9.9	11.0
Other operating income	3	0.1	0.2
Materials and services	4	-0.1	0.6
Personnel expenses	5, 6, 7	-2.3	-3.6
Depreciation, amortisation and impairment charges	8	-1.6	-1.3
Other operating expenses	9	-14.1	-26.4
Operating profit		-8.1	-19.5
Financial income and expenses	10	-48.0	-41.0
Profit/loss before appropriations and taxes		-56.2	-60.5
Group contribution	11	105.0	127.2
Income taxes	12	-11.3	-17.0
Profit for the period		37.5	49.7

PARENT COMPANY BALANCE SHEET, FAS

MEUR	note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets	13	4.1	3.0
Tangible assets	14	2.6	1.9
Holdings in Group companies	15	1,066.9	1,066.9
Holdings in associated companies	16	0.0	0.0
Other holdings and shares	17	1.1	1.0
Total		1,074.7	1,072.9

MEUR	note	31 Dec 2019	31 Dec 2018
Current assets			
Inventories	18	1.4	1.4
Long-term receivables, group	19	793.6	599.5
Long-term receivables, external	19	0.2	0.3
Short-term receivables, group	20	358.0	260.4
Short-term receivables, external	20	6.0	0.7
Cash and cash equivalents		0.6	2.0
Total		1,159.7	864.3

TOTAL ASSETS

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity	21, 22		
Share capital	23	4.4	4.4
Reserve fund		43.7	43.7
Other funds		116.0	116.0
Retained earnings		158.6	137.2
Profit for the period		37.5	49.7
Total		360.2	351.0

Liabilities

Non-current liabilities, external	24	1,358.3	1,195.4
Current liabilities, group	25	138.4	81.2
Current liabilities, external	25	377.2	309.5
Total		1,874.2	1,586.2

SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL

		2,234.4	1,937.2
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PARENT COMPANY'S CASH FLOW STATEMENT, FAS

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the financial year	37.5	49.7
Adjustments:		
Depreciation	1.6	1.3
Financial income (–) and expenses (+)	48.0	41.0
Income tax	11.3	17.0
Proceeds (–) and losses (+) on sales of non-current assets	-0.1	-1.8
Group contribution	-105.0	-127.2
Other adjustments	0.0	15.7
Cash flow before change in working capital	-6.6	-4.4
Change in working capital		
Decrease (+)/increase (–) in current non-interest bearing receivables	0.2	1.5
Decrease (+)/increase (–) in inventories	0.0	0.1
Decrease (–)/increase (+) in current loans	20.1	-0.5
Cash flow before financial items and taxes	13.7	-3.3
Interest paid	-33.6	-35.1
Interest received	10.9	6.5
Other financial expenses	-19.4	-9.5
Direct taxes paid	-18.3	-18.0
Cash flow from operating activities (A)	-46.8	-59.4

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	-3.4	-2.5
Income from disposals of tangible assets	0.2	0.1
Other investments to subsidiaries	0.0	0.0
Placements in other investments	-0.1	0.0
Proceeds from subsidiary shares	0.0	1.7
Proceeds from other investments	0.0	0.1
Loans granted	-257.0	-204.5
Instalments on loan receivable	63.0	0.0
Cash flow from investing activities (B)	-197.3	-205.2
CASH FLOW FROM FINANCING ACTIVITIES		
Loans taken	1,443.3	272.0
Payments on loans	-1,218.1	-100.0
Changes in short-term cash pool liabilities and receivables	-81.4	-2.8
Group contributions (contribution-based)	127.2	125.6
Dividends paid and other distribution of profit	-28.3	-28.3
Cash flow from financing activities (C)	242.6	266.5
Change in cash equivalents	-1.4	1.9
Cash and cash equivalents at the beginning of the year	2.0	0.0
Cash and cash equivalents at the end of the year	0.6	2.0

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

I. SATO CORPORATION, PARENT COMPANY ACCOUNTING PRINCIPLES

Basic information

Sato Corporation is domiciled in Helsinki and its registered address is Panuntie 4, 00610 Helsinki.

Sato Corporation is a part of Balder Fastighets Ab Group. The largest shareholder of Sato Corporation is Balder Finska Ots Ab with 54.6% shareholding. Balder Finska Ots Ab is a subsidiary of Balder Fastighets Ab Plc.

General principles

Sato Corporation's financial statements have been prepared in accordance with the provisions of the Finnish Accounting Act and the Finnish Limited Liability Companies Act.

Income related to rental operations and compensation for administration costs

Income related to rental operations and compensation for administration costs are recognised on an accrual basis during the agreement period.

Valuation of fixed assets

Tangible and intangible assets are recognised in the balance sheet at original acquisition cost less depreciation according to plan and possible impairment. Depreciations according to plan are calculated as straight-line depreciation on the basis of the estimated useful life of the assets.

Depreciation periods:

Other intangible long-term expenses	10 years
Buildings	67 years
Structures	15 years
Machinery and equipment	5–10 years
Other tangible assets	3–6 years
Shelters	40 years
Vehicles	4 years

Shares in subsidiaries are valued based on acquisition costs less possible impairments.

Pension costs

The pension cover of Group companies is handled by external pension insurance companies in all respects. Pension costs are recognised as costs in the income statement on an accrual basis.

Development expenditures

Development costs are recognised as expenses in the income statement in the financial year in which they are generated.

Valuation of inventories

Inventories have been recognised at the lower of cost or probable sales price on the balance sheet date.

Derivatives

Interest rate derivatives are used for hedging against the interest rate risks of floating term loans. The interest income and expenses based on derivative instruments are allocated over the agreement period.

The company has recorded the negative fair values of the derivatives as a non-current and current liability in full in its balance sheet. No deferred tax assets have been recorded from the derivative liability.

Derivatives having positive fair values are not entered into the balance sheet and positive fair values are reported only in the notes to the financial statements.

Methods used in derivative fair valuations have been discussed under the Group Financial Statements note number 27.

Restatements of information presented for prior period

The presentation of balance sheet items for the prior period has been made consistent with the presentation for the current period, in respect of the group cash pool account managed by the company. As a result of the change, short-term receivables from group companies increased by EUR 78.8 million, cash and cash equivalents increased by EUR 1.9 million and current liabilities to group companies increased by EUR 80.7 million for the comparison period. The changes have also been accounted for in the prior period cash flow statement.

NOTES TO INCOME STATEMENT

2. NET SALES

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Rental income and compensation charges	2.5	2.5
Other income	0.6	2.0
Management service charges	6.8	6.5
Total	9.9	11.0

3. OTHER OPERATING INCOME

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Other operating income	0.0	0.0
Commission, sold property	0.0	0.1
Profit on sales of fixed assets	0.1	0.1
Total	0.1	0.2

4. MATERIALS AND SERVICES

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Materials and consumables		
Purchases	0.0	0.0
Change in inventories	0.1	-0.6
Total	0.1	-0.6

5. PERSONNEL EXPENSES

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Salaries and wages	1.9	3.0
Pension expenses	0.4	0.5
Other personnel expenses	0.0	0.1
Total	2.3	3.6

6. MANAGEMENT SALARIES AND COMPENSATIONS

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Presidents and members of the Board of Directors	0.8	0.7

7. AVERAGE NUMBER OF PERSONNEL

	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Employees	16	16

8. DEPRECIATION AND AMORTISATION

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Amortisation of intangible assets	0.9	0.8
Depreciation of tangible assets	0.7	0.5
Total	1.6	1.3

9. OTHER OPERATING EXPENSES

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Rents	0.5	0.5
Maintenance expenses	1.0	0.6
Other fixed expenses*	11.2	11.3
Other operating expenses	1.5	0.0
Merger loss, SVK Group Corporation	0.0	14.0
Total	14.1	26.4

* Audit fees were EUR 0.1 (0.0) million and audit related assignment fees were EUR 0.1 (0.0) million in 2019 and 2018. Tax and other consultancy services purchased from auditors were EUR 0.0 million in 2019 and in 2018.

NOTES TO BALANCE SHEET

10. FINANCIAL INCOME AND EXPENSES

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Interest income and other financial income on long-term investments		
From Group companies	10.9	6.5
Sales profit on long-term investments, subsidiary SATO Hotelhome Corp.	0.0	1.7
From others	0.0	0.0
Total	10.9	8.2
MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Interest expenses and other financing expenses		
To Group companies	0.0	-5.6
To others:		
Interest Income	-32.8	-33.2
Other financial expenses	-18.4	-4.3
Change of derivative fair values	-7.8	-6.0
Total	-59.0	-49.2
Financial income and expenses, total	-48.0	-41.0

11. GROUP CONTRIBUTIONS

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Group contributions received	105.0	127.2
Total	105.0	127.2

12. INCOME TAXES

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Income taxes, business operations	11.3	17.0
Total	11.3	17.0

13. INTANGIBLE ASSETS

MEUR	2019	2018
Other long-term expenditure		
Acquisition cost, 1 Jan	8.3	6.6
Increases	2.0	1.7
Decreases	0.0	0.0
Acquisition cost, 31 Dec	10.3	8.3
Accumulated amortisation and impairment, 1 Jan	5.3	4.5
Accumulated amortisation of decreases	0.0	0.0
Amortisation, current year	0.9	0.8
Accumulated amortisation and impairment, 31 Dec	6.2	5.3
Book value, 31 Dec	4.1	3.0
Intangible assets, total	4.1	3.0

14. TANGIBLE ASSETS

MEUR	2019	2018
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 impairment, 1 Jan	0.0	0.0
Accumulated depreciation and impairment, 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

MEUR	2019	2018
Machinery and equipment		
Acquisition cost, 1 Jan	4.1	3.5
Increases	1.2	0.7
Decreases	-0.3	-0.2
Acquisition cost, 31 Dec	5.0	4.1
Accumulated depreciation and impairment, 1 Jan	2.7	2.5
Accumulated depreciation of decreases	-0.2	-0.1
Depreciation, current year	0.5	0.3
Accumulated depreciation and impairment, 31 Dec	3.1	2.7
Book value, 31 Dec	1.9	1.3
Other tangible assets		
Acquisition cost, 1 Jan	1.4	1.4
Increases	0.2	0.0
Acquisition cost, 31 Dec	1.6	1.4
Accumulated depreciation and impairment, 1 Jan	0.8	0.7
Depreciation, current year	0.1	0.1
Accumulated depreciation and impairment, 31 Dec	0.9	0.8
Book value, 31 Dec	0.6	0.6
Assets in progress		
Acquisition cost, 1 Jan	0.0	0.0
Increases	0.0	0.0
Acquisition cost, 31 Dec	0.0	0.0
Book value, 31 Dec	0.0	0.0
Tangible assets, total	2.6	1.9

15. HOLDINGS IN GROUP COMPANIES

MEUR	2019	2018
Acquisition cost, 1 Jan	1,066.9	1,081.2
Transfers	0.0	0.2
Decreases	0.0	-14.5
Acquisition cost, 31 Dec	1,066.9	1,066.9
Book value, 31 Dec	1,066.9	1,066.9

16. HOLDINGS IN ASSOCIATED COMPANIES

MEUR	2019	2018
Acquisition cost, 1 Jan	0.0	0.0
Acquisition cost, 31 Dec	0.0	0.0
Book value, 31 Dec	0.0	0.0

17. OTHER STOCKS AND SHARES

MEUR	2019	2018
Acquisition cost, 1 Jan	1.1	1.0
Increases	0.0	0.0
Decreases	0.0	0.0
Acquisition cost, 31 Dec	1.1	1.1
Accumulated depreciation and impairment, 1 Jan	0.0	0.0
Accumulated depreciation and impairment, 31 Dec	0.0	0.0
Book value, 31 Dec	1.1	1.0
Investments, total	1,068.0	1,067.9

18. INVENTORIES

MEUR	2019	2018
Land areas and land area companies	1.2	1.1
Other inventories	0.2	0.3
Book value, 31 Dec	1.4	1.4

19. NON-CURRENT RECEIVABLES

MEUR	2019	2018
Receivables from Group companies		
Notes receivable	793.6	599.5
Total	793.6	599.5
MEUR		
Receivables from others		
Notes receivable	0.2	0.3
Total	0.2	0.3
Non-current receivables, total	793.8	599.8

20. CURRENT RECEIVABLES

MEUR	2019	2018
Receivables from Group companies		
Other receivables	357.8	260.4
Prepaid expenses and accrued income	0.1	0.0
Total	358.0	260.4
Receivables from others		
Accounts receivable	0.2	0.5
Prepaid expenses and accrued income	5.8	0.2
Total	6.0	0.7
Current receivables, total	364.0	261.1
Receivables total	1,157.8	860.9

MEUR	2019	2018
Specification of prepaid expenses and accrued income		
Interest receivables	0.0	0.1
Current tax receivables	5.6	0.0
Other	0.2	0.1
Total	5.8	0.2

21. SHAREHOLDERS' EQUITY

MEUR	2019	2018
Share capital, 1 Jan	4.4	4.4
Share capital, 31 Dec	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	114.8	114.8
Invested unrestricted equity fund, 31 Dec	114.8	114.8
Retained earnings, 1 Jan	186.9	165.6
Dividend payment	-28.3	-28.3
Retained earnings, 31 Dec	158.6	137.2
Profit for the period	37.5	49.7
Shareholders' equity, total, 31 Dec	360.2	351.0

22. CALCULATION OF DISTRIBUTABLE FUNDS

MEUR	2019	2018
Other funds	1.1	1.1
Invested unrestricted equity fund	114.8	114.8
Retained earnings	158.6	137.2
Profit for the period	37.5	49.7
Distributable funds, 31 Dec	312.1	302.9

23. SHARE CAPITAL AND SHARES

	2019	2018
Total number of shares	56,783,067	56,783,067

SATO Corporation has one class of shares, each of which entitles to one vote at the Annual General Meeting. The shares do not have a nominal value. The share capital of the company totalled EUR 4,442,192.00 at the financial statement date, and it was fully paid. The company held 160,000 of its own shares at the financial statement date.

24. LONG-TERM LIABILITIES

MEUR	2019	2018
Loans from financial institutions		
Bonds*	549.0	648.1
Loans from financial institutions	776.7	521.7
Derivative liabilities	32.7	25.7
Total	1,358.3	1,195.4
Long-term liabilities, total	1,358.3	1,195.4

* More information on Group financial statements note 26.

Sensitivity analysis, interest rate risk		2019	
MEUR		Profit and Loss	Equity
		0.1%	-0.1%
Interest rate swaps		3.2	-3.2
Total		3.2	-3.2

		2018	
MEUR		Profit and Loss	Equity
		0.1%	-0.1%
Interest rate swaps		3.4	-3.4
Total		3.4	-3.4

Hedge accounting is not applied on SATO Corporation level, therefore the sensitivity impact on equity and profit and loss is the same.

Loans maturing in more than five years	481.7	304.2
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Derivatives		2019	2018
MEUR			
Nominal values of derivative instruments			
Interest rate swaps, liabilities		658.4	755.4
Net		658.4	755.4
MEUR			
Fair values of derivative instruments			
Interest rate swaps			
Positive		0.0	0.0
Negative		-34.6	-26.8
Net		-34.6	-26.8

Interest rate risk arising from floating rate loans of Group companies is hedged using derivative instruments in accordance with the Treasury Policy. The hedge ratio complies with the Treasury Policy, according to which the ratio of fixed-rate loans to the entire loan portfolio (excluding ARAVA loans) is kept above 60 per cent. SATO's objective is to keep the interest-fixing period between 3 to 5 years.

No deferred tax assets have been recorded in relation to derivative liabilities. The deferred tax asset would have been EUR 6.9 million on 31 December 2019 and EUR 5.4 million on 31 December 2018.

25. CURRENT LIABILITIES

MEUR	2019	2018
Loans to Group companies		
Accounts payable	0.4	0.4
Other liabilities	138.2	80.8
Accrued expenses and prepaid income to 100% owned housing companies	0.0	0.0
Total	138.7	81.2
MEUR	2019	2018
Loans to others*		
Loans from financial institutions	261.5	191.3
Bonds	100.0	100.0
Advances received	0.2	0.2
Accounts payable	1.4	0.6
Other liabilities	1.7	0.9
Accrued expenses and prepaid income	12.4	16.6
Total	377.2	309.5
Current liabilities, total	515.9	390.7
Liabilities, total	1,874.2	1,586.2

* Short-term liabilities include derivative liabilities EUR 1.9 million (2018: EUR 1.1 million)

For purposes of short-term financing, SATO has a commercial paper programme of EUR 400 (400) million, committed credit limits of EUR 400 (400) million, of which EUR 400 (400) million were unused, and a non-committed current overdraft limit of EUR 5 (5) million, of which EUR 1.5 (5) million were unused.

MEUR	2019	2018
Specification of accrued expenses and prepaid income		
Wages and salaries including employee benefits	1.5	2.6
Interest payable	9.7	12.5
Current tax liabilities	0.0	1.4
Others	1.3	0.2
Total	12.4	16.6

26. COLLATERALS, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

MEUR	2019	2018
Guarantees		
Guarantees for debts and derivatives of Group companies	134.9	169.6
Bank guarantees for Group companies	12.6	6.5
Total	147.5	176.1

MEUR	2019	2018
Other commitments		
Lease agreements for office premises, amounts due (incl.VAT)		
Within one year	1.3	1.8
Later than one year but within five years	4.4	5.3
Over five years	2.8	0.0
Utilities and other commitments	0.5	0.3
Pledges and contingent liabilities, total	9.0	7.3

SATO has sublet its office premises in Panuntie, Helsinki, in 2019 and 2018. In the current period, rental income recognised in income statement from these sublease agreements amounted to EUR 0.4 (0.4) million.

SATO has granted a community guarantee included in bank guarantee for Sato-Asunnot Oy, SATOkoti Oy and Sato-Rakennuttajat Oy.

SATO's funding agreements contain covenant clauses relating to the Group's capital structure and interest payment capacity. These clauses set a ratio of unencumbered assets to total assets at least 42.5 per cent, a solvency ratio maximum of 65 per cent, a secured solvency ratio maximum 45 per cent and interest coverage ratio of at least 1.8. At the reporting date, the ratio of unencumbered assets was 80.8 (74.1) per cent, the solvency ratio was 44.4 (50.5) per cent, the secured solvency ratio was 10.2 (17.5) per cent and the interest coverage ratio was 3.3 (4.4).

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE DISTRIBUTION OF PROFIT

On 31 December 2019, the parent company's distributable funds amounted to EUR 312,114,835.06 of which profit for the period was EUR 37,539,322.79. The company had 56,623,067 outstanding shares entitling to dividends for year 2019.

The Board of Directors proposes to the Annual General Meeting that EUR 0.50 per share be paid in dividends for the 2019 financial period (EUR 0.50 per share for 2018), EUR 28,311,533.50 in total, and that EUR 9,227,789.29 be transferred to retained earnings.

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

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

Helsinki, 26 February 2020

Erik Selin

Jukka Hienonen

Marcus Hansson

Esa Lager

Tarja Pääkkönen

Timo Stenius

Hans Spikker

Sharam Rahi
CEO

The auditors' note

Our report on the conducted audit has been issued today.

Helsinki, 26 February 2020

Deloitte Oy, Authorised Public Accountants

Eero Lumme,
Authorised Public Accountant

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 2019. The financial statements comprise the consolidated balance sheet, income statement, 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 position, financial performance and cash flows 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.

Our opinion is consistent with the additional report submitted to the Audit Committee.

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.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 7 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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 properties

Key audit matter

Refer to note 13 to the consolidated financial statements.

Consolidated financial statements as of 31 December 2019 include investment properties amounting to EUR 4,657.9 million.

Investment properties, as defined in IAS 40, are measured at fair value in accordance with IFRS 13.

Fair value measurement of investment properties requires management judgment and assumptions, since market prices for investment properties are not available in publicly traded markets. For previous financial years until 31 December 2018, the group used sales comparison method as its primary valuation method for properties located in Finland that can be sold without restrictions. In the financial statements as of 31 December 2019 the group changed the valuation method for these properties to income value method. The impact of the change in valuation method on the gain from fair value change of investment properties was approximately EUR 430 million.

This matter is regarded as significant risk of material misstatement in accordance with EU Audit Regulation (537/2014) Article 10 paragraph 2 c.

How our audit addressed the key audit matter

We have assessed and challenged the principles and methods applied in the fair value measurement. Our audit procedures included the following, among others:

- assessment of the appropriateness of valuation methods and the reasonableness of management assumptions
- testing the applied valuation model for mathematical accuracy
- comparison of the valuation of investment properties by region against externally available market data sources
- evaluation of the appropriateness of the input data used in the valuation
- evaluation of the competence and objectivity of the external valuation expert used by the management
- testing the key controls for operating effectiveness.

We have assessed the appropriateness of the presentation in the consolidated financial statements.

Fair value measurement of derivative instruments and application of hedge accounting

Key audit matter

Refer to note 27 to the consolidated financial statements and note 24 to the parent company's financial statements.

Derivative liabilities as of 31 December 2019 in the consolidated financial statements and in the parent company's financial statements amount to EUR 48.6 million and EUR 34.6, respectively.

Management estimates are used in the fair value measurement of derivatives and in the application of hedge accounting. These estimates contain management assumptions.

How our audit addressed the key audit matter

Our audit procedures have included an assessment of internal control environment and processes over the hedge accounting documentation, effectiveness testing, and fair value measurement.

We have also assessed the procedures and assumptions used by the management in fair value measurement.

- We have assessed the appropriateness of valuation methods and accounting policies used against the requirements set in IFRS 9 and IFRS 13 for consolidated financial statements and against requirements of the Finnish Accounting Act for parent company's financial statements.
- We have compared the assumptions used by management in valuation against externally available market data.
- We have assessed the existence and completeness of outstanding derivative contracts by requesting confirmations from the counterparties.
- We have assessed that financial instruments included in hedge relationships are accounted for in accordance with IFRS 9 in the consolidated financial statements.

We have assessed the appropriateness of the presentation for derivative financial instruments and hedge accounting applied in the consolidated financial statements and in the parent company's 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 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 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 judgment 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

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 23 March 2018, and our appointment represents a total period of uninterrupted engagement of two years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the

Annual Report, but does not include the financial statements and our auditor's report thereon. We have 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 other information that we obtained prior to the date of this auditor's report, 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.

Helsinki, 26 February 2020

Deloitte Oy
Audit Firm

Eero Lumme
Authorised Public Accountant (KHT)

FIVE YEAR INDICATORS

Key financial indicators	2019	2018*	2017*	2016 [†]	2015 [†]
Net sales, MEUR	295.6	290.4	280.1	262.7	249.4
Net rental income, MEUR	207.1	198.5	188.4	167.1	151.8
Operating profit, MEUR	725.6	273.3	230.1	267.2	196.5
Net financing expenses, MEUR	-55.1	-42.5	-45.8	-47.8	-37.0
Profit before taxes, MEUR	670.5	230.8	184.4	219.4	159.4
Balance sheet total, MEUR	4,718.2	3,922.4	3,693.1	3,562.2	2,979.6
Shareholders' equity, MEUR	2,055.8	1,554.5	1,397.6	1,252.6	993.2
Interest bearing liabilities, MEUR	2,098.4	1,982.2	1,931.7	1,943.0	1,676.2
Return on invested capital, % (ROI)	18.9%	7.9%	7.1%	9.1%	7.6%
Return on equity, % (ROE)	29.6%	12.4%	11.0%	15.6%	13.5%
Equity ratio, %	43.6%	39.6%	37.8%	35.2%	33.3%
Personnel, average**	223	215	206	170	172
Personnel at the end of period	229	218	212	175	170
Key indicators per share					
Earnings per share, EUR	9.45	3.26	2.55	3.22	2.49
Equity per share, EUR***	36.31	27.46	24.68	22.12	19.53
Number of shares, million****	56.6	56.6	56.6	56.6	50.8
Operational key figures and net asset value					
Operational earnings, MEUR	91.4	98.7	82.8	69.5	64.5
Operational earnings per share, EUR	1.61	1.74	1.46	1.28	1.27
Net asset value, MEUR	2,477.7	1,855.7	1,678.7	1,517.5	1,227.8
Net asset value per share, EUR	43.76	32.77	29.65	26.80	24.15
Cash earnings, MEUR	91.2	97.9	92.4	86.2	78.1
Cash earnings per share, EUR	1.61	1.73	1.63	1.59	1.54

[†] Key figures of 2017 and more recent include the effects of adoption of IFRS 9 *Financial Instruments*. The figures of prior years are unadjusted.

* Key figures of 2019 include the effects of adoption of IFRS 16 *Leases*. The figures of prior years are unadjusted.

** Including summer trainees.

*** Equity excluding non-controlling interests.

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

FORMULAS USED IN CALCULATION

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

INFORMATION FOR SHAREHOLDERS

THE ANNUAL GENERAL MEETING OF SATO CORPORATION

Notice is given to the shareholders of SATO Corporation of the Annual General Meeting to be held on Wednesday, 1 April 2020 at 13.00 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 12.30.

The matters defined in section 5 in SATO Corporations's Articles of Association will be handled in the Annual General Meeting.

DOCUMENTS OF THE GENERAL MEETING

The notice of the meeting and the agenda with the draft resolutions will be available on the SATO Corporation's website www.sato.fi as of 27 February 2020. SATO Corporation's financial statements, report of the Board of Directors and the auditor's report will be available on the website no later than on 5 March 2020. 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 15 April 2020 at the latest.

INSTRUCTIONS FOR PARTICIPANTS OF THE GENERAL MEETING

Right to attend and registration

Each shareholder who is on 20 March 2020 registered in the shareholders register of the company maintained by Euroclear Finland Ltd has the right to attend the General Meeting. A share-

holder 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 on Friday 27 March 2020 at 16.00, 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 9.00–16.00 or
- by e-mail to yhtiokokous@sato.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 20 March 2020 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 by 27 March 2020

by 10.00. 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

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

FINANCIAL PUBLICATIONS

Publication dates for interim reports and half year financial report:

- Interim report January–March 8 May 2020
- Half year financial report January–June 16 July 2020
- Interim report January–September 5 November 2020

The annual report for the financial period, interim reports and half year financial report are issued in Finnish and in English. They are available at the company's website www.sato.fi. Further information is available from viestinta@sato.fi.

ARTICLES OF ASSOCIATION AND SHARES

SATO Corporation's Articles of Association as in force was registered on 19 April 2018. The Articles of Association does not include any provisions on redemption of shares.

On 31 December 2018, 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.

DISTRIBUTION OF SHARES ON 31 DECEMBER 2019

Shareholder	Number of shares	Holdings %
Balder Finska Ota AB (Fastighets AB Balder, 100%)	30,992,806	54.6
Stichting Depositary APG Strategic Real Estate Pool	12,811,647	22.6
Elo Mutual Pension Insurance Company	7,233,081	12.7
The State Pension Fund	2,796,200	4.9
The Finnish Construction Trade Union	619,300	1.19
Erkka Valkila	390,000	0.7
Hengityssairauksien tutkimussäätiö	227,000	0.4
Tuula Entelä	179,000	0.3
SATO Corporation	160,000	0.3
Erkki Heinonen	156,684	0.3
Others (109 shareholders)	1,211,349	2.1

On 31 December 2019, the Group had 119 shareholders entered in the book-entry register. The turnover of SATO Corporation's shares was 0.23 per cent during the reporting year.

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